Japan

RISK & COMPLIANCE REPORT

DATE: March 2018

KNOWYOURCOUNTRY.COM

Executive Summary - Japan	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Weakness in Government Legislation to combat Money Laundering Not on EU White list equivalent jurisdictions
Medium Risk Areas:	US Dept of State Money Laundering assessment Non - Compliance with FATF 40 + 9 Recommendations Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

rice, sugar beets, vegetables, fruit; pork, poultry, dairy products, eggs; fish

Industries:

among world's largest and technologically advanced producers of motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles, processed foods

Exports - commodities:

motor vehicles 13.6%; semiconductors 6.2%; iron and steel products 5.5%; auto parts 4.6%; plastic materials 3.5%; power generating machinery 3.5%

Exports - partners:

China 18%, US 17.7%, South Korea 7.7%, Thailand 5.5%, Hong Kong 5.1% (2012)

Imports - commodities:

petroleum 15.5%; liquid natural gas 5.7%; clothing 3.9%; semiconductors 3.5%; coal 3.5%; audio and visual apparatus 2.7% (2011 est.)

Imports - partners:

China 21.3%, US 8.8%, Australia 6.4%, Saudi Arabia 6.2%, UAE 5%, South Korea 4.6%, Qatar 4% (2012)

Investment Restrictions:

The Government of Japan explicitly promotes inward FDI and has established formal programs to attract it. The Japanese government's commitment to implement policies to improve the climate for foreign investment, however, has been uneven. While the FDI stock has risen substantially since the 1990's, Japan still has the lowest ratio of FDI as a proportion of GDP of any OECD member.

Japan has gradually eliminated most formal restrictions governing FDI. One important restriction remaining in law limits foreign ownership in Japan's former land-line monopoly telephone operator, Nippon Telegraph and Telephone (NTT), to 33%. Japan's Radio Law and separate Broadcasting Law also limit foreign investment in broadcasters to 20%, or 33% for broadcasters categorized as facility-supplying.

Foreign and domestic private enterprises have the right to establish and own business enterprises and engage in all forms of remunerative activity.

However, the 2005 Companies Act includes a provision -- Article 821 -- which creates uncertainty among foreign corporations that conduct their primary business in the Japanese market through a branch company. As written, Article 821 appears to prohibit branches of foreign corporations from engaging in transactions in Japan "on a continuous basis."

Contents

Section 1 - Background

In 1603, after decades of civil warfare, the Tokugawa shogunate (a military-led, dynastic government) ushered in a long period of relative political stability and isolation from foreign influence. For more than two centuries this policy enabled Japan to enjoy a flowering of its indigenous culture. Japan opened its ports after signing the Treaty of Kanagawa with the US in 1854 and began to intensively modernize and industrialize. During the late 19th and early 20th centuries, Japan became a regional power that was able to defeat the forces of both China and Russia. It occupied Korea, Formosa (Taiwan), and southern Sakhalin Island. In 1931-32 Japan occupied Manchuria, and in 1937 it launched a full-scale invasion of China. Japan attacked US forces in 1941 - triggering America's entry into World War II - and soon occupied much of East and Southeast Asia. After its defeat in World War II, Japan recovered to become an economic power and an ally of the US. While the emperor retains his throne as a symbol of national unity, elected politicians hold actual decision-making power. Following three decades of unprecedented growth, Japan's economy experienced a major slowdown starting in the 1990s, but the country remains a major economic power. In March 2011, Japan's strongest-ever earthquake, and an accompanying tsunami, devastated the northeast part of Honshu island, killing thousands and damaging several nuclear power plants. The catastrophe hobbled the country's economy and its energy infrastructure, and tested its ability to deal with humanitarian disasters.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Japan is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

At the June 2014 FATF Plenary, FATF made the following statement: -

"The FATF is concerned by Japan's continued failure to remedy the numerous and serious deficiencies identified in its third mutual evaluation report adopted in October 2008, despite Japan's high-level political commitment.

The most important deficiencies deal with:

- the incomplete criminalisation of terrorist financing

- the lack of satisfactory customer due diligence requirements and other obligations in the area of preventive measures applicable to the financial and non-financial sectors

- the incomplete mechanism for the freezing of terrorist assets, and

- the failure to ratify and fully implement the Palermo Convention.

The FATF encourages Japan to promptly address these AML/CFT deficiencies, including through the adoption of the necessary legislation. The FATF will continue to monitor Japan's progress."

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Japan was undertaken by the Financial Action Task Force (FATF) in 2008. According to that Evaluation, Japan was deemed Compliant for 4 and Largely Compliant for 19 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 2 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2008):

In general, the domestic crime rate is very low in Japan and the Police are well aware of the money laundering (ML) schemes used in Japan. The statistics held by the Japanese authorities reveal that for the last three years there were three major sources of criminal proceeds: drug offences, fraud and "loan-sharking" (i.e. illegal money lending). According to the National Police Agency (NPA), most of the drugs abused are smuggled in from overseas and then often distributed by criminal organizations, organized crime groups according to the Japanese designation, or Boryokudan, commonly known in the English-speaking world as "yakuza". In 2006, organized crime groups were involved in around 40% of the money laundering cases. The origin of the laundered funds is prostitution, illicit gambling and "loan-sharking". Recently, remittance frauds have been discovered, some of them also involve organized crime groups.

Four major types of frauds are used: i) "Ore-ore fraud" where phone calls are made to victims by swindlers pretending to be a relative, police officer, or practicing attorney under the pretext that they immediately need money to pay for something such as an automobile accident, and convince victims to transfer the money to a certain savings account; ii) fictitious billing fraud uses postal services or the Internet to send documents or e-mails demanding money and valuables based on fictitious bills, by which the general public is sometimes persuaded to transfer money to designated accounts; iii) loan-guarantee fraud is a method of fraud where a letter supposedly meant as a proposal is sent to the victim, persuading the victim to transfer money to designated accounts under the pretext of a guarantee deposit for loans and iv) refund fraud where swindlers pretending to be tax officers instruct people on the procedure for tax refunds and have victims use ATMs to transfer money to designated accounts. Another significant trend consists of the repeated loans of small amounts, around JPY 50 000 (EUR 300 / USD 475) at a higher interest rate than is legally permitted. Since 2003, the total amount of this kind of loan ranges between JPY 20 and 35 billion.

At the date of this report, Japan has not been the victim of terrorist actions committed in the country by individual terrorists or terrorist organisations listed by the United Nations. However, some groups, which committed terrorist acts are based in and have been active in Japan. The Japanese Communist League's Red Army Faction, from which the Japanese Red Army (JRA), a Marxist-Leninist revolutionary organisation, later broke away, committed felonious crimes in Japan and the JRA has been responsible for major terrorist attacks in the 1970's. Aum Shinrikyo, the cult organisation that was responsible for the Tokyo subway gas attack in 1995, is still active and recently committed crimes related to drug selling and fraud such as fund-raising activities.

US Department of State Money Laundering assessment (INCSR)

Japan is no longer catergorised a Jurisdiction of Primary Concern. The last report released in 2016 is as follows: -

Key Findings from the report are as follows: -

Perceived Risks:

Japan is a regional financial center but not an offshore financial center. The country continues to face substantial risk of money laundering by organized crime, including Japanese organized crime groups (the Yakuza), Mexican drug trafficking organizations, and other domestic and international criminal elements. In the past several years, there has been an increase in financial crimes by citizens of West African countries, such as Nigeria and

Ghana, who reside in Japan. The major sources of laundered funds include drug trafficking, fraud, loan sharking (illegal money lending), remittance frauds, the black market economy, prostitution, and illicit gambling. Bulk cash smuggling also is of concern. There is not a significant black market for smuggled goods, and the use of alternative remittance systems is believed to be limited.

Japan has one free trade zone, the Okinawa Special Free Trade Zone, established in Naha to promote industry and trade in Okinawa. The zone is regulated by the Department of Okinawa Affairs in the Cabinet Office. Japan also has two free ports, Nagasaki and Niigata. Customs authorities allow the bonding of warehousing and processing facilities adjacent to these ports on a case-by-case basis.

Do financial institutions engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: NO

Criminalization of money laundering:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES ***civilly:*** YES

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES

KYC covered entities: Banks; credit, agricultural, and fishery cooperatives; insurance companies; securities firms; real estate agents and professionals; precious metals and stones dealers; antique dealers; postal service providers; lawyers; judicial scriveners; certified administrative procedures specialists; accountants; certified public tax accountants; and trust companies

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 377,513 in 2014

Number of CTRs received and time frame: 1,001 in 2014

STR covered entities: Banks; credit, agricultural, and fishery cooperatives; insurance companies; securities firms; trust companies; real estate agents and professionals; precious metals and stones dealers

money laundering criminal Prosecutions/convictions:

Prosecutions: Not available

Convictions: Not available

Records exchange mechanism:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Japan is a member of the FATF and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body.

Enforcement and implementation issues and comments:

On November 20, 2014, the Government of Japan enacted three pieces of AML/CFT legislation to address recognized deficiencies in its compliance regime. The legislation – two bills that amend Japan's Terrorism Financing Act and its Law on the Prevention of the Transfer of Criminal Proceeds, and one that establishes a new Law to Freeze Terrorist Assets – criminalize the provision of direct or indirect financing, including the provision of any goods and real estate, to terrorists; enable the freezing of terrorist assets without delay, including non-financial holdings; and require financial and non-financial sectors to implement processes and procedures to perform enhanced customer due diligence. The amendment to the Terrorism Financing Act entered into force in December 2014. Japan promulgated Cabinet orders and Ministerial ordinances pertaining to the remaining legislation during 2015; the Law to Freeze Terrorist Assets came into effect on October 5, 2015 and the amendment to the Law on the Prevention of the Transfer of Criminal Proceeds will become effective on October 1, 2016. The passage of this legislation greatly improved Japan's AML/CFT regime, which had previously been notably deficient.

Japan's numbers of investigations, prosecutions, and convictions for money laundering are not available; in relation to the number of drug and other predicate offenses, they are typically low. These numbers are some of the most telling measures of effectiveness of a country's AML/CFT regime. The NPA provides limited cooperation to other domestic agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence related matters. The number of currency transaction reports (CTRs) filed is very low in comparison to the number of suspicious transaction reports (STRs).

Japan should develop a robust program to investigate and prosecute money laundering offenses, and require enhanced cooperation by the NPA with its counterparts in Japan and foreign jurisdictions. The government should release the number of money laundering convictions. Japan also should provide more training and investigatory resources for AML/CFT law enforcement authorities. As Japan is a major trading power, the government should take steps to identify and combat trade-based money laundering. Japan should ratify the UN Convention against Transnational Organized Crime and the UN Convention against Corruption.

Current Weaknesses in Government Legislation (2014 INCRS Comparative Tables):

According to the US State Department, Japan does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Ability to freeze assets without delay - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations).

States Party to United Nations Transnational Organised Crime Convention - States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

States Party to United Nations Convention Against Corruption - States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

EU White list of Equivalent Jurisdictions

Japan is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Japan is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2013 (introduction):

Drug control in Japan is primarily a problem of domestic drug consumption. Illicit narcotics generally do not transit Japan, nor are they generally manufactured in Japan for markets abroad. In 2012, over 80 percent of all drug arrests in Japan involved methamphetamine or amphetamine-type stimulants, the most widely-abused illegal drugs. Marijuana also continues to be popular and accounted for 12 percent of drug cases.

