

# **Cabinet Order on Inward Direct Investment, etc.**

(Cabinet Order No. 261 of October 11, 1980)

The Cabinet hereby enacts this Cabinet Order pursuant to the provisions of Article 26, Article 27, Article 29, Article 30, Article 67, Article 69, Article 69-3, paragraph 2, Article 69-4, and Supplementary Provisions Articles 2 to 4 inclusive of the Foreign Exchange and Foreign Trade Control Act (Act No. 228 of 1949) and to the provisions of Article 6 of Supplementary Provisions of the Act on the Partial Revision of the Foreign Exchange and Foreign Trade Control Act (Act No. 65 of 1979) for the purpose of implementing the provisions of the Foreign Exchange and Foreign Trade Control Act.

Chapter I General Provisions (Article 1)

Chapter II Inward Direct Investment, etc. (Articles 2 to 4)

Chapter III Conclusion of a Technology Introduction Contract, etc. (Articles 5 to 6-2)

Chapter III-2 Report (Articles 6-3 to 6-5)

Chapter IV Miscellaneous Provisions (Articles 7 to 10)

Supplementary Provisions

## **Chapter I General Provisions**

(Purpose)

Article 1 This Cabinet Order shall provide for necessary matters concerning the management or adjustment or report of matters relating to Inward Direct Investment, etc. and the Conclusion of a Technology Introduction Contract, etc. prescribed in Chapter 5 of the Foreign Exchange and Foreign Trade Act (hereinafter referred to as the "Act").

## **Chapter II Inward Direct Investment, etc.**

(Matters on the Definition of Inward Direct Investment, etc.)

Article 2 (1) The number of voting rights of a corporation specified by Cabinet Order, as investment indirectly held through another corporation prescribed in Article 26, paragraph 1, item 3 of the Act, shall be the number of voting rights calculated by multiplying the number of voting rights of the said corporation directly held by the shareholders or other corporations which are its capital investors (limited to those listed in items 1 and 2 of the same paragraph (referred to as "Foreign Juridical Person, etc." in this item and the next item));

- the investment ratio of which is 50% or more. The same shall apply hereinafter in this item) by the investment ratio of the said other corporations held by the Foreign Juridical Person, etc. In this case, when the said corporations are two or more, the said number of voting rights shall be the total of the separately calculated numbers of voting rights held by each of the said other corporations.
- (2) The "investment ratio" in the preceding paragraph shall mean the ratio of the number of voting rights of the corporation directly held by the Foreign Juridical Person, etc. to the number of voting rights held by all shareholders or members of the corporation.
- (3) The shares specified by Cabinet Order prescribed in Article 26, paragraph 2, item 1 of the Act shall be the shares registered or designated as those of which the selling prices are announced for over-the-counter sale pursuant to the provisions of the rules of the Securities Business Association (meaning the securities business association as provided for in Article 67, paragraph 1 of the Securities Transaction Act (Act No. 25 of 1948)).
- (4) Non-resident individuals or juridical persons or other organizations (limited to those which fall under Article 26, paragraph 1, items 1 to 4 inclusive of the Act, and referred to as "Juridical Person, etc." in this item and paragraph 1, item 3 of the next Article) specified by Cabinet Order as being in a permanent economic relationship, kinship or other special relationship equivalent thereto of the ownership, etc. of the shares as provided for in paragraph 2, item 3 of the same Article, with a person who conducted the acquisition of the shares (hereinafter referred to as "Share Acquisitor") of a listed corporation, etc. (meaning the listed corporation, etc. prescribed in Article 26, paragraph 2, item 1 of the Act. The same shall apply hereinafter) shall be listed as follows.
- (i) A Juridical Person, etc. for which the number of voting rights equivalent to 50% or more of the number of voting rights of all shareholders or members (hereinafter referred to as "total voting rights" in this item and Article 5, paragraph 1, item 1, (d)) is directly held by the Share Acquisitor
- (ii) A Juridical Person, etc. for which all of the total voting rights are directly held by the Juridical Person, etc. listed in the preceding item
- (iii) A Juridical Person, etc. for which the number of voting rights equivalent to 50% or more but less than 100% of the total voting rights is directly held by the Juridical Person, etc. listed in item 1 (limited to that for which all of the total voting rights are directly held by the Share Acquisitor)
- (iv) A Juridical Person, etc. that directly holds the number of voting rights equivalent to 50% or more of the total voting rights of the Share Acquisitor in the cases where the said Share Acquisitor is a Juridical Person, etc.
- (v) A Juridical Person, etc. that directly holds all of the total voting rights of the Juridical Person, etc. listed in the preceding item
- (vi) A Juridical Person, etc. that directly holds the number of voting rights

- equivalent to 50% or more but less than 100% of the total voting rights of the Juridical Person, etc. listed in item 4 (limited to that which directly holds all of the total voting rights of the Share Acquisitor)
- (vii) A Juridical Person, etc. in which the number of voting rights equivalent to 50% or more of the total voting rights is directly held by the Juridical Person, etc. listed in item 4
  - (viii) A Juridical Person, etc. for which all of the total voting rights are directly held by the Juridical Person, etc. listed in any of the preceding three items
  - (ix) Officers (meaning directors and others equivalent thereto; the same shall apply hereinafter in this item) of the Share Acquisitor (limited to Juridical Persons, etc.) and officers of the Juridical Person, etc. listed in each of the preceding items.
  - (x) A Juridical Person, etc. for which the officers listed in the preceding item account for a majority
  - (xi) The spouse of the Share Acquisitor
  - (xii) A lineal relative of the Share Acquisitor
  - (xiii) Other government institutions or public organizations or entities equivalent thereto of a country (including the region which is a part thereof. The same shall apply hereinafter in this item) other than Japan in the cases where the share acquisitor is a government institution or public organization or an entity equivalent thereto of such country
- (5) The ratio specified by Cabinet Order prescribed in Article 26, paragraph 2, item 3 of the Act shall be 10%.
- (6) The establishment or change specified by Cabinet Order prescribed in Article 26, paragraph 2, item 5 of the Act shall be the establishment of a branch office, a factory or other places of business (hereinafter referred to as "Branch Office, etc.") in Japan pertaining to the businesses listed as follows, or shall be the establishment or substantial change of a Branch Office, etc. already existing in Japan other than the substantial change of the kind or business purpose of the said Branch Office, etc.
- (i) The banking business prescribed in the provisions of Article 2, paragraph 2 of the Banking Act (Act No. 59 of 1981) (including businesses which are deemed as the banking business pursuant to the provisions of Article 3 of the said Act)
  - (ii) The business of foreign insurance companies, etc. prescribed in Article 2, paragraph 7 of the Insurance Business Act (Act No. 105 of 1995)
  - (iii) The gas business prescribed in Article 2, paragraph 10 of the Gas Business Act (Act No. 51 of 1954)
  - (iv) The electricity utility prescribed in Article 2, paragraph 1, item 9 of the Electricity Business Act (Act No. 170 of 1964)
  - (v) The business of foreign securities companies prescribed in Article 2, item 2

- of the Act on Foreign Securities Companies (Act No. 5 of 1971)
- (vi) The business of foreign trust companies prescribed in Article 2, Item 6 of the Trust Business Act (Act No. 154 of 2004)
- (7) The amount specified by Cabinet Order prescribed in Article 26, paragraph 2, item 6 of the Act shall be an amount specified by the ordinance of the competent ministry which does not fall below 100 million yen.
- (8) Financial institutions specified by Cabinet Order prescribed in Article 26, paragraph 2, item 6 of the Act shall be the financial institutions listed as follows.
- (i) Persons who operate trust business, insurance business or securities business
  - (ii) International Bank for Reconstruction and Development and the U.S. Import-Export Bank;
  - (iii) Persons who provide loans as their primary business (excluding the cases where persons whose business is the sale, transport or storage of goods or a sales intermediary provide loans in association with these transactions) in addition to those listed in the preceding items
  - (iv) Persons specified by the ordinance of the competent ministry who are equivalent to any of those listed in the preceding three items
- (9) The acts specified by Cabinet Order prescribed in Article 26, paragraph 2, item 7 of the Act shall be as follows:
- (i) The acquisition of bonds (excluding those which are issued or offered for subscription in foreign countries and for which payment can be received in foreign countries) which are offered to specified parties among those listed in each item of Article 26, paragraph 1 of the Act; provided, however, that the acquisition of bonds which fall under any of the following is excluded.
    - (a) The acquisition of bonds by persons who operate banking business or persons listed in items 1 or 3 of the preceding paragraph
    - (b) The acquisition of Japanese currency-denominated bonds by parties listed in Article 26, paragraph 1, items 3 or 4 of the Act
    - (c) The acquisition of bonds for which the period from the date of acquisition to the date of principal redemption is not more than one year
    - (d) The acquisition of bonds for which the acquisition amount does not fall below 100 million yen and is not more than the amount specified by the ordinance of the competent ministry
    - (e) Other acquisitions of bonds specified by the ordinance of the competent ministry
  - (ii) The acquisition of investment securities which are issued by corporations established under special acts.

(A notification of Inward Direct Investment, etc. and change of the service of a

recommendation of a change)

Article 3 (1) An inward direct investment, etc. prescribed in Article 26, paragraph 2 of the Act (hereinafter referred to as "Inward Direct Investment, etc."), which is specified by Cabinet Order by taking into consideration inheritance, testamentary gift, merger of juridical persons or other circumstances, shall be the Inward Direct Investment, etc. which falls under the acts listed as follows.