Japan is one of the largest and most lucrative markets in Asia for methamphetamine. The U.S. Drug Enforcement Administration notes a marked increase of methamphetamine originating from Mexico and the emergence of potential cooperation between Japanese organized crime and Mexican and other transnational criminal organizations. There is growing evidence that liquid methamphetamine is entering the country for conversion and refinement, though labouratories have not yet been discovered. There were several mail parcel seizures of liquid methamphetamine at Kansai International Airport in 2012, and also corroborated evidence of multiple successful imported shipments that evaded seizure.

Between January and June 2012, Japanese law enforcement agencies seized 146.8 kilograms (kg) of methamphetamine; 51.6 kg of marijuana; 1.9 kg of cocaine; 1 kg of heroin and 662 dosage units of MDMA (ecstasy).

While law enforcement officers in Japan are well trained and skilled at conducting reactive investigations, proactive law enforcement efforts are at times hindered by the limited investigative techniques authorized under Japanese law.

A few Japanese law enforcement agencies made notable achievements combating drug trafficking in 2012. Japan Customs has been effective in indentifying inbound drug shipments and made numerous significant seizures at international airports. Japanese authorities have recently coordinated enforcement operations on several investigations resulting in large methamphetamine seizures. The Japan Coast Guard (JCG) embedded an officer aboard a U.S. Coast Guard vessel for several weeks as an observer during a drug interdiction patrol. This officer also attended the Joint-Interagency Task Force-South as an observer. This level of coordination and cooperation is an emerging positive trend.

There were no reported cases of Japanese officials being involved in drug-related corruption in Japan in 2012. The government does not encourage or facilitate the illicit production or distribution of drugs, or the laundering of illicit proceeds.

US State Dept Trafficking in Persons Report 2016 (introduction):

Japan is classified a Tier 2 country - A country whose governments does not fully comply with the Trafficking Victims Protection Act’s minimum standards, but are making significant efforts to bring themselves into compliance with those standards

Japan is a destination, source, and transit country for men and women subjected to forced labor and sex trafficking, and for children subjected to sex trafficking. Male and female migrant workers, mainly from Asia, are subjected to conditions of forced labor, including some cases through the government's Technical Intern Training Program (TITP). Some men, women, and children from East Asia, Southeast Asia (mainly the Philippines and Thailand), South Asia, South America, and Africa travel to Japan for employment or fraudulent marriage and are subjected to sex trafficking. Traffickers use fraudulent marriages between foreign women and Japanese men to facilitate the entry of women into Japan for forced prostitution in bars, clubs, brothels, and massage parlors. Traffickers strictly control the movement of victims using debt bondage, threats of violence or deportation, blackmail, passport retention, and other coercive psychological methods; victims of forced prostitution sometimes also face debts upon commencement of their contracts. Most victims are required to pay employers fees for living expenses, medical care, and other necessities, leaving them predisposed to debt bondage. Brothel operators may add "fines" for alleged misbehavior to victims' original debt, and the process used to calculate these debts is typically not transparent. Trafficking victims may transit Japan before enduring exploitation in onward destinations, including East Asia and North America.

Japanese citizens, particularly runaway teenage girls, children of foreign and Japanese citizens who have acquired citizenship, and their foreign mothers, are also subjected to sex trafficking. The phenomenon of enjo kosai, also known as "compensated dating," and variants of the "JK business" (JK stands for joshi-kosei, or high school girl) continue to facilitate the sex trafficking of Japanese children. Sophisticated and organized prostitution networks target vulnerable Japanese women and girls—often in poverty or with mental disabilities—in public areas such as subways, popular youth hangouts, schools, and online; some of these women and girls become trafficking victims. Organizations in Japan contact children of Japanese fathers and Filipino mothers to assist them and their mothers to acquire citizenship and move to Japan for a fee; once in Japan, some mothers and children are then exploited in sex trafficking to pay off the debt incurred for the organizations' services. Japanese men continue to be a significant source of demand for child sex tourism in Asia.

Cases of forced labor occur within TITP, a government-run program originally designed to foster basic technical skills among foreign workers that has effectively become a guest-worker program. During the "internship," many migrant workers are placed in jobs that do not teach or develop technical skills—the original intention of TITP; some of these workers continued to experience conditions of forced labor. The majority of technical interns are Chinese and Vietnamese citizens, some of whom pay up to $10,000 for jobs and are employed under contracts that mandate forfeiture of the equivalent of thousands of dollars if they leave. Reports continue of excessive fees, deposits, and "punishment" contracts by sending organizations under this program. Some employers confiscate trainees' passports and other personal identity documents and control the movements of interns to prevent their escape or communication with persons outside the program.

The Government of Japan does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government increased prosecutions and convictions of traffickers and the number of trafficking victims identified during the reporting period, although nine of the 27 traffickers convicted in 2015 received only fines as punishment. The government did not prosecute or convict forced labor perpetrators despite allegations of labor trafficking in TITP, and the overall number of prosecutions and convictions decreased since 2013. The government released its first annual report on anti-trafficking measures. The government, however, did not develop or enact legislation that would fill key gaps in the law to facilitate prosecutions of trafficking crimes and bring it into accordance with the definition of trafficking in international law. The government modestly increased efforts to protect trafficking victims. The government, however, did not develop specific protection and assistance measures for trafficking victims, such as establishing a nationwide network of shelters exclusively for trafficking victims apart from the existing network of shelters for victims of domestic violence. The government did not accede to the 2000 UN TIP Protocol.

US State Dept Terrorism Report 2010

Overview: Japan continued to take active measures to prevent the spread of terrorism through stringent border security enforcement, counterterrorism capacity building assistance, and legislation aimed at stemming the flow of terrorist financing. In coordination with the U.S. Department of Homeland Security- Customs and Border Protection (CBP), several Japanese agencies have strengthened immigration procedures as well as port and shipping security.

Legislation and Law Enforcement: Japan's Ministry of Foreign Affairs, Japan's Immigration Bureau, the National Police Agency (NPA), and the Ministry of Land, Infrastructure, Transport and Tourism coordinated with the CBP's Immigration Advisory Program on preventing terrorists and other high-risk travelers from boarding commercial aircraft bound for the United States.

Under the Container Security Initiative (CSI), Japanese Customs authorities worked with CBP Officers at four Japanese seaports to review ship manifests and to screen suspicious containers bound for the United States. Under a reciprocal bilateral agreement, Japanese Customs also deploys officers to work with CBP at the Port of Long Beach, California to screen U.S. export shipments bound for Japan.

The NPA and the Public Security Intelligence Agency continued to monitor the activities of Aum Shinrikyo, renamed Aleph, and splinter group Hikari no Wa, or "Circle of Light."

Regional and International Cooperation: Japan continued to assist counterterrorism capacity building in neighboring countries through dialogue, seminars, workshops, and training. The Japanese Coast Guard, for example, provided capacity building services and training seminars to authorities from states that border the Straits of Malacca. In March, Japan decided to extend Counterterrorism and Security Enhancement grant aid to Uzbekistan. In June, Japan extended similar grant aid to Indonesia.

In March, the Japanese hosted an Aviation Security Ministerial Conference, attended by U.S. Homeland Security Secretary Napolitano, for top officials from the Asia/Pacific region and the International Civil Aviation Organization to discuss ways to bolster global aviation security. Also in March, the Japan-Singapore Joint APEC Seminar on Securing Maritime Trade through Counterterrorism Efforts was held in Tokyo. In June, Japanese officials took part in the Fourth Japan-Republic of Korea (South Korea) Counterterrorism Consultations. The same month, Japan co-chaired the Fifth Japan-ASEAN Counterterrorism Dialogue in Bali, Indonesia. In December, Japan participated in the sixth annual U.S.-Japan-Australia Trilateral Strategic Dialogue Counterterrorism Consultations in Melbourne, Australia.

Countering Terrorist Finance: The Diet (Japanese Parliament) amended Customs Act secondary legislation, which addressed in part a Financial Action Task Force recommendation pertaining to cross-border currency declaration and disclosure.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	73
World Governance Indicator – Control of Corruption	91

Japan ranks among the least corrupt countries in the world. Companies face very low risks of corruption in Japan. However, there is a traditional practice (known as amakudari) of assigning retired government officials to top positions within Japanese companies. Amakudari employees are particularly common in the financial, construction, transportation and pharmaceutical industries. Key Japanese anti-corruption legislation includes the Penal Code and the Unfair Competition Prevention Act. The Penal Code forbids facilitation payments. The Ethics Act sets limitations for gifts, which need to be registered and require mid- and senior-level public officials to disclose them if exceeding JPY 5,000. Gifts and facilitation payments are not common in practice. Japan has signed but has not yet ratified the United Nations Convention against Corruption. **Information provided by GAN Integrity.**

US State Department

Japan's penal code covers crimes of official corruption. An individual convicted under these statutes is, depending on the nature of the crime, subject to prison sentences up to three years and possible fines up to 2.5 million yen (for the offering party), or prison sentences up to seven years and mandatory confiscation of the monetary equivalent of the bribe (for the recipient). With respect to corporate officers who accept bribes, Japanese law also provides for company directors to be subject to fines and/or imprisonment, and some judgments have been rendered against company directors.

The direct exchange of cash for favors from government officials in Japan is extremely rare. However, the web of close relationships between Japanese companies, politicians, government organizations, and universities has been said to foster an inwardly-cooperative business climate that is conducive to the awarding of contracts, positions, etc. within a tight circle of local players. This phenomenon manifests itself most frequently and seriously in Japan through the rigging of bids on government public works projects.

Japanese authorities have acknowledged the problem of bid-rigging and have taken steps to address it. Building on the longstanding laws on bribery of public officials and misuse of public funds, the 2006 amendments to the 2003 Bid-Rigging Prevention Act, now called the Act on Elimination and Prevention of Involvement in Bid-Rigging, aimed specifically to eliminate official collusion in bid rigging. The law authorizes the Japan Fair Trade Commission (JFTC) to demand central and local government commissioning agencies take corrective measures to prevent continued complicity of officials in bid-rigging activities, and to report such measures to the JFTC. The Act also contains provisions concerning disciplinary action against officials participating in bid rigging and compensation for overcharges when the officials caused damage to the government due to willful or grave negligence. The Act prescribes possible penalties of imprisonment for up to five years and fines of up to 2.5 million yen. Nevertheless, questions remain as to whether the Act's disciplinary provisions are strong enough to ensure officials involved in illegal bid-rigging are held accountable.

Complicating efforts to combat bid rigging is the phenomenon known as *amakudari,* whereby government officials retire into top positions in Japanese companies, frequently in industries that they once regulated. *Amakudari* employees are particularly common in the financial, construction, transportation, and pharmaceutical industries, among Japan's most heavily regulated industries. The 2007 revised National Public Service Act aimed at limiting involvement of individual ministries in finding post-retirement employment for its officials and more transparent administrative procedures may somewhat ameliorate the situation. However, the LDP administration that came to power in December 2012 has not prioritized the issue, and *amakudari* practices persist.

OECD Convention on Combatting Bribery

Japan has ratified the OECD Anti-Bribery Convention, which bans bribing foreign government officials. The OECD has identified deficiencies in Japan's implementing legislation, some of which the Japanese Government has taken steps to rectify. In 2004, Japan amended its Unfair Competition Prevention Law to extend national jurisdiction to cover the crime of bribery and in 2006 made changes to the Corporation Tax Law and the Income Tax Law expressly to deny the tax deductibility of bribes to foreign public officials. However, there are continuing concerns over the effectiveness of Japan’s anti-bribery enforcement efforts, particularly the very small number of cases prosecuted by Japanese authorities compared to other OECD members

Corruption and Government Transparency - Report by Global Security

Political Climate

Japan is a parliamentary democracy with a constitutional monarchy. The dominant political party, the Liberal Democratic Party (LDP), was formed in 1955 and has essentially governed the country since, although there were two brief periods in which the opposition did manage to defeat the LDP. Overall, political corruption in Japan can be characterised by the close relationship between the LDP, the banks, and upper echelons of big businesses, and these relationships are known as the ‘iron triangle’ system, according to Freedom House 2012. According to the same source, former Prime Minister Junichiro Koizumi (in office from 2001 to 2006, after which, Japan has witnessed several changes in prime minister) had put the majority of his reform efforts on stamping out corruption that stems from the iron triangle system, with effort on breaking such close relationships.