- (i) The acquisition of shares or equity of a corporation through inheritance or testamentary gift
- (ii) The acquisition in the cases where, as a result of the merger of juridical persons which own the shares or equity of a corporation other than a listed corporation, etc. (referred to as "Non-Listed Corporation" in the next item and item 3), the juridical person that continues to exist after the merger or a newly established juridical person acquires the said shares and equity
- (ii)-2 Acquisition in the cases where, as a result of the demerger of a juridical person that owns the shares or equity of a non-listed corporation, a newly established corporation after the demerger or the juridical person which assumes the business acquires the said shares or equity
- (iii) The acquisition of the shares or equity of a Non-Listed Corporation (excluding the acquisition in the cases where the proportion accounted for in the total issued shares or the total investment amount of the said Non-Listed Corporation (hereinafter referred to as "Issued Shares, etc." in this item) by the number of shares or the investment amount of the said Non-Listed Corporation pertaining to the said acquisition (hereinafter referred to as "Shares, etc." in this item), or the proportion accounted for in the total Issued Shares, etc. of the said Non-Listed Corporation by the sum of the Shares, etc. of the said Non-Listed Corporation which the party having conducted the said acquisition is to hold after the said acquisition and the Shares, etc. of the said Non-Listed Corporations held by the non-resident individuals or juridical persons which shall fall under those listed in each item of paragraph 4 of the preceding Article in the cases where the party having conducted the said acquisition was treated as the Share Acquisitor referred to in paragraph 4 of the preceding Article is 10% or more), which is other than the acquisition of the shares or equity falling under the Inward Direct Investments, etc. listed in each item of the next paragraph (excluding the acquisition of the shares specified by the ordinance of the competent ministry as those equivalent to the shares of a list corporation, etc.)
- (iv) The acquisition of new shares issued as a result of the split, consolidation or transfer of shares
- (v) The acquisition of shares in a foreign country pertaining to the issue or offer conducted by a listed corporation, etc. in the foreign country

- (vi) The acquisition of bonds with a right to subscribe for new shares pertaining to the issue or offer in a foreign country conducted by a listed corporation, etc. or new shares issued as a result of exercising the right to subscribe for new shares pertaining to securities with a right to subscribe for new shares or the treasury shares which the said corporation holds.
  - (vii) The acts specified by the ordinance of the competent ministry in addition to those listed in each of the preceding items.
- (2) What is specified by Cabinet Order as being likely to fall under Inward Direct Investment, etc. which requires examination prescribed in Article 27, paragraph 1 of the Act shall be the Inward Direct Investment, etc. which falls under any of the following items.
- (i) Inward Direct Investment, etc. pertaining to the business types specified by an ordinance of the competent ministry as the business types which fall under either (a) or (b) (with regard to Inward Direct Investment, etc. listed in Article 26, paragraph 2, item 6 of the Act, loans which are equivalent to an amount of less than 10 billion yen shall be excluded.)
    - (a) Business types pertaining to Inward Direct Investment, etc. which are likely to impair national security, disturb the maintenance of public order or hinder the protection of public safety
    - (b) Business types pertaining to Inward Direct Investment, etc. which Japan has reserved pursuant to the provision of Article 2-b of the Code of Liberalization of Capital Movements of the Organization of Economic Cooperation and Development
  - (ii) Inward Direct Investment, etc. specified by the ordinance of the competent ministry as being likely to fall under the Inward Direct Investment, etc. listed in Article 27, paragraph 3, item 2 of the Act
  - (iii) Inward Direct Investment, etc. specified by the ordinance of the competent ministry as being likely to be equivalent to the capital transaction pertaining to the designation by the Minister of Finance pursuant to Article 11, paragraph 1 of the Cabinet Order on Foreign Exchange (Cabinet Order No.260 of 1980)
- (3) The notification pursuant to the provision of Article 27, paragraph 1 of the Act shall be given pursuant to the procedure specified by the ordinance of the competent ministry within three months before the day when an Inward Direct Investment is intended to be made.
- (4) In the cases where a foreign investor prescribed in Article 26, paragraph 1 of the Act, who shall give the notification pursuant to the provision of Article 27, paragraph 1 of the Act (hereinafter referred to as "Foreign Investor"), falls under the cases listed in Article 26, paragraph 1, item 1 or 2, the said Foreign Investor shall give the said notification through an agent who is a resident (limited to persons who have the authority to receive the documents to be

served pursuant to the provisions of paragraphs 7 and 12).

- (5) The matters specified by Cabinet Order prescribed in Article 27, paragraph 1 shall be the matters listed as follows.
  - (i) The name, domicile or residence, nationality and occupation of the person who gives the notification (in the case of juridical persons and other organizations, their name, the location of their principal office, the content of business being operated, stated capital and the name of the representative)
  - (ii) The business purpose pertaining to an Inward Direct Investment, etc.
  - (iii) The amount of the Inward Direct Investment, etc. and its timing of implementation
  - (iv) The reason for making the Inward Direct Investment, etc.
  - (v) Other matters specified by the ordinance of the competent ministry
- (6) What is specified by Cabinet Order prescribed in Article 27, paragraph 3, item 1 of the Act shall be the Treaty of Organization of Economic Cooperation and Development (limited to the part pertaining to the Code of Liberalization of Capital Movements decided pursuant to the provision of Article 5- (a) of the said Treaty) and Annex B: General Agreement on Trade in Services to the Marrakesh agreements which establish the World Trade Organization
- (7) The period in which Inward Direct Investment, etc. is prohibited pursuant to the provision of Article 27, paragraphs 3 or 6 of the Act is extended by serving a document entered with the said extension of the period to the domicile or residence or business office of the person who should receive such service, through service by mail or via letter delivery prescribed in Article 2, paragraph 2 of the Act on Letter Service by Private Businesses (Act No. 99 of 2004) conducted by an ordinary letter delivering business prescribed in paragraph 6 of the said Article or a specified letter delivering business prescribed in paragraph 9 of the said Article (hereinafter referred to as "Mail, etc." in this Article and Article 5), or through delivery service; provided, however, that in the cases where the Foreign Investor gave the said notification of Inward Direct Investment, etc. through an agent who is a resident, such document shall be served to the domicile or residence or business office of the said agent.
- (8) In the cases where the document prescribed in the preceding paragraph was sent by Mail, etc. with ordinary handling, the postal item or the item of letter delivery prescribed in Article 2, paragraph 3 of the Act on Letter Service by Private Businesses is presumed to have been served at the time it should normally arrive.
- (9) In the cases where the document prescribed in paragraph 7 is sent by Mail, etc. with ordinary handling, the Minister of Finance and the minister having jurisdiction over the business shall prepare in advance a record by means of which it will be sufficient to ascertain the name (in the case of juridical persons or other organizations, their name) of the person who should receive the