According to the US Department of State 2012, it is extremely rare that direct exchange of cash for favours from government officials takes place; however, some have used the term "institutionalised corruption" to describe the situation in Japan. Similar to what the aforementioned Freedom House 2012 report has described, the US Department of State 2012 also reveals the existence of a tight-knit network of Japanese companies, politicians, government organisations, and universities that is said to nurture an inwardly-cooperative business climate conducive to the awarding of contracts, positions, etc. within an exclusive group of local players. Furthermore, this phenomenon in Japan manifests itself most frequently and most seriously through the rigging of bids on government public works projects. Aware of the seriousness of these practices, the government has taken measures to counteract such activities. Amendments made in 2006 to the Act on Elimination and Prevention of Involvement in Bid-Rigging, for example, aim to eradicate official collusion in bid rigging.

According to Transparency International's Global Corruption Barometer 2010/2011, a little over 35% of surveyed households in Japan perceive the nation's political parties as 'extremely corrupt', placing it first among the most corrupt institutions in the country, followed by the Parliament as the second most effected by corruption. The same report also shows that 45% of Japanese households consider the government's anti-corruption initiatives to be 'ineffective', and 46% of the households perceive that the level of corruption in Japan has increased over the past 3 years. One of the most recent corruption scandals involving Japanese politics revolved around Ichiro Ozawa, a former leader within the DPJ, who is said to be responsible for fragmenting the party. Ozawa's support group, Rikuzankai, allegedly failed to report a JYN 400 million donation that financed Ozawa's aides' housing, according to a 2010 article in East Asia Forum. This prompted the Tokyo prosecutor's office to investigate the matter. Ozawa addressed the accusation of violating political funding laws as a 'misunderstanding' and politically-motivated. According to an April 2012 article by The Guardian, he pleaded not guilty in court and was eventually cleared of all charges for lack of evidence. Three of his former aides were handed suspended prison sentences, which they all appealed.

Business and Corruption

Japan has the third largest economy in the world and has for many years been a lucrative destination for foreign direct investment (FDI). According to the Heritage Foundation 2013, all areas within the Japanese economy enjoy relatively healthy levels of economic freedom. However, the foundation also warns of an otherwise well-developed and modern financial sector plagued with growing political interference, and mobility-constraining labour practices that prioritise seniority. Additionally, the government has not been consistent in its commitment to implement policies aimed at improving the environment for foreign investment, according to the US Department of State 2012. The report also reveals that investment activity within Japan continues at a level much lower than before the economic downturn in 2008 and forecasts shows no signs of improvement.

Aware of the seriousness of institutionalised-corruption, the government has taken measures to counteract the rigging of bids on government public works projects, according to the US Department of State 2012. Revisions made in 2006 to the Act on Elimination and Prevention of Involvement in Bid-Rigging is one example on how it aims to eradicate official collusion in bid rigging. However, the US Department of State 2012 also mentions that such efforts are complicated by the traditional practice of assigning retired government officials to top positions within Japanese companies; a practice known as amakudari. Often times, such positions are allocated in the same industries the officials once regulated. Such practices are most prevalent among Japan's most comprehensively regulated industries, particularly the pharmaceutical, construction, transportation, and financial industries, according to the same source. In 2007, the National Public Service Act was revised in an effort to stifle amakudari; however, the issue has since been downgraded on the political agenda and allowed to persist.

Transparency International's Bribe Payers Index 2011 ranks Japan 4th out of the 28 largest global economies, indicating that the perceived probability of Japanese companies committing acts of bribery abroad is very small. The OECD Working Group Bribery Phase 3 Report on Japan notes that since 1999, when the foreign bribery offence came into force, there have only been two cases of foreign bribery that have ended with convictions. The report mentions that the more significant of the two of the cases was an international scandal involving substantial bribe payment for a major Vietnamese infrastructure project financed in part by official development assistance (ODA) from Japan. Four people, including the representative of the foreign subsidiary, were found guilty, while the company itself received a two-year ban from ODA-funded contracting. Nonetheless, the OECD Working Group voices concerns over the fact that only two prosecutions in two foreign bribery cases over a 12-year period seems very low, as it appears that the country is not actively implementing its foreign bribery offence. See more about the ODA scandal in 'Business Corruption' under 'Public Procurement and Contracting'.

Regulatory Environment

One problem Japan faces is the over-regulation of its economic environment, which can potentially stifle economic growth, increase the cost of doing business, hamper competition, and constrain investment, as reported in the US Department of State 2012. Furthermore, many problems companies face regarding market access and competition stem from over-regulation of the economy. The Heritage Foundation 2013 also reports that regulatory stringencies still remain, dampening dynamic commercial growth. The foundation mentions factors deterring growth include burdensome requirements for licencing, tendencies to guarantee lifetime employment, as well as seniority-based salaries. The World Bank & IFC's Doing Business 2013 reports that no new business reforms have been made since 2007.

In 2007, Japan created the Financial Instruments and Exchange Law to provide financial markets with a flexible regulatory system, encouraging foreign direct investment, according to the US Department of State 2012. In 2005-2006, revision was made to Part II of the Commercial Code and combined with existing laws regarding liability companies and audits, according to the US Department of State 2012. The new law, which took effect in May 2007, was designed to better facilitate business start-ups and allow for more flexibility for corporate structures by, among other things, eliminating minimum capital requirements. The Ministry of Economy Trade and Industry (METI) and the Japan External Trade Organization (JETRO) are the lead agencies responsible for assisting foreign firms interested in investing in Japan, while the latter provides ‘one-stop’ support services through its six Invest Japan Business Support Centres operating in major urban areas. Forming a business in Japan now takes 8 procedures, 23 days and 7.5% of income per capita, according to Doing Business 2013.

According to the Heritage Foundation 2013, contracts are respected and foreign investors are not discriminated against in Japanese courts, which enjoy independence free of political interference. Though the level of corruption within Japan's judiciary is low, it is said to lack efficiency. Furthermore, attaining and protecting patents and trademarks can be costly and time-consuming. Japan also has a legal framework for international commercial arbitration provided by the Alternative Dispute Resolution (ADR). According to the US Department of State 2012, courts have the authorisation to encourage mediated resolutions and have a supervised mediation system. The process is, however, time-consuming and judge transferral is all too frequent; as a result, settling cases out of court is common for many companies. Access the Lexadin World Law Guide for a collection of laws in Japan.

Section 3 - Economy

Over the past 70 years, government-industry cooperation, a strong work ethic, mastery of high technology, and a comparatively small defence allocation (1% of GDP) have helped Japan develop an advanced economy. Two notable characteristics of the post-World War II economy were the close interlocking structures of manufacturers, suppliers, and distributors, known as keiretsu, and the guarantee of lifetime employment for a substantial portion of the urban labour force. Both features are now eroding under the dual pressures of global competition and domestic demographic change.

Scarce in many natural resources, Japan has long been dependent on imported raw materials. Since the complete shutdown of Japan's nuclear reactors after the earthquake and tsunami disaster in 2011, Japan's industrial sector has become even more dependent than before on imported fossil fuels. A small agricultural sector is highly subsidized and protected, with crop yields among the highest in the world. While self-sufficient in rice production, Japan imports about 60% of its food on a caloric basis.

For three decades, overall real economic growth had been impressive - a 10% average in the 1960s, 5% in the 1970s, and 4% in the 1980s. Growth slowed markedly in the 1990s, averaging just 1.7%, largely because of the aftereffects of inefficient investment and an asset price bubble in the late 1980s, after which it took a considerable time for firms to reduce excess debt, capital, and labour. Modest economic growth continued after 2000, but the economy has fallen into recession four times since 2008. Government stimulus spending helped the economy recover in late 2009 and 2010, but the economy contracted again in 2011 as the massive 9.0 magnitude earthquake and the ensuing tsunami in March of that year disrupted economic activity. The economy has largely recovered in the five years since the disaster, although output in the affected areas continues to lag behind the national average.

Japan enjoyed a sharp uptick in growth in 2013 on the basis of Prime Minister Shinzo ABE's "Three Arrows" economic revitalization agenda - dubbed "Abenomics" - of monetary easing, "flexible" fiscal policy, and structural reform. In 2015, ABE revised his "Three Arrows" to raise nominal GDP by 20% to 600 trillion yen by 2020, stem population decline by raising the fertility rate, and provide more support for workers with children and aging relatives. ABE's government has replaced the preceding administration's plan to phase out nuclear power with a new policy of seeking to restart nuclear power plants that meet strict new safety standards, and emphasizing nuclear energy's importance as a base-load electricity source. Japan successfully restarted two nuclear reactors at the Sendai Nuclear Power Plant in Kagoshima prefecture. In October 2015, Japan and 11 trading partners reached agreement on the Trans-Pacific Partnership, a pact that promises to open Japan's economy to increased foreign competition and create new export opportunities for Japanese businesses.

Measured on a purchasing power parity (PPP) basis that adjusts for price differences, Japan in 2015 stood as the fourth-largest economy in the world after first-place China, which surpassed Japan in 2001, and third-place India, which edged out Japan in 2012. While seeking to stimulate and reform the economy, the government must also devise a strategy for reining in Japan's huge government debt, which amounts to more than 230% of GDP. To help raise government revenue, Japan adopted legislation in 2012 to gradually raise the consumption tax rate to 10% by 2015, beginning with a hike from 5% to 8%, implemented in April 2014. That increase had a contractionary effect on GDP, however, so PM ABE in late 2014 decided to postpone the final phase of the increase until April 2017 to give the economy more time to recover. Led by the Bank of Japan's aggressive monetary easing, Japan is making progress in ending deflation, but demographic decline – a low birth rate and an aging, shrinking population – poses a major long-term challenge for the economy.

Agriculture - products:

vegetables, rice, fish, poultry, fruit, dairy products, pork, beef, flowers, potatoes/taros/yams, sugar cane, tea, legumes, wheat and barley

Industries:

among world's largest and most technologically advanced producers of motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles, processed foods

Exports - commodities:

motor vehicles 14.9%; iron and steel products 5.4%; semiconductors 5%; auto parts 4.8%; power generating machinery 3.5%; plastic materials 3.3% (2014 est.)

Exports - partners:

US 20.2%, China 17.5%, South Korea 7.1%, Hong Kong 5.6%, Thailand 4.5% (2015)

Imports - commodities:

petroleum 16.1%; liquid natural gas 9.1%; clothing 3.8%; semiconductors 3.3%; coal 2.4%; audio and visual apparatus 1.4% (2014 est.)

Imports - partners:

China 24.8%, US 10.5%, Australia 5.4%, South Korea 4.1% (2015)

Banking

While financial system deregulation and international competitive pressure has drastically changed the face of Japanese banking (the consolidation of 19 major banks into three mega banks), the connection between corporate finance and banking institutions and non-financial corporations remains much tighter in Japan than in the United States; and extends far beyond simple lender/borrower relationships. Much corporate banking business is rooted in either business groups with interlocking shareholding (keiretsu) or in regional relationships. Japanese banks are frequently shareholders in companies that conduct banking business with them.

This unique relationship between a company and its bank has been long-standing; until recently, a Japanese company rarely changed its primary lender, although it would occasionally "shop around" for better credit arrangements. Even when credit is loose, companies sometimes borrow in excess of their need in order to maintain good relations with their bank and to ensure that funds will be available in leaner years. Banks are often large shareholders in publicly traded corporations (although banks are in the process of reducing their total equity holdings), have close relationships with both local governments and national regulatory agencies, and often play a coordinating role among their clients. It remains safe to say that the Japanese commercial bank system is much more relationship-oriented than the transaction-based U.S. system. Japanese banks were able to avoid the direct impact from the global financial crisis due to their limited exposure to structured securities.

Japanese authorities took macroeconomic and financial policy steps to sustain the economy and support the functioning of financial markets. Similarly, the direct impact of the March 2011 earthquake and tsunami on major banks was relatively minor. There were no major disruptions to the payments and settlement system, and the Bank of Japan injected substantial liquidity so that banks could meet funding needs, as well as manage demand for cash withdrawals from depositors.

While large corporations with suitable credit ratings (especially export-oriented firms) can rely on corporate bond issues rather than banks for financing, bank lending continues to be the primary financing method for small and medium sized companies and for many larger companies as well.

Japanese banks offer regular and time deposits and checking accounts for businesses. Checks are negotiable instruments that are in effect payable to the bearer (rather than to the order of the payee, as in the United States). This limits the usefulness of checks, and in fact, most payments are made by electronic bank transfer (which cost a few hundred yen on average), or by sending cash through the postal system. The banks (and now investment/securities firms) historically waged an uphill battle against the postal savings system for consumer deposits, but now that the postal savings bank must pay taxes and deposit insurance, in addition to losing its implicit government guarantee, competition for deposits has intensified.

Personal checking accounts are almost unknown in Japan. Most individuals use electronic bank transfers to settle accounts. Cash settlement is also very common and the Post Office has a mechanism for payment by "cash envelope" which is widely used in direct marketing and other applications. Many Japanese banks operate 24-hour cash machines (as do some credit card companies). Bank and other credit cards are easy to obtain and are widely accepted. Some bank credit cards offer revolving credit, but in most cases balances are paid in full monthly via automatic debiting from bank accounts.

The relationship among trading company, end user and exporter is an important feature of the financing environment in Japan. The Japanese general trading company (sogo shosha) is an integrated, comprehensive organization that embraces a range of functions including marketing and distribution, financing and shipping and the gathering of commercial information. It performs functions that in the United States would be carried out by import/export companies, freight forwarders, banks, law firms, accounting firms and business consultants. Thus, U.S. firms dealing with trading companies should familiarize themselves with the financing capabilities of such firms.

Stock Exchange

The Tokyo Stock Exchange, which is called Tōshō or TSE for short, is the principle stock exchange in Japan. It is the fourth largest stock exchange in the world by aggregate market capitalization of its listed companies, and largest in East Asia and Asia. It had 2,292 listed companies with a combined market capitalization of US$4.09 trillion as of April 2015.

In July 2012 a planned merger with the Osaka Securities Exchange was approved by the Japan Fair Trade Commission. The resulting entity, the Japan Exchange Group (JPX) was launched on January 1, 2013. Other stock exchanges are Fukuoka Stock Exchange, JASDAQ Securities Exchange and the Nagoya Stock Exchange.

Section 4 - Investment Climate

Executive Summary

Japan is the world's third largest economy, the United States' fourth largest trading partner, and is an important destination for foreign direct investment (FDI). The Liberal Democratic Party (LDP) government of Prime Minister Shinzo Abe, elected by wide margins in December 2012 and again in December 2014 on a platform of economic recovery and revitalization, is pursuing an ambitious program of aggressive monetary easing, flexible fiscal policy, and a structural reform-focused "growth strategy" intended to put Japan's economy on a path of sustainable growth after nearly two decades of deflation and slow growth.

The Government of Japan's growth strategy includes numerous measures intended to promote inward FDI. The Prime Minister announced in June 2013 the goal of doubling Japan's inward FDI stock to 35 trillion yen by 2020 (exchange rate is approximately 109 JPY to USD as of the date of this publication), and reiterated this commitment in the revised strategy issued in June 2015. The focus on FDI promotion is encouraging, although Japan has the lowest ratio of inward FDI as a proportion of GDP of all Organization for Economic Cooperation and Development (OECD) member countries, something the Abe administration is working to change. At the end of 2014, the inward FDI stock was JPY 23.34 trillion, exceeding JPY 20 trillion for the first time. For the third consecutive year, the inflow of direct investment in Japan in 2014 exceeded the outflow. Despite this, Japan's stock of FDI, as a percentage of GDP, stood at 4 percent at the end of 2014, compared with 34 percent on average for all OECD member countries.

Japan is confronting the demographic realities of a low birthrate and an aging and shrinking workforce. In response, the Japanese government is pursuing policies to keep older workers in the labor force; broaden employment options and job retention for women, especially working mothers; and attract more skilled labor from abroad under fixed-term labor contracts.

Japan officially welcomes foreign investment and has eliminated most formal restrictions governing FDI. The Ministry of Economy, Trade and Industry (METI) and the Japan External Trade Organization (JETRO) assist foreign firms wishing to invest under the aegis of the cabinet coordinated *InvestJapan* program and many prefectural and city governments have active programs to attract foreign investors. A number of factors make Japan a potentially attractive investment destination. Japan remains a large, wealthy, and sophisticated market with world class corporations, research facilities, and technologies. Risks associated with investment in many other countries, such as expropriation and nationalization, are not a concern. Japan has an independent judiciary, consistently applied commercial law, and strong intellectual property protections. In recent years, the government has lowered capital gains, registration, and license taxes on real estate, and has reduced gift taxes. In April 2015, the Diet passed legislation cutting the corporate tax rate. Nearly all foreign exchange transactions, including transfers of profits, dividends, royalties, repatriation of capital, and repayment of principal, are freely permitted.

On the other hand, foreign investors in the Japanese market continue to face numerous challenges, many of which relate more to prevailing social practice rather than government regulations. These include still relatively high tax rates, including social security taxes; constraints on labor mobility, an insular and consensual business culture less open to mergers and acquisitions (M&A); a lack of independent directors on many company boards (although this is changing); and cultural and linguistic barriers. However, the current government is pursuing initiatives intended to address each of these challenges, and hopes these policies will contribute to an increasingly open and investor-friendly business environment.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	18 of 168	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2016	34 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	19 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2014	USD 55,827	BEA
World Bank GNI per capita	2014	USD 42,000	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The Government of Japan explicitly promotes inward FDI and has established formal programs to attract it. Soon after taking office, the government of Prime Minister Shinzo Abe announced its intention to double Japan's inward FDI stock to JPY 35 trillion by 2020, and reiterated that commitment in its revised economic growth strategy in June 2015. At the end of 2014, the inward FDI stock was JPY 23.34 trillion, exceeding JPY 20 trillion for the first time. For the third consecutive year, the inflow of direct investment in Japan in 2014 exceeded the outflow. In April 2014, the government constituted a new "FDI Promotion Council" comprised of government ministers and private sector advisors. An advisory committee to the Council released a report with recommendations on how Japan can improve its investment climate (available at: http://www.invest-japan.go.jp/promotion/0425/sankou_02.pdf). On March 18, 2015, the Council proposed a new five-point action plan to encourage inbound FDI and help foreigners conduct business in Japan (available at http://www.invest-japan.go.jp/promotion/promise_en.pdf). The proposals include minimizing wait times for immigration procedures; introducing free Wi-Fi for foreign visitors; and providing multi-language displays in stores, roads, railways and hospitals by March 2020, prior to the Summer Olympic/Paralympic Games in Tokyo.

Japan's stock of FDI, as a percentage of gross domestic product (GDP), stood at 4 percent at the end of 2014, compared with 34 percent on average for all Organization for Economic

Cooperation and Development (OECD) member countries. While the FDI stock has risen substantially since the 1990s, Japan still has the lowest ratio of FDI as a proportion of GDP of any OECD member. The Ministry of Economy, Trade and Industry (METI) and the Japan External Trade Organization (JETRO) are the lead agencies responsible for assisting foreign firms wishing to invest in Japan. METI and JETRO have together created a "one-stop shop" for foreign investors, providing a single location—with language assistance—where those seeking to establish a company in Japan can process necessary paperwork. (Details are available at http://www.jetro.go.jp/en/invest/ibsc/). Prefectural and city governments also have active programs to attract foreign investors, but they lack many of the financial tools U.S. states and municipalities use to attract investment.

The renewed interest of the Abe administration in attracting FDI is one component of the government's drive to revitalize the Japanese economy. Japan has largely recovered from the economic shocks caused by the March 2011 Great East Japan earthquake and tsunami, but Japan continues to face the long-term challenges of low growth, an aging population, and a shrinking workforce. The government seeks to restore Japan to a path of sustainable growth through its economic program combining aggressive monetary easing, flexible fiscal policy, and regulatory and structural reform, collectively dubbed "Abenomics." Fiscal and monetary policies are credited with reigniting economic growth in 2013 and early 2014, but the economy stumbled following an April 2014 consumption tax hike and has struggled since to post consistent positive growth. Abe relaunched "Abenomics" in September 2015 with new goals to expand nominal GDP by 20 percent by 2020; raise the fertility rate to stabilize the population; and increase social support to allow workers with elderly relatives or children to keep working.

However, the reform component of "Abenomics," considered essential for long-term growth and competitiveness, remains a work in progress. Additional impetus for reform should come from Japan's participation in the Trans-Pacific Partnership (TPP), an ambitious, high-standard free trade agreement on which the United States, Japan, and ten other countries reached agreement in October 2015.

Over time, Japan must also transition toward fiscal sustainability. According to the International Monetary Fund's World Economic Outlook, as of October 2015 Japan's gross public debt was estimated at about 245.9 percent of GDP – the highest percentage among advanced economies. The national Diet voted in 2012 to raise the consumption tax from 5 percent to 10 percent in two stages by 2015 to help reduce the fiscal imbalance; the first stage, from 5 percent to 8 percent, was implemented on April 1, 2014. The resulting drop in domestic consumption, however, compelled PM Abe in late 2014 to postpone by 18 months—from October 2015 to April 2017—the second stage of the tax hike (from 8 percent to 10 percent). The Diet in March 2015 ratified this postponement by amending the 2012 law, but removed the clause that would allow for additional postponements beyond 2017.

In addition to business considerations relevant to investing in a mature economy, foreign investors seeking a presence in the Japanese market or to acquire a Japanese firm through corporate takeover may face additional challenges, many of which relate more to prevailing business practices rather than to government regulations. These include an insular and consensual business culture that has traditionally been resistant to unsolicited M&A, especially when initiated by non-Japanese entities; a traditional lack of independent directors on many company boards (though this is changing); exclusive supplier networks and alliances between business groups that can restrict competition from foreign firms and domestic newcomers; cultural and linguistic challenges; and labor practices that tend to inhibit labor mobility.

The United States has discussed these and other issues relating to the investment environment with Japan in several different fora, including the U.S.-Japan Economic Harmonization Initiative; the U.S.-Japan Dialogue to Promote Innovation, Entrepreneurship and Job Creation; the U.S.-Japan Policy Cooperation Dialogue on the Internet Economy; and bilateral negotiations on non-tariff measures (NTMs) in connection with the TPP.

Other Investment Policy Reviews

The World Trade Organization (WTO) conducted its most recent review of Japan's trade policies in March 2015 (available at https://www.wto.org/english/tratop_e/tpr_e/tp410_e.htm).

The OECD released its biennial Japan economic survey results on April 15, 2015 (http://www.oecd.org/japan/economic-survey-japan.htm).