service of the said document (in the case of the proviso of the same paragraph, the agent. The same shall apply in the next paragraph and paragraph 11.), the destination and the date on which the said document was sent.

- (10) The delivery service referred to in paragraph 7 shall be conducted by an official of the said administrative organ (including officials of the Bank of Japan engaging in the affairs listed in Article 10, item 3 pursuant to the provision of Article 69, paragraph 1 of the Act) who delivers the said document to the person who should receive the service at the place to which the document prescribed in paragraph 7 should be served; provided, however, that the said document may be delivered at other places when the person who should receive the service has no objection.
- (11) In the cases listed in each of the following items, the delivery service referred to in paragraph 7 may be conducted by replacing the delivery prescribed in the preceding paragraph with the acts specified in each of the said items.
- (i) In the cases where the person who should receive the service of the document prescribed in paragraph 7 cannot be met with at the place on which the service should be made, the said document shall be delivered to a person who is his/her employee or worker or one living together and has the capacity to receive the said document (referred to as "Employee, etc." in the next item).
- (ii) In the cases where the person who should receive the service of the document prescribed in paragraph 7 and his/her Employee, etc. are not available in the place to which the service should be made or where these people refused to receive the said document without any justifiable reason, the said document shall be placed in the place on which the service should be made.
- (12) The recommendation or order pursuant to the provision of Article 27, paragraphs 5 and 10 of the Act shall be implemented by serving a document entered with the content of the said recommendation or order to the domicile or residence or business office of the person who should receive the service, through service by Mail, etc. or delivery service; provided, however, that in the cases where the Foreign Investor gave the said notification of Inward Direct Investment, etc. through an agent who is a resident, such document shall be served to the domicile or residence or business office of the said agent.
- (13) The provision of paragraphs 8 to 11 inclusive shall apply mutatis mutandis to the document entered with the content of the recommendation or order prescribed in the preceding paragraph. In this case, the term "the preceding paragraph" in paragraph 8 and the term "paragraph 7" in paragraph 9 shall be deemed to be replaced with "paragraph 12"; the terms "paragraph 7" and "Article 10, item 3" in paragraph 10 with "paragraph 12" and "Article 10, items

4 or 6," respectively; the term "paragraph 7" in paragraph 11 with "the next paragraph."

- (14) The notification prescribed in Article 27, paragraph 7 of the Act shall be made pursuant to the procedure specified by the ordinance of the competent ministry.

Article 4 Deleted.

### **Chapter III Conclusion of a Technology Introduction Contract, etc.**

(Notification of Conclusion of a Technology Introduction Contract, etc. and service of a recommendation of a change, etc.)

Article 5 (1) The Conclusion of a Technology Introduction Contract, etc.

prescribed in Article 30, paragraph 1 (hereinafter referred to as "Conclusion of a Technology Introduction Contract, etc."), which is specified by Cabinet Order prescribed in the same paragraph, shall be the Conclusion of a Technology Introduction Contract, etc. which falls under any of the following items.

- (i) The conclusion of a contract pertaining to the Conclusion of a Technology Introduction Contract, etc. listed in items (a) to (d) inclusive (excluding the case of the change of a party concerned to the contract pertaining to the Conclusion of a Technology Introduction Contract, etc.), which pertains to the specified technology (meaning the technology specified by the ordinance of the competent ministry as technology pertaining to the Conclusion of a Technology Contract, etc. which is likely to impair national security, disturb the maintenance of public order or hinder the protection of public safety. The same shall apply hereinafter in this paragraph and Article 6-4, paragraph 2, item 2).
- (a) The Conclusion of a Technology Introduction Contract, etc. of which the amount of the consideration (excluding travel expenses and sojourn expenses in Japan; hereinafter referred to as "Consideration of a Technology Introduction Contract") to be paid pursuant to the Conclusion of a Technology Introduction Contract, etc. to a non-resident (including the non-resident's Branch Office, etc. in Japan. The same shall apply hereinafter in this item) who is the other party to the contract exceeds an amount equivalent to 100 million yen
- (b) The Conclusion of a Technology Introduction Contract, etc. in which the Consideration of the Technology Introduction Contract has not been determined
- (c) The Conclusion of a Technology Introduction Contract, etc. in which a resident intends to transfer industrial property and other rights relating to the technology, establish the right of use relating thereto or give guidance