UNCTAD has not conducted any recent investment policy reviews of Japan.

Laws/Regulations on Foreign Direct Investment

Major laws affecting FDI into Japan include the Foreign Exchange and Foreign Trade Act, the Companies Act, and the Financial Instruments and Exchange Act. Japan has an independent judiciary, and Japan's civil courts enforce property and contractual rights and do not discriminate against foreign investors.

A series of revisions to Japan's legal code over the past decade has served to encourage inbound FDI through M&A activity, even as overall levels remain low by OECD standards. Measures include 2005 revisions to the Companies Act, which significantly expanded the types of corporate structures available in Japan as well as the variety of M&A transactions available for corporate consolidation and restructuring; and the 2007 Financial Instruments and Exchange Act (last amended in 2008), which established a flexible regulatory system for financial markets and applied a uniform set of rules for similar financial instruments. After peaking at 309 in 2007, the number of annual inbound M&A transactions declined to 112 in 2012, but rebounded to 205 in 2015.

Business Registration

JETRO serves as the investment promotion agency within the Japanese government to facilitate foreign investment in Japan. JETRO's website on "Laws and Regulations on Setting Up Business in Japan" provides information on business registration, visas, taxes, recruiting, labor regulations, and trademark/design systems and procedures in Japan. The website is available at: https://www.jetro.go.jp/en/invest/setting_up/laws.html in English, French, German, Chinese and Korean. While registration of corporate names and addresses can be completed through the internet, most business registration procedures must be completed in person. In addition, corporate seals and articles of incorporation of newly established companies must be verified by a Japanese notary. In April 2015, JETRO opened a one-stop business support center in Tokyo so that foreign companies can complete all necessary legal and administrative procedures in one location.

The Basic Law on Small and Medium Sized Companies in Japan has multiple standards to define SMEs in different sectors. The Japanese government defines a SME in the manufacturing, construction, and transportation industries as either having less than JPY 300 million in capital or 300 or fewer employees. In the service sector, the government defines an SME as either having less than JPY 50 million in capital or 100 or fewer employees. In 2014, the Small and Medium Sized Enterprises Agency announced a three-year tax incentive package to promote SME investment in new technologies or devices that can help improve productivity. Foreign SMEs with operations in Japan are also eligible to apply for this tax incentive package. However, the firm is not eligible for this program if the parent company of a foreign SME exceeds the SME threshold as defined above, and if more than 50 percent of its capital comes from the parent company or its overseas headquarters.

Industrial Promotion/National Strategic Special Zones

The National Strategic Special Zones Advisory Council chaired by the Prime Minister has designated a total of eleven National Strategic Special Zones (NSSZ) to implement selected deregulation measures intended to attract new investment and boost regional growth. Each zone has focused reform efforts in areas such as labor, education, technology, agriculture, or healthcare. The zones include Niigata City; Tokyo Metropolitan Area; Kansai region (Osaka, Hyogo, and Kyoto); Yabu City (in Hyogo Prefecture); Okinawa; Fukuoka City; Senboku City (Akita Prefecture); Sendai City (Miyagi Prefecture); Aichi Prefecture; Hiroshima Prefecture and Imabari City; and Kitakyushu City (Fukuoka Prefecture). Further details on the initiative are available at http://www.kantei.go.jp/jp/singi/keizaisaisei/pdf/dai2-3en.pdf.

In an effort to promote tourism-related investment, the Abe administration in 2014 introduced legislation in the Diet that would provide the legal framework for allowing privately-operated casinos as part of integrated resorts, although no action has been taken on the bill as of early 2016. Opposition to the bill among some elements of the ruling coalition, and the absence of strong public support, make prospects for passage of the legislation unclear.

The property tax system for real estate acquisition or transfer includes registration and license taxes, acquisition tax, capital gains tax (which differs depending on the duration property was held), and official document taxes. In general, the government has been increasing taxes in a number of areas to discourage asset holding and encourage investment in the real economy. In January 2015, the government increased its inheritance and gift taxes, although it does provide some temporary exemption thresholds for property, aimed at promoting intergenerational transfer of land and other real assets. Japan's real estate sector experienced a painful contraction following the credit crunch of 2008, but rebounded after the Bank of Japan (BOJ) began buying real estate investment trust (REIT) shares in 2010. In April 2013 the BOJ increased its purchases of riskier assets as part of its aggressive monetary easing policy, and as of December 2015, the BOJ had JPY 270 billion of REIT shares on its books—a very small portion of BOJ’s total assets of JPY 383 trillion, but up substantially from just JPY 2.2 billion at the end of 2010. The BOJ’s adoption of a negative interest rate in February 2016 has spurred a decline in mortgage rates at many banks. Additionally, U.S. investors in the past have reported isolated instances of criminal elements interfering with real estate transactions in Japan, particularly those involving distressed assets.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign and domestic private enterprises have the right to establish and own business enterprises and engage in all forms of remunerative activity. However, Article 821 of the 2005

Companies Act appears to prohibit branches of foreign corporations from engaging in transactions in Japan on a continuous basis. This wording has created uncertainty among foreign corporations that conduct their primary business in the Japanese market through a branch company. The Japanese Diet subsequently issued a clarification of the legislative intent of Article 821 that makes clear the provision should not apply to the activities of legitimate entities, and the Japanese government has said it will ensure Article 821 will not adversely affect the operations of foreign companies duly registered in Japan and conducting business in a lawful manner.

Japan has gradually eliminated most formal restrictions governing FDI. One remaining restriction limits foreign ownership in Japan's former land-line monopoly telephone operator, Nippon Telegraph and Telephone (NTT), to 33 percent. Japan's Radio Law and separate Broadcasting Law also limit foreign investment in broadcasters to 20 percent, or 33 percent for broadcasters categorized as “facility-supplying.” Foreign ownership of Japanese companies invested in terrestrial broadcasters will be counted against these limits. These limits do not apply to communication satellite facility owners, program suppliers or cable television operators.

While not a limit on foreign control per se, Japan does restrict development of retail and commercial facilities to prevent excessive concentration of development in the environs of Tokyo, Osaka, and Nagoya, and to preserve agricultural land. Conversely, many prefectural governments outside the largest urban areas make property available for development in public industrial parks. Japan's zoning laws give local officials and residents considerable discretion to screen almost all aspects of a proposed building. In some areas, these factors have hindered real estate development projects and led to construction delays and higher building costs.

Privatization Program

Japan has privatized many state-owned enterprises over the last two decades. In other instances, it has reorganized government-run businesses as separate companies, although the government remains the sole or primary shareholder of the reorganized entity.

A bill was enacted in June 2013 to allow the sale of airport management rights for 28 airports owned and operated by the central government, including large regional airports like Sendai and Hiroshima, as well as 65 airports owned and operated by local governments. Under the program, airport operators must initiate the privatization request, which must be approved by the central government after a stakeholder review process. If approved, private firms would be able to bid on operation rights at these airports while the central or local governments would maintain ownership of the land and buildings. As of early 2016, Kansai, Takamatsu, Sendai, New Chitose, and Fukuoka airports have initiated requests for privatization. In July, Sendai Airport will be handed-off to a joint venture which seeks to invest in significant airport improvements over a 30-year period.

The Government of Japan sold shares in Japan Post Holdings (JPH), the parent company of the Japan Post Group, and two financial subsidiaries – Japan Post Bank (JPB) and Japan Post Insurance (JPI) – in an initial public offering (IPO) on November 4, 2015. The IPO sold 11 percent of available shares in three of four Japan Post entities. The final entity, the postal service subsidiary Japan Post Co., will remain a wholly owned subsidiary of JP Holdings. Follow on sales of shares in the three companies will take place over time, as the Postal Privatization Law requires the government to sell a majority share (up to two-thirds of all shares) in JPH, and all shares of JPB and JPI, as soon as possible. Timing for additional sales has not yet been determined.

Screening of FDI

The Foreign Exchange and Foreign Trade Act governs investment in sectors deemed to have national sovereignty or national security implications. If a foreign investor wants to acquire over 10 percent of the shares of a listed company in certain designated sectors, it must provide prior notification and obtain approval from the Ministry of Finance and the ministry that regulates the specific industry. Designated sectors include agriculture, aerospace, forestry, petroleum, electric/gas/water utilities, telecommunications, and leather manufacturing. Amendments to the prior notification and reporting requirements, effective in 2009, reduced the administrative burden on foreign investors so as to facilitate inward investment. However, U.S. private equity firms can still face challenges when seeking to make significant investments in strategic industries deemed important to Japan's national interests.

Competition Law

Several sections of Japan's Anti-Monopoly Act (AMA) are relevant to FDI. The stated purpose of these provisions is to restrict shareholding, management, joint venture, and M&A activities that may constitute unreasonable restraints on competition or involve unfair trade practices. The Japanese government has emphasized that these provisions are not intended to discriminate against foreign companies or discourage FDI. Amendments to the AMA enacted in December 2013 include the abolition of the Japan Fair Trade Commission (JFTC) hearing (Shinpan) system and transferred the authority to hear appeals of JFTC rulings to the Tokyo Municipal Court. The revised bill took effect April 1, 2015. On March 8, 2016 the Japanese government submitted a bill to the Diet to partially revise the Anti-Monopoly Law (AML), as part of an omnibus bill on TPP, which calls for revision of a total of 11 bills to make them consistent with the TPP agreement. The revised bill calls for a creation of a system under which the Japan Fair Trade Commission (JFTC) and business operator(s) can resolve alleged AML violation cases through a mutual agreement. The Japanese government expects the change to increase the chances of JFTC and business operator(s) reaching an amicable solution in a timely manner.

2. Conversion and Transfer Policies

Foreign Exchange

Generally, all foreign exchange transactions to and from Japan – including transfers of profits and dividends, interest, royalties and fees, repatriation of capital, and repayment of principal – are freely permitted. Japan maintains an ex-post facto notification system for foreign exchange transactions that prohibits specified transactions, including certain foreign direct investments (e.g., from countries under international sanctions) or others that are listed in the appendix of the Foreign Exchange and Foreign Trade Act.

Japan has not intervened in the foreign exchange markets in over three years, and has joined statements of the G-7 and G-20 affirming that countries would not target exchange rates for competitive purposes.

Remittance Policies

Japan is an active partner in combating terrorist financing. In coordination with other OECD members, Japan has strengthened due-diligence requirements for financial institutions and has had a "Know Your Customer" law since 2002.

In November 2014, the Japanese Diet passed three bills addressing three of the four major deficiencies noted in the 2008 Financial Action Task Force (FATF) evaluation of Japan's anti-money-laundering and terrorist finance regime. These new laws criminalize terrorist financing, strengthen customer due diligence standards for financial and non-financial sectors, and provide legal support for freezing terrorists' assets. Of the deficiencies noted by FATF, only one now remains: ratification and implementation on the UN Convention against Transnational Crime (UNTOC or the Palermo Convention).

Japan is implementing a risk-based approach to AML/CFT. Following its investigation into three major Japanese banks' relations with organized crime organizations, the Financial Services Agency (FSA) in December 2013 implemented a new financial monitoring policy for financial institutions. The policy calls on institutions to conduct enhanced due diligence for higher-risk customers, business relationships, and transactions, as well as to sever relationships with suspicious entities and individuals. Customers wishing to make cash transfers exceeding JPY 100,000 must do so through bank clerks, not ATMs, and must present photo identification.

3. Expropriation and Compensation

In the post-war period, the Japanese government has not expropriated any enterprises and the expropriation or nationalization of foreign investments in Japan is extremely unlikely.