- on the technology relating to business operation as the Consideration of the Technology Introduction Contract
- (d) The Conclusion of a Technology Introduction Contract, etc. in which a resident, who is a corporation in which 50% or more of the total voting rights are directly held by a non-resident who is the other party to the Conclusion of a Technology Introduction Contract, etc. intends to conclude with the said non-resident
- (ii) The change of clause of the contract pertaining to the Conclusion of a Technology Introduction Contract, etc. listed in the preceding items (a) to (d) inclusive (limited to the contract to which the specified technology is newly added)
- (iii) The contract in which the amount of the Consideration of the Technology Introduction Contract exceeds an amount equivalent to 100 million yen as a result of the change of clause of the contract pertaining to the Conclusion of the Technology Introduction Contract, etc. (excluding those listed in (b) to (d) inclusive of item (i)), which pertains to the specified technology
- (2) The notification pursuant to the provision of Article 30, paragraph 1 of the Act shall be given pursuant to the procedure specified by the ordinance of the competent ministry within three months before the day when the Conclusion of a Technology Introduction Contract, etc. is intended to be made.
- (3) The matters specified by Cabinet Order prescribed in Article 31, paragraph 1 of the Act shall be the matters listed as follows.
- (i) The name, domicile or residence, and occupation of the person who gives the notification (in the case of juridical persons and other organizations, their name, the location of their principal office, the content of business being operated, stated capital and the name of the representative)
- (ii) The kind and consideration of the technology pertaining to the Conclusion of a Technology Introduction Contract, etc.
- (iii) The timing to implement the Conclusion of a Technology Introduction Contract, etc.
- (iv) The reason for the intention to make the Conclusion of a Technology Introduction Contract, etc.
- (v) In addition to those listed in each of the preceding items, the clauses of the contract pertaining to the Conclusion of a Technology Introduction Contract, etc. and other matters specified by the ordinance of the competent ministry
- (4) What is specified by Cabinet Order prescribed in Article 30, paragraph 3 of the Act shall be the Treaty of Organization of Economic Cooperation and Development (limited to the part pertaining to the Code of Liberalization of Current Invisible Operations decided pursuant to the provision of Article 5- (a) of the said Treaty).
- (5) The period in which the Conclusion of a Technology Introduction Contract, etc.

is prohibited pursuant to the provision of Article 30, paragraphs 3 or 6 shall be extended by serving a document entered with the said extension of the period to the domicile or residence or business office of the person who should receive the service, through service by Mail, etc. or delivery service.

- (6) The provision of Article 3, paragraphs 8 to 11 inclusive shall apply mutatis mutandis to the document entered with the extension of the period prescribed in the preceding paragraph. In this case, the term "the preceding paragraph" in paragraph 8 of the same Article and the term "paragraph 7" in paragraphs 9 to 11 inclusive of the same Article shall be deemed to be replaced with "Article 5, paragraph 5."
- (7) The recommendation or order pursuant to the provision of Article 30, paragraph 5 of the Act or the provision of Article 27, paragraph 10 of the Act which is applied mutatis mutandis to paragraph 7 of the same Article shall be implemented by serving a document entered with the content of the said recommendation or order to the domicile or residence or business office of the person who should receive the service, through service by Mail, etc. or delivery service.
- (8) The provision of Article 3, paragraphs 8 to 11 inclusive shall apply mutatis mutandis to the document entered with the content of the recommendation or order prescribed in the preceding paragraph. In this case, the term "the preceding paragraph" in paragraph 8 of the same Article and the term "paragraph 7" in paragraph 9 of the same Article shall be deemed to be replaced with "Article 5, paragraph 7"; the terms "paragraph 7" and "Article 10, item 3" in paragraph 10 of the same Article with "Article 5, paragraph 7" and "Article 10, items 4 or 6," respectively; the term "paragraph 7" in paragraph 11 of the same Article with "Article 5, paragraph 7."
- (9) The notification prescribed in Article 27, paragraph 7 of the Act which applies mutatis mutandis to Article 30, paragraph 7 of the Act shall be made pursuant to the procedure specified by the ordinance of the competent ministry.

(Technical Replacement Deemed to Be Made for Article 27 of the Act)

Article 6 The technical replacement deemed to be made pursuant to the provision of Article 30, paragraph 7 of the Act shall be as in the following table.

Provision for which a term is deemed to be replaced	Term deemed to be replaced	Term used to replace with
Article 27, paragraph 7	Paragraph 5	Article 30, paragraph 5

Article 27, paragraph 8	shall make an Inward Direct Investment, etc.	shall make the Conclusion of a Technology Introduction Contract, etc.
Article 27, paragraph 9	Paragraphs 3 or 6	Article 30, paragraph 3 or 6
	the said Inward Direct Investment, etc.	the said Conclusion of a Technology Introduction Contract, etc.
	make an Inward Direct Investment, etc.	make the Conclusion of a Technology Introduction Contract, etc.
Article 27, paragraph 10	paragraph 5	Article 30, paragraph 5
	content pertaining to the Inward Direct Investment, etc.	all or part of the clause pertaining to the Conclusion of a Technology Introduction Contract, etc.
	paragraph 3 or 6	paragraph 3 or 6 of the same Article
Article 27, paragraph 11	Inward Direct Investment, etc. pertaining to a notification pursuant to the provision of paragraph 1 ..... Inward Direct Investment, etc. pertaining to national security, etc.	the Conclusion of a Technology Introduction Contract, etc. pertaining to a notification pursuant to the provision of Article 30, paragraph 1 ..... Conclusion of a Technology Introduction Contract, etc. pertaining to national security, etc. prescribed in paragraph 3 of the same Article
	content pertaining to Inward Direct Investment, etc.	all or part of the clause pertaining to the Conclusion of a Technology Introduction Contract, etc.
Article 27, paragraph 12	In addition to what is prescribed in paragraphs 5 to 11 inclusive, ..... content pertaining to Inward Direct Investment, etc.	In addition to what is prescribed in paragraph 7 to the preceding paragraph inclusive and Article 30, paragraphs 5 and 6, ..... all or part of the clause pertaining to the Conclusion of a Technology Introduction Contract, etc.

(Exclusion from Application)

Article 6-2 The Conclusion of a Technology Introduction Contract, etc. specified by Cabinet Order prescribed in Article 30, paragraph 8 shall be the Conclusion of a Technology Introduction Contract, etc. pertaining to the guidance on the

technology relating to business operation.

### **Chapter III-2 Report**

(Report of Inward Direct Investment, etc.)

Article 6-3 (1) The report pursuant to the provision of the Article 55, paragraph 1 of the Act shall be made pursuant to the procedure specified by the ordinance of the competent ministry within 15 days from the date on which an Inward Direct Investment was made.

(2) In the cases where a Foreign Investor, who shall give the notification pursuant to the provision of Article 55, paragraph 1 of the Act, falls under the cases listed in Article 26, paragraph 1, item 1 or 2, the said Foreign Investor shall give the said notification through an agent who is a resident.

(3) The matters specified by Cabinet Order prescribed in the provision of Article 55, paragraph 1 of the Act shall be the matters listed as follows.

- (i) The name, domicile or residence, nationality and occupation of the person who makes the report (in the case of juridical persons and other organizations, their name, the location of their principal office, the content of business being operated, stated capital and the name of the representative)
- (ii) The business purpose pertaining to the Inward Direct Investment, etc.
- (iii) The amount of the Inward Direct Investment, etc. and its date of implementation
- (iv) Other matters specified by the ordinance of the competent ministry

(Report of Conclusion of a Technology Introduction Contract, etc.)

Article 6-4 (1) The report pursuant to the provision of Article 55-6, paragraph 1 of the Act shall be made pursuant to the procedure specified by the ordinance of the competent ministry within 15 days from the date on which the Conclusion of a Technology Introduction Contract, etc. was made.

(2) The Conclusion of a Technology Introduction Contract, etc. specified by Cabinet Order prescribed in Article 55-6, paragraph 2 shall be the Conclusion of a Technology Introduction Contract, etc. listed as follows.

- (i) The Conclusion of a Technology Introduction Contract, etc. pertaining to guidance on the technology relating to business operation
- (ii) The Conclusion of a Technology Introduction Contract, etc. other than the specified technology

(Report pursuant to Article 55-8 of the Act)

Article 6-5 (1) In the cases where, to the extent necessary for enforcing the provisions in Article 26, Article 27, Article 30, Article 55-5 or Article 55-6 of the Act and this Cabinet Order, pursuant to the provisions of Article 55-8 of

the Act, the relevant persons conducting or having conducted any transaction or act governed by these provisions are required to make a report on the content of the said transaction or act, the timing of implementation and other matters related to the said transaction or act, the Minister of Finance or the Minister of Finance and the minister having jurisdiction over the business shall designate the matter of requiring the said report pursuant to what is specified by the Ordinance of the Ministry of Finance or the ordinance of the competent ministry.

- (2) The person who is required to make a report on the designated matter prescribed in the preceding paragraph shall make the said report pursuant to the procedure specified by Ordinance of the Ministry of Finance or the ordinance of the competent ministry.

#### **Chapter IV Miscellaneous Provisions**

(Minister Having Jurisdiction over the Business)

Article 7 The minister having jurisdiction over the business in the Act and this Cabinet Order, in accordance with the classification of the matters listed in each of the following items, shall be the minister specified respectively in those items.

- (i) Matters concerning the acquisition or transfer of the shares or equity of a corporation (including juridical persons established pursuant to the special acts. The same shall apply hereinafter in this item) or a substantial change of the business purpose: The minister having jurisdiction over the business which the said corporation operates
- (ii) Matters concerning the establishment of a Branch Office, etc. in Japan or a substantial change of the kind of Branch Office, etc. or the business purpose: The minister having jurisdiction over the business which the said Branch Office, etc. operates
- (iii) Matters concerning loans lent to a juridical person having its principal office in Japan: the minister having jurisdiction over the business which the said juridical person operates
- (iv) Matters concerning the Conclusion of a Technology Introduction Contract, etc.: the minister having jurisdiction over the business of accepting the technology pertaining to the said Conclusion of a Technology Introduction Contract, etc.
- (v) Matters concerning the acquisition of bonds issued by a corporation: the minister having jurisdiction over the business which the said corporation operates

(Ordinance of the Competent Ministry)

Article 7-2 The ordinance of the competent ministry in this Cabinet Order shall be the order which the Minister of Finance and the minister having jurisdiction over the business issue.