In the wake of the March 2011 nuclear accident at the Fukushima Daiichi Nuclear Power Station, the Tokyo Electric Power Company (TEPCO) was placed under temporary public control. Since then, the government has injected over USD 12.5 billion through the Nuclear Damage Liability Facilitation Fund to procure a 50.1 percent stake in the company. Total government support for TEPCO and its compensation payments to victims and evacuees of the nuclear accident has exceeded USD 37 billion. The utility is scheduled to pay back the funds over time, but the plan is contingent on the uncertain restart of TEPCO's large nuclear plant on Japan's west coast. With recent ratification by Japan, the Convention on Supplementary Compensation for Nuclear Damage (CSC) entered into force on April 15, 2015. The CSC is a global nuclear liability regime that channels all liability for a nuclear accident to plant operators, thereby allowing quick compensation to victims and protection for nuclear suppliers from recourse, freeing them to conduct business internationally.

Outside of the utilities and financial sectors, the government nationalized Japan Airlines in 2010 as part of a two-year corporate reorganization plan. The airline has since been re-privatized.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Japan is primarily a civil law country based on codified law. The Constitution and the five major codes; Civil, Civil Procedure, Commercial, Criminal and Criminal Procedure are the legislative base of the system. Japan has a fully independent judiciary and a consistently applied body of commercial law. An Intellectual Property High Court was established in 2005 to expedite trial proceedings in IP cases. Foreign judgments are recognized and enforced by Japanese courts if they meet the criteria stipulated under Article 118 of the Code of Civil

Procedure. However, a verdict from a domestic court will be required to enforce a foreign verdict.

Bankruptcy

An insolvent company in Japan can face liquidation under the Bankruptcy Act or take one of four roads to reorganization: the Civil Rehabilitation Law; the Corporate Reorganization Law; corporate reorganization under the Commercial Code; or an out-of-court creditor agreement. The Civil Rehabilitation Law focuses on corporate restructuring in contrast to liquidation, provides stronger protection of debtor assets prior to the start of restructuring procedures, eases requirements for initiating restructuring procedures, simplifies and rationalizes procedures for the examination and determination of liabilities, and improves procedures for approval of rehabilitation plans. Amendments to Japan’s Corporate Reorganization Law made corporate reorganization for large companies more cost-efficient, speedy, flexible and available at an earlier stage. Out-of-court settlements in Japan tend to save time and expense, but can sometimes lack transparency and fairness. In practice, because 100 percent creditor consensus is required for out-of-court settlements and the court can sanction a reorganization plan with only a majority of creditors’ approval, the last stage of an out-of-court settlement is often a request for a judicial seal of approval.

Investment Disputes

There have been no major bilateral investment disputes since 1990.

International Arbitration

There have been no cases of international binding arbitration of investment disputes between foreign investors and the Government of Japan since 1952.

ICSID Convention and New York Convention

Japan is a member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention) since 1967 and is also a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention).

Duration of Dispute Resolution – Local Courts

Legal proceedings in Japan can be slow, and, depending on the circumstances of the case, Japanese courts may be ill-suited for litigation of investment and business disputes. Japanese courts lack powers to compel either witnesses to testify or a party to comply with an injunction. Timely temporary restraining orders and preliminary injunctions are difficult to obtain. Courts have the power to encourage mediated settlements and there is a supervised mediation system. However, this process is often time-consuming and judges transfer frequently, so continuity is often lost. As a result, it is common for companies to seek to settle cases out of court.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Japan is a World Trade Organization (WTO) member and party to the Agreement on Trade-Related Investment Measures TRIMS.

Investment Incentives

JETRO operates six Invest Japan Business Support Centers in major urban areas to provide investment-related information and one-stop support services to foreign companies interested in investing in Japan (detailed information is available at http://www.jetro.go.jp/en/invest). In April 2015, JETRO opened the Tokyo One-Stop Business Establishment Center, operated by the Tokyo metropolitan government under the Council on Tokyo Area National Strategic Zones. The Center handles all procedures for business establishment by foreign affiliated and other companies in the Tokyo metropolitan area. Prime Minister Abe as well as the Governor of Tokyo attended the opening ceremony of the center to demonstrate the government's strong commitment to promote investment in Japan. Most national ministries have information desks to help guide potential investors. Many city or regional governments also work to attract foreign capital through outreach to prospective foreign investors, business start-up support services, and the offer of limited financial incentives.

The Government of Japan has sought to encourage investment in the Tohoku (northeast) region which was devastated by the earthquake, tsunami, and nuclear power triple disaster of March 11, 2011. The Diet allocated JPY 26.3 trillion for the first phase of Tohoku region reconstruction; the appropriations cover the five years from FY2011 to FY2015 (designated as the "Intensive Reconstruction Period"). As of February 2016, 182 reconstruction promotion plans in the recovery special zones have been approved; the complete list is available on the Reconstruction Agency website at http://www.reconstruction.go.jp/english/

The Reconstruction Agency reports that public infrastructure reconstruction has largely progressed according to schedule. Going forward, the next five-year phase "Reconstruction and Revitalization Period" will run from FY2016 to FY2020, have a budget of JPY 6.5 trillion, and will focus on rebuilding communities as well as economic improvement. Local governments in the Tohoku region play a central role in formulating reconstruction plans and implementing nationally-approved measures. Japan's joining the Convention on Supplementary Compensation for Nuclear Damage in January 2015 promises to facilitate greater international private sector involvement in ongoing clean-up and decommissioning work at and near the site of the damaged Fukushima Daiichi nuclear power plant.

Research and Development

The most recent five-year Science and Technology Basic Plan was approved by the Cabinet in January 2016. It aims to direct 4 percent of GDP to research and development by both the government and the private sector, including government spending equivalent to 1 percent of GDP or approximately JPY 26 trillion over fiscal years 2016-2020. The plan promotes configuration of elements such as the Internet of Things, big data, artificial intelligence, and network systems into "super-smart society service platforms" in a variety of sectors, including transportation, energy, infrastructure, and healthcare.

The Council for Science, Technology and Innovation (CSTI), led by the Cabinet Office and chaired by Prime Minister Abe, is a cross-ministerial initiative to set national priorities and coordinate the science, technology, and innovation (STI) budget across the government. A key part of CSTI is the Strategic Innovation Promotion Program (SIP), started in 2014 to promote comprehensive development, from basic research discoveries to practical applications and commercialization, including efforts to reform current regulations and systems. The SIP had a budget of JPY 50 billion for FY2015, and identified ten areas that will contribute to the growth of the Japanese economy. Among the ten, five were identified as having the greatest promise: innovative combustion technology, next-generation power electronics, energy carriers, automated driving systems, and innovative design/manufacturing technologies. (Details on the SIP program can be found at http://www8.cao.go.jp/cstp/panhu/sip_english/5-8.pdf)

Japan is also a global leader in the robotics industry. In order to remain at the forefront in robotics technology, the current government established the Robot Revolution Realization Council in January 2015. The Council's goals are to maintain Japan's position as the world's robot innovation hub, promote higher levels of robot utilization globally, and participate in setting international rules and standards in the robotics industry. The Council is expected to pursue a strategy focused on regulatory reform in multiple areas to encourage innovation and growth, including telecommunications (radio waves), aviation (drones), and health (nursing care).

Performance Requirements

Japan does not maintain performance requirements or requirements for local management participation or local control in joint ventures.

Data Storage

Japan has no general restrictions on data storage. However, separate and inconsistent privacy guidelines among Japanese ministries have created an unnecessarily burdensome regulatory environment with regard to the storage and general treatment of personally identifiable information in Japan. In September 2015, the Japanese Diet passed an amendment to the Personal Information Protection Act, seeking to "enhance the use of personal data for business purposes while protecting privacy." The amendment created new rules for the protection of personal data including the transfer of personal data over the Internet, and established a third party authority similar to the EU's Privacy Commissioner as regulator. On January 1, 2016, the Personal Information Protection Commission was established. The Commission plans to issue its guidelines for businesses on the protection of personal data in late 2016, to become effective at the start of 2017.

6. Protection of Property Rights

Real Property

In Japan, secured interests in real property are recognized and enforced. Mortgages are a standard lien on real property, and must be recorded to be enforceable. Japan has a reliable recording system. Property can be rented or leased but no sub-lease is legal without the owner's consent. On the World Bank's 2015 Doing Business Report, Japan ranks 48 out of 189 economies in the category of Ease of Registering Property. This is a result of the bureaucratic steps and fees associated with purchasing improved real property in Japan, even when it is already registered and has a clear title. The required documentation for property purchase can be burdensome. Additionally, it is common practice in Japan for appraisal values to be lower than the actual sale value, increasing the deposit required of the purchaser as the bank will finance only up to the appraisal value.

Intellectual Property Rights

Intellectual property (IP) in Japan enjoys relatively strong legal protection and good enforcement, and Japan is not listed in USTR's Special 301 report. However, prospective investors should be aware of costs and procedures associated with IP registration, and companies doing business in Japan should be clear about rights and obligations with respect to IP in any trading or licensing agreements. Japan has worked to improve IP registration procedures in recent years, including through revisions to Japanese law to make patent and trademark registrations easier and less costly to obtain.

Patents: Japan grants patents on a first-to-file basis. It accepts initial filings in English (to be followed by a Japanese translation), but companies should be careful as translation errors can have significant negative consequences. Unlike the United States, where examination of an application is automatic, in Japan an applicant must request examination of a patent application within three years of filing. The Japanese Patent Office publishes all patent applications 18 months after filing, and after the patent is granted it is published in the Patent Gazette. The patent is valid for 20 years from the date of filing. Since 2008 the Patent Prosecution Highway (PPH) has allowed filing of streamlined applications for inventions determined to be patentable in other participating countries, reducing the average processing time.

Trademarks: The Unfair Competition Prevention Law provides for protecting trademarks prior to registration. The owner of the mark must demonstrate that the mark is well known in Japan and that consumers will be confused by the use of an identical or similar mark by an unauthorized user. The law also provides some protection for trade secrets, such as know-how, customer lists, sales manuals, experimental data, and provides for injunctions against wrongful use, acquisition, or disclosure of a trade secret by any person who knew, or should have known, that the information in question was misappropriated. It also protects trade secrets from being disclosed during court trials and makes it illegal to sell items designed to circumvent technological protection measures, even if the device has other legal uses.

Copyrights: Japan maintains a non-formality principle for copyright registration; i.e., registration is not a pre-condition to the establishment of copyright protection. However, the Cultural Affairs Agency maintains a registry for such matters as date of first publication, date of creation of program works, and assignment of copyright. United States copyrights are recognized in Japan by international treaty.

Counterfeit goods: Japan's Customs and Tariff Bureau, within the Ministry of Finance, reported 29,274 instances of intellectual property infringement that led to the confiscation of pirated goods during 2015, marking an eight percent decrease from 2014. The most seized items were handbags and wallets (11,463), clothing (4,610) and shoes (3,875). Customs also reported that 91.1 percent of these goods originated from China. The Japan Patent Office releases an annual survey regarding counterfeiting. Its most recent 2015 survey of over 4,000 Japanese companies found that 22 percent reported having suffered losses due to counterfeiting and 62 percent of the counterfeiting involved the Internet.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Jonathan Alan, Economic Section (from August 1, 2016)
+81-3-3224-5554
AlanJA@state.gov

Country Resources:

The American Chamber of Commerce in Japan (ACCJ):

Tokyo Office
Masonic 39 MT Bldg. 10F
2-4-5 Azabudai, Minato-ku
Tokyo 106-0041
http://www.accj.or.jp/

Embassy Tokyo's List of Lawyers:

http://japan.usembassy.gov/e/acs/tacs-7113.html

7. Transparency of the Regulatory System

The Japanese economy is regulated to an extent that can restrain economic growth and raise the cost of doing business. Over-regulation underlies many market access and competitive problems faced by U.S. companies in Japan.