(Method of Public Notice)

Article 8 The public notice prescribed in the Cabinet Order shall be made through the official gazette.

(Method of Conversion)

Article 9 The conversion of a foreign currency to Japanese currency in the cases where the provisions of the Act (limited to Chapter 5, Article 55-5, Article 55-6 and Article 55-8 (limited to the part pertaining to Article 6-5 of this Cabinet Order. The same shall apply hereinafter in the next Article)), this Cabinet Order and the order based thereon apply, shall be made by using the basic foreign exchange rate or arbitrated foreign exchange rate prescribed in Article 7, paragraph 1 of the Act on the day of conducting a transaction or an act in which the said conversion should be made concerning the amount under the said provisions, except where the conversion is made by using the method specified by the ordinance of the competent ministry in accordance with the classification specified by the ordinance of the competent ministry.

(Delegation of affairs)

Article 10 The affairs relating to the enforcement of the Act (limited to Chapter 5, Article 55-5, Article 55-6 and Article 55-8) which the Minister of Finance or the Minister of Finance and the minister having jurisdiction over the business have the Bank of Japan handle pursuant to the provision of Article 69, paragraph 1 of the Act shall be listed as follows; provided, however, that when the Minister of Finance or the Minister of Finance and the minister having jurisdiction over the business find necessary, this shall not preclude them from handling the said affair of their own accord as is governed by Ordinance of the Ministry of Finance or the ordinance of the competent ministry.

- (i) Acceptance of the notification pursuant to the provision of Article 27, paragraph 1 and Article 30, paragraph 1 of the Act
- (ii) Notification of the shortening of the period pursuant to the provision of Article 27, paragraphs 2 and 4 and Article 30, paragraphs 2 and 4 of the Act and or other affairs relating to the said shortening of the period, as is specified by the Minister of Finance and the minister having jurisdiction over the business
- (iii) Forwarding of the document entered with the extension of the period pursuant to the provision of Article 27, paragraphs 3 and 7 and Article 30, paragraphs 3 and 6 of the Act

- (iv) Forwarding of the document entered with the content of a recommendation pursuant to the provision of Article 27, paragraph 5 and Article 30, paragraph 5 of the Act
- (v) Acceptance of the notification relating to the compliance pursuant to the provision of Article 27, paragraph 7 of the Act (including the cases where it is applied mutatis mutandis pursuant to Article 30, paragraph 7 of the Act)
- (vi) Forwarding of the document entered with the content of an order pursuant to the provision of Article 27, paragraph 10 of the Act (including the cases where it is applied mutatis mutandis pursuant to Article 30, paragraph 7 of the Act)
- (vii) Notification of the rescission pursuant to the provision of Article 27, paragraph 11 (including the cases where it is applied mutatis mutandis pursuant to Article 30, paragraph 7 of the Act)
- (viii) Acceptance of the report pursuant to the provision of Article 55-5, paragraph 1 and Article 55-6, paragraph 1 of the Act
- (ix) Preparation of a record pursuant to the provision of Article 3, paragraph 9 (including the cases where it is applied mutatis mutandis pursuant to paragraph 13 of the same Article and Article 5, paragraphs 6 and 8)
- (x) Acceptance of a report pursuant to the provision of Article 6-5
- (xi) Affairs incidental to the affairs listed in the preceding items

### **Supplementary Provisions**

(Effective Date)

Article 1 This Cabinet Order shall come into force as from the date of enforcement (December 1, 1980) of the Act on the Partial Revision of the Foreign Exchange and Foreign Trade Control Act (Act No. 65 of 1979).

(Abolishment of Cabinet Order on Special Provisions of Standard for Approval, etc. pursuant to the Provision of the Act on Foreign Capital)

Article 2 The Cabinet Orders listed as follows shall be abolished.

- (i) Cabinet Order on Hearing Procedure pursuant to the Provision of Article 20 of the Act on Foreign Capital (Cabinet Order No. 82 of 1950)
- (ii) Cabinet Order on Special Provisions of Standard for Approval, etc. pursuant to the Provision of the Act on Foreign Capital (Cabinet Order No. 221 of 1952)
- (iii) Cabinet Order on Specifying the Scope of Affairs Bank of Japan is to Handle pursuant to the Act on Foreign Capital (Cabinet Order No.412 of 1952)
- (iv) Cabinet Order on the Deposit Account of a Foreign Investor (Cabinet Order No. 427 of 1952)

(Transitional Measures)

Article 3 (1) The transactions or acts recognized or permitted pursuant to the provision of Article 17 or 26 of the Foreign Exchange Control Order (Cabinet Order No.203 of 1950, hereinafter referred to as "Old Control Order" in the next paragraph) prior to its abolishment by the Foreign Exchange Control Order (Cabinet Order No.260 of 1980, hereinafter referred to as "New Control Order") shall be governed by the provision of Article 3, paragraph 1 of the Supplementary Provisions of New Control Order.