In the financial sector, the Financial Services Agency (FSA) has made efforts to expand the body of published written interpretations of Japan's financial laws, and has improved outreach to the private sector regarding these changes. The Cabinet Office has established a "hot line" through which businesses and private citizens can submit regulatory reform proposals to the government.

The United States has encouraged the Japanese government to promote deregulation, improve competition policy, and undertake administrative reforms that could contribute to more foreign direct investment into Japan. This includes improving public notice and comment procedures, applying consistency and transparency in rule-making, and giving due consideration to comments received. Most recently, the United States has engaged Japan on these issues in the context of bilateral talks on non-tariff measures (NTMs) in connection with the TPP trade negotiations. The National Trade Estimate Report on Foreign Trade Barriers, issued by the Office of the U.S. Trade Representative (USTR), contains a description of Japan's regulatory regime as it affects foreign exporters and investors.

Japan is a member of the U.N. Conference on Trade and Development's international network of transparent investment procedures: www.eregulations.org. Foreign and national investors may be able to find information on administrative procedures applicable to investment and income generating operations including the number of steps, name and contact details of the entities and persons in charge of procedures, required documents and conditions, costs, processing time, and legal bases justifying the procedures at:

www.jetro.go.jp/en/invest/setting_up/modelcase/guide.html#Settingupacompanyorlocalbranch

8. Efficient Capital Markets and Portfolio Investment

Japan maintains no formal restrictions on inward portfolio investment, and foreign capital plays an important role in Japan's financial markets. Historically, many company managers and directors have resisted the actions of activist shareholders, especially foreign private equity funds, potentially limiting the attractiveness of Japan's equity market to large-scale foreign portfolio investment, although there are signs of change. Some firms have taken steps to facilitate the exercise of shareholder rights by foreign investors, including the use of electronic proxy voting. The Tokyo Stock Exchange (TSE) maintains an Electronic Voting Platform for Foreign and Institutional Investors. All issuers of TSE-listed stocks are required to convert paper stock certificates into electronic form.

In part to improve their competitiveness internationally, Japan's two biggest stock exchanges—Tokyo and Osaka—merged on January 1, 2013 to form the Japan Exchange Group (JPX). Under JPX, both exchanges continue to operate, with cash equity trading consolidated on the TSE in July 2013 and derivatives trading consolidated on the Osaka Exchange as of March 2014.

In January 2014, the TSE and Nikkei launched the JPX Nikkei 400 Index. The index puts a premium on company performance, particularly return on equity. Companies included should have returns on equity exceeding 11 percent in the past two years, and also should have two or more external board members. Inclusion in the index has become an unofficial "seal of approval" in corporate Japan, and many companies have taken steps, including undertaking share buybacks, to improve their ROE. The Bank of Japan has indicated it will purchase JPX-Nikkei 400 Exchange Trade Funds (ETFs) as part of its monetary operations, and Japan's massive Government Pension Investment Fund (GPIF), also has indicated it will invest in JPX-Nikkei 400 ETFs, putting an additional premium on membership in the index.

Money and Banking System, Hostile Takeovers

Japan's aversion to M&A is receding gradually. The majority of M&A over the past decade has been driven by the need to consolidate and restructure mature industries or in response to severe financial difficulties. In response to the Abe administration's economic program, which heightened interest in business opportunities in Japan, M&A activity increased in 2015, and many cash-rich Japanese companies are also looking to carry out acquisitions abroad.

Friendly transfer of wholly-owned or majority-owned subsidiaries remains by far the more common form of M&A in Japan. Similarly, unlisted, owner-operated firms – which traditionally would only sell out as a last resort before bankruptcy – are becoming more amenable to acquisition, including by foreign investors. Nevertheless, there remains a strong preference among Japanese managers and directors for M&A that preserves the independence of the target company. If companies are forced to seek an acquirer, they are often most comfortable receiving an investment from or being acquired by a domestic firm with which they have a pre-existing business relationship.

After the Companies Act took full effect in 2007, expanding the types of M&A structures available in the Japanese market, many companies adopted defensive measures against hostile takeovers. The prevalence of such measures has since declined, although hostile takeovers remain relatively uncommon in Japan's consensus-driven business culture.

9. Competition from State-Owned Enterprises

Japan has privatized most former state-owned enterprises (SOEs). As mentioned in Section 1.6, under Privatization Program, the government conducted an IPO on November 4, 2015 for Japan Post Holdings Co. and its financial subsidiaries, Japan Post Insurance and Japan Post Bank, Japan's largest insurance company and bank respectively. The IPO marks the final stage of Japan Post privatization begun under former PM Junichiro Koizumi almost a decade ago, and responds to long-standing criticism from commercial banks and insurers—both foreign and Japanese—that their government-owned Japan Post rivals have an unfair advantage.

While there has been significant progress since 2013 with regard to private suppliers' access to the postal insurance network, the U.S. government has continued to raise concerns about the preferential treatment given to Japan Post and some quasi-governmental entities compared to private sector competitors and the impact of these advantages on the ability of private companies to compete on a level playing field. A full description of U.S. government concerns with regard to the insurance sector, and efforts to address these concerns, is available in USTR's 2015 National Trade Estimate (NTE) report for Japan.

Japan is a signatory to the WTO Agreement on Government Procurement (GPA). Japan applies a threshold of 15 million SDRs (approximately $23.98 million) for procurement of construction services by sub-central entities and many government enterprises covered under the GPA, which is three times the threshold applied by the United States and most other GPA Parties.

The United States continues to emphasize the importance of improving the bidding process for government contracts in Japan, including by increasing transparency in tendering decisions and taking steps that facilitate improved opportunities for participation by qualified bidders.

Sovereign Wealth Funds

Japan does not have a sovereign wealth fund (SWF).

10. Responsible Business Conduct

The government has made improved corporate governance an objective in its economic growth strategy, and good governance principles—including the appointment of independent outside directors to company boards—are on the rise in Japan. According to a report by the Tokyo Stock Exchange in July 2015, the percentage of companies listed in the first tier of the TSE with at least one outside director was 94.6 percent (1,779 companies out of 1,887), up from 74.3 percent in 2014, and 59.1 percent of those companies had at least two outside directors, up from 34.7 percent in 2014.

In June 2014, the Diet passed the revised Companies Act that encourages listed companies to appoint at least one outside director to their boards, or to publicly explain in their annual report and at their annual shareholders meeting why the company considers the appointment of an outside director to be inappropriate (comply or explain provision). The amendments also created an alternative structure where companies may institute an audit and supervisory committee whose members do not serve as directors. The revised Companies Act became effective May 1, 2015.

Responding to concerns that these Companies Act revisions—although welcome—did not go far enough in promoting governance changes, the Financial Services Agency (FSA) and

TSE worked with academics and private sector experts in late 2014 to draft Japan's first corporate governance "Code of Conduct." Modeled on OECD and UK corporate governance principles, the Code aims to increase corporate transparency and management accountability through five broad areas, including the appointment of outside directors to company boards and a requirement that companies provide a public explanation for cross-holding shares.

The Abe administration hopes the Code will help reinvigorate Japan's corporate sector by encouraging a stronger focus by corporate management on earnings and shareholder value. Together with the "Stewardship Code" for institutional investors launched by the FSA in April 2014, the Code encourages companies to put their massive cash stockpiles to better use by increasing investment, raising dividends, and taking on more smart risk that can boost Japan's overall growth. The Code was finalized in March 2015 and took effect in June 2015. An English translation of the Code is available at:

http://www.fsa.go.jp/en/refer/councils/corporategovernance/20150306-1/01.pdf

In 2015, Toshiba Corporation announced an accounting scandal that had overstated company profits by roughly $2 billion over seven years. Toshiba was fined ¥7.3 billion ($65 million) by the Financial Services Agency and the scandal highlighted the need for firms to ensure directors are sufficiently qualified to provide sufficient oversight of management.

Awareness of corporate social responsibility among both producers and consumers in Japan is high, and foreign and local enterprises generally follow accepted CSR principles. Business organizations also actively promote CSR.

Japan is an adherent to the OECD Guidelines for Multinational Enterprises. The Japanese National Contact Point (NCP) is an interagency body which is coordinated by the Ministry of Foreign Affairs and includes the Ministry of Health, Labor and Welfare, and the Ministry of Economy, Trade and Industry. It has an advisory body, the NCP Committee, which consists of the Japanese Business Federation (Keidanren), the Japanese Trade Union Confederation (Rengo), and the Japanese NCP. Japan encourages adherence to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Afflicted and High-Risk Areas making information available on the Ministry of Economy, Trade and Industry website at:

http://www.meti.go.jp/policy/trade_policy/oecd/html/guidance.html.

11. Political Violence

Political violence is rare in Japan. Acts of political violence involving U.S. business interests are virtually unknown.

12. Corruption

Japan's penal code covers crimes of official corruption, and an individual convicted under these statutes is, depending on the nature of the crime, subject to prison sentences and possible fines. With respect to corporate officers who accept bribes, Japanese law also provides for company directors to be subject to fines and/or imprisonment, and some judgments have been rendered against company directors.

The direct exchange of cash for favors from government officials in Japan is extremely rare. However, the web of close relationships between Japanese companies, politicians, government organizations, and universities has been said to foster an inwardly-cooperative business climate that is conducive to the awarding of contracts, positions, etc. within a tight circle of local players. This phenomenon manifests itself most frequently and seriously in Japan through the rigging of bids on government public works projects.

Japan's Act on Elimination and Prevention of Involvement in Bid-Rigging authorizes the Japan Fair Trade Commission (JFTC) to demand that central and local government commissioning agencies take corrective measures to prevent continued complicity of officials in bid-rigging activities, and to report such measures to the JFTC. The Act also contains provisions concerning disciplinary action against officials participating in bid rigging and compensation for overcharges when the officials caused damage to the government due to willful or grave negligence. Nevertheless, questions remain as to whether the Act's disciplinary provisions are strong enough to ensure officials involved in illegal bid-rigging are held accountable.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Japan has ratified the OECD Anti-Bribery Convention, which bans bribing foreign government officials. However, there are continuing concerns over the effectiveness of Japan's anti-bribery enforcement efforts, particularly the very small number of cases prosecuted by Japanese authorities compared to other OECD members.

Resources to Report Corruption

Businesses or individuals may contact the Japan Fair Trade Commission (JFTC), with contact details at:

http://www.jftc.go.jp/en/about_jftc/contact_us.html.

13. Bilateral Investment Agreements/Economic Partnership Agreements

The 1953 U.S.-Japan Treaty of Friendship, Commerce, and Navigation gives national treatment and most favored nation treatment to U.S. investments in Japan. In 2015, Japan and 11 other member countries reached a comprehensive agreement on the Trans-Pacific Partnership (TPP). The TPP when effectuated will include chapters governing investment.

As of March 2016, Japan had concluded bilateral investment treaties (BITs) with 29 countries: Bangladesh, Cambodia, China, Colombia, Egypt, Hong Kong SAR, Iran, Iraq, Israel, Kazakhstan, South Korea, Kuwait, Laos, Mongolia, Mozambique, Myanmar, Pakistan, Papua New Guinea, Peru, Russia, Saudi Arabia, Sri Lanka, Turkey, Ukraine, Uruguay, Uzbekistan, Vietnam, Oman, and Kenya. Japan is currently negotiating bilateral BITs with Qatar, Tanzania,, Ghana, Morocco, and the United Arab Emirates. In addition, Japan has a trilateral investment agreement with China and South Korea. Japan also has Economic Partnership Agreements that include investment chapters with 14 countries (Singapore, Mexico, Malaysia, Chili, Thailand, Brunei, Indonesia, Philippines, Switzerland, Vietnam, India, Peru, Australia and Mongolia).

Bilateral Taxation Treaties

The United States and Japan have a double taxation treaty. The current treaty allows Japan to tax the business profits of a U.S. resident only to the extent those profits are attributable to a permanent establishment in Japan. It also provides measures to mitigate double taxation. This permanent establishment provision, combined with Japan's currently high 32.11 percent corporate tax rate, serves to encourage foreign and investment funds to keep their trading and investment operations offshore.

In January 2013, the United States and Japan signed a revision to the bilateral income tax treaty to bring it into closer conformity with the current tax treaty policies of the United States and Japan. The revision is awaiting ratification by the U.S. Congress.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Japan no longer has free-trade zones or free ports. Customs authorities allow the bonding of warehousing and processing facilities adjacent to ports on a case-by-case basis.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($Trillion USD)	2014	478,368	2014	4.601	worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2014	55,827	2014	108,068	bea.gov/international/factsheet/factsheet.cfm?Area=614
Host country's FDI in the United States ($M USD, stock positions)	2014	383,646	NA	372,800	bea.gov/international/fa`ctsheet/factsheet.cfm?Area=614
Total inbound stock of FDI as % host GDP	2014	3.8%	2014	3.0%	OECD FDI in figures (2014)

*Sources:

(1)World Bank: worldbank.org/en/countryJs
(2) U.S. Department of Commerce: bea.gov/international/factsheet/

(3) Japan's FDI stock: Japan External Trade Organization (JETRO) – jetro.go.jp/en/reports/statistics/

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions, Stock)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	194,857	100%	Total Outward	1,201,506	100%
United States	55,827	28.7%	United States	383,646	31.9%
Netherlands	25,490	13.1%	China, P.R.: Mainland	104,355	8.7%
France	23,353	12%	Netherlands	96,115	8%
United Kingdom	15,009	7.7%	United Kingdom	79,704	6.6%
Singapore	14,393	7.4%	Australia	62,594	5.2%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: JETRO (converted from JPY to USD)

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners *(Japanese Yen, 100 Millions)*								
Total			Equity Securities			Total Debt Securities		
All Countries	4,100,563	100%	All Countries	644,268	100%	All Countries	2,664,006	100%
United States	1,488,176	35%	United States	334,567	52%	United States	1,052,141	31%
Cayman Islands	632,946	15%	United Kingdom	45,930	7%	France	260,346	10%
France	293,972	7%	Switzerland	24,061	4%	Cayman Islands	167,945	6%
United Kingdom	221,946	5%	Germany	22,280	4%	United Kingdom	167,313	6%
Germany	184,817	5%	France	21,182	3%	Germany	161,471	6%

Source: Bank of Japan

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

civil law system based on German model; system also reflects Anglo-American influence and Japanese traditions; judicial review of legislative acts in the Supreme Court

International organization participation:

ADB, AfDB (nonregional member), APEC, ARF, ASEAN (dialogue partner), Australia Group, BIS, CD, CE (observer), CERN (observer), CICA (observer), CP, EAS, EBRD, EITI (implementing country), FAO, FATF, G-20, G-5, G-7, G-8, G-10, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IEA, IFAD, IFC, IFRCS, IGAD (partners), IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAIA (observer), MIGA, NEA, NSG, OAS (observer), OECD, OPCW, OSCE (partner), Paris Club, PCA, PIF (partner), SAARC (observer), SELEC (observer), SICA (observer), UN, UNCTAD, UNDOF, UNESCO, UNHCR, UNIDO, UNMISS, UNRWA, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO, ZC

Treaty and non-treaty withholding tax rates

Japan has signed **71 agreements** (**63 DTC** and **8 TIEA** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Armenia	DTC	18 Jan 1986	27 Nov 1986	Unreviewed	No	
Australia	DTC	31 Jan 2008	3 Dec 2008	Yes	Yes	
Austria	DTC	20 Dec 1961	4 Apr 1963	No	No	
Azerbaijan	DTC	18 Jan 1986	27 Nov 1986	Unreviewed	No	
Bahamas, The	TIEA	27 Jan 2011	25 Aug 2011	Yes	Yes	
Bangladesh	DTC	28 Feb 1991	15 Jun 1991	Unreviewed	No	
Belarus	DTC	18 Jan 1986	27 Nov 1986	Unreviewed	No	
Belgium	DTC	28 Mar 1968	16 Apr 1970	Yes	No	
Belgium	DTC Protocol	26 Jan 2010	not yet in force	Yes	Yes	
Bermuda	TIEA	1 Feb 2010	1 Aug 2010	Yes	Yes	
Brazil	DTC	24 Jan 1967	31 Dec 1967	No	No	
Brunei Darussalam	DTC	20 Jan 2009	19 Dec 2009	No	Yes	
Bulgaria	DTC	7 Mar 1991	9 Aug 1991	Unreviewed	No	
Canada	DTC	7 May 1986	14 Nov 1987	Yes	No	
Cayman Islands	TIEA	7 Feb 2011	13 Nov 2011	Yes	Yes	
China	DTC	6 Sep 1983	26 Jun 1984	Yes	No	
Czech Republic	DTC	11 Oct 1977	25 Nov 1978	Yes	No	
Denmark	DTC	3 Feb 1968	26 Jul 1968	Yes	No	
Egypt	DTC	3 Sep 1968	6 Aug 1969	Unreviewed	No	
Fiji	DTC	4 Sep 1962	23 Apr 1963	Unreviewed	No	
Finland	DTC	4 Mar 1991	28 Dec 1991	Yes	No	
France	DTC	11 Jan 2007	1 Dec 2007	Yes	Yes	
Georgia	DTC	18 Jan 1986	27 Nov 1986	Unreviewed	No	
Germany	DTC	22 Apr 1966	9 Jun 1967	No	No	
Guernsey	TIEA	6 Dec 2011	23 Aug 2013	Yes	Yes	
Hong Kong, China	DTC	9 Nov 2010	14 Aug 2011	Yes	Yes	
Hungary	DTC	13 Feb 1980	25 Oct 1980	Yes	No	
India	DTC	7 Mar 1989	29 Dec 1989	Yes	No	
Indonesia	DTC	3 Mar 1982	31 Dec 1982	Yes	No	
Ireland	DTC	18 Jan 1974	4 Dec 1974	Yes	No	
Isle of Man	TIEA	21 Jun 2011	1 Sep 2011	Yes	Yes	
Israel	DTC	8 Mar 1993	24 Dec 1993	Yes	No	
Italy	DTC	20 Mar 1969	17 Mar 1973	Yes	No	
Jersey	TIEA	2 Dec 2011	not yet in force	Yes	Yes	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Kazakhstan	DTC	19 Dec 2008	30 Dec 2009	Unreviewed	Yes
Korea, Republic of	DTC	8 Oct 1998	22 Nov 1999	Yes	No
Kuwait	DTC	17 Feb 2010	14 Jun 2013	Unreviewed	Yes
Kyrgyzstan	DTC	18 Jan 1986	27 Nov 1986	Unreviewed	No
Liechtenstein	TIEA	5 Jul 2012	29 Dec 2012	Yes	Yes
Luxembourg	DTC	5 Mar 1992	27 Dec 1992	Yes	Yes
Malaysia	DTC	19 Mar 1999	31 Dec 1999	Yes	Yes
Mexico	DTC	9 Apr 1996	6 Nov 1996	Yes	No
Moldova, Republic of	DTC	18 Jan 1986	27 Nov 1986	Unreviewed	No
Netherlands	DTC	25 Aug 2010	29 Dec 2011	Yes	Yes
New Zealand	DTC	30 Jan 1963	19 Apr 1963	Yes	No
New Zealand	DTC	10 Dec 2012	25 Oct 2013	Yes	Yes
Norway	DTC	4 Mar 1992	16 Dec 1992	Yes	No
Pakistan	DTC	23 Jan 2008	9 Nov 2008	Unreviewed	No
Philippines	DTC	13 Feb 1980	20 Jul 1980	Yes	No
Poland	DTC	20 Feb 1980	23 Dec 1982	Yes	No
Portugal	DTC	19 Dec 2011	28 Jul 2013	Yes	Yes
Romania	DTC	12 Feb 1976	9 Apr 1978	Unreviewed	No
Russian Federation	DTC	18 Jan 1986	1 Jan 1987	No	No
Samoa	TIEA	4 Jun 2013	6 Jul 2013	Unreviewed	Yes
Saudi Arabia	DTC	15 Nov 2010	not yet in force	Yes	Yes
Singapore	DTC	9 Apr 1994	28 Apr 1995	Yes	Yes
Slovakia	DTC	11 Oct 1977	25 Nov 1978	Yes	No
South Africa	DTC	7 Mar 1997	5 Nov 1997	Yes	No
Spain	DTC	13 Feb 1974	20 Nov 1974	Yes	No
Sri Lanka	DTC	12 Dec 1967	22 Sep 1968	Unreviewed	No
Sweden	DTC	19 Feb 1999	25 Dec 1999	Yes	No
Switzerland	DTC	19 Jan 1971	26 Dec 1971	No	Yes
Tajikistan	DTC	18 Jan 1986	27 Nov 1986	Unreviewed	No
Thailand	DTC	7 Apr 1990	31 Aug 1990	Unreviewed	No
Turkey	DTC	8 Mar 1993	28 Dec 1994	Yes	No
Turkmenistan	DTC	18 Jan 1986	27 Nov 1986	Unreviewed	No
Ukraine	DTC	18 Jan 1986	27 Nov 1986	Unreviewed	No
United Kingdom	DTC	2 Feb 2006	12 Oct 2006	Yes	Yes
United States	DTC	6 Nov 2003	30 Mar 2004	Yes	No
United States	DTC Protocol	24 Jan 2013	not yet in force	Yes	Yes
Uzbekistan	DTC	18 Jan 1986	27 Nov 1986	Unreviewed	No
Viet nam	DTC	24 Oct 1995	31 Dec 1995	Unreviewed	No
Zambia	DTC	19 Feb 1970	23 Jan 1971	Unreviewed	No

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

DISCLAIMER

Part of this report contains material sourced from third party websites. This material could include technical inaccuracies or typographical errors. The materials in this report are provided "as is" and without warranties of any kind either expressed or implied, to the fullest extent permissible pursuant to applicable law. Neither are any warranties or representations made regarding the use of or the result of the use of the material in the report in terms of their correctness, accuracy, reliability, or otherwise. Materials in this report do not constitute financial or other professional advice.

We disclaim any responsibility for the content available on any other site reached by links to or from the website.

RESTRICTION OF LIABILITY

Although full endeavours are made to ensure that the material in this report is correct, no liability will be accepted for any damages or injury caused by, including but not limited to, inaccuracies or typographical errors within the material, Neither will liability be accepted for any damages or injury, including but not limited to, special or consequential damages that result from the use of, or the inability to use, the materials in this report. Total liability to you for all losses, damages, and causes of action (in contract, tort (including without limitation, negligence), or otherwise) will not be greater than the amount you paid for the report.

RESTRICTIONS ON USE

All Country Reports accessed and/or downloaded and/or printed from the website may not be distributed, republished, uploaded, posted, or transmitted in any way outside of your organization, without our prior consent. Restrictions in force by the websites of source information will also apply.

We prohibit caching and the framing of any Content available on the website without prior written consent.

Any questions or queries should be addressed to: -

Gary Youinou

Via our Contact Page at KnowYourCountry.com