(2) Of the transactions or acts pertaining to the application for a permit which have actually been made pursuant to the provision of Article 17 of the Old Control Order at the time of the enforcement of this Cabinet Order, with regard to those for which a notification shall be given pursuant to the provision of Article 29, paragraph 1 of the Act after the revision (hereinafter referred to as "New Act" in this paragraph) by the Act on the Partial Revision of the Foreign Exchange and Foreign Trade Control Act (hereinafter referred to as "Act on Revision"), the said application is deemed to be the notification given pursuant to the provision of the same paragraph on the date of enforcement of this Cabinet Order (hereinafter referred to as "date of enforcement"), and the New Act (excluding Chapters 3, 4 and 6) and the provision of this Cabinet Order shall apply.

Article 4 In the cases where a bank authorized to conduct foreign exchange operations prescribed in Article 11 of the Act separates from other deposit accounts the outstanding balance of a foreign investor's deposit account on a date prior to the date of enforcement, which was opened pursuant to the provision of Article 9-2, paragraph 1 of the Act on Foreign Capital (Act No. 163 of 1950. Hereinafter referred to as "Old Foreign Capital Act") prior to the revision by the Act of Revision, and treats it in terms of accounting, with regard to the refund of the outstanding balance of the said foreign investor's deposit account, the provision of Article 11 of the New Control Order shall not apply while the said outstanding balance is being separated and treated in terms of accounting.

Article 5 With regard to the conditions attached pursuant to the provision of Article 14, paragraph 1 of the Old Foreign Capital Act at the time of the approval, designation or confirmation prescribed in the Old Foreign Capital Act, of the conditions which require that acceptance be received in advance from the minister having jurisdiction over the business (which shall mean the minister having jurisdiction over the business prescribed in the Old Foreign Capital Act), only those which the Minister of Finance and the minister having

jurisdiction over the business (which shall mean the minister having jurisdiction over the business pursuant to the provision of Article 11) designate on the date of enforcement shall remain in force even after the enforcement of this Cabinet Order, and the other conditions shall lose their effect after the enforcement of this Cabinet Order.

Article 6 With regard to the transactions or acts pertaining to an application or a notification which have actually been made pursuant to the provision of Article 10, Article 11, paragraph 1, Article 12, paragraph 1, Article 13, paragraph 1, Article 13-2 or Article 13-3 of the Old Foreign Capital Act at the time of the enforcement of this Cabinet Order, the Cabinet Order on Special Provisions of Standard for Approval, etc. pursuant to the Provision of the Act on Foreign Capital (hereinafter referred to as "Old Cabinet Order on Special Provisions") and Cabinet Order on Specifying the Scope of Affairs Bank of Japan is to Handle Pursuant to the Act on Foreign Capital (hereinafter referred to as "Old Cabinet Order on Delegation") prior to their abolishment by this Cabinet Order shall still remain in force even after the enforcement of this Cabinet Order.

Article 7 With regard to the shares, etc. prescribed in Article 13-2 of the Old Foreign Capital Act or the consideration, etc. or the right to the consideration, etc. prescribed in Article 13-3 of Old Foreign Capital Act of which their date of acquisition is earlier than the date of enforcement, the provision of Article 5 of the Old Cabinet Order on Special Provisions and the provision of items 7, 8 and 12 of the Old Cabinet Order on Delegation shall remain in force even after the enforcement of this Cabinet Order.

(Partial Revision of Order for Organization of Ministry of Health and Welfare)

Article 8 Order for Organization of Ministry of Health and Welfare (Cabinet Order No. 388 of 1952) shall be partially revised as follows.

"Act on Foreign Capital (Act No. 163 of 1950)" in Article 34, paragraph 3 shall be replaced with "Foreign Exchange and Foreign Trade Control Act (Act No. 228 of 1949)."

(Partial Revision of Order for Organization of Ministry of International Trade and Industry)

Article 9 Order for Organization of Ministry of International Trade and Industry (Cabinet Order No. 390 of 1952) shall be partially revised as follows.

"Technical assistance contract" in Article 43, item 2 shall be replaced with "Technology Introduction Contract," and "acquisition of property" in item 3 of the same Article with "acquisition of property, etc."

(Partial revision of Order for Organization of Ministry of Transport)  
Article 10 Order for Organization of Ministry of Transport (Cabinet Order No. 391 of 1952) shall be partially revised as follows.

"Acquisition of shares, etc." and "technical assistance contract" in Chapter 1 of the Order for Organization of Ministry of Transport shall be replaced with "acquisition, etc. of shares" and "Technology Introduction Contract," respectively.

**Supplementary Provisions [Cabinet Order No. 291 of September 26, 1981]**

This Cabinet Order shall come into force as from October 1, 1981.

**Supplementary Provisions [Cabinet Order No. 48 of March 27, 1982]  
[Extract]**

(1) This Cabinet Order shall come into force as from the date of enforcement of the Banking Act (April 1, 1982).

**Supplementary Provisions [Cabinet Order No. 195 of June 19, 1984]**

This Cabinet Order shall come into force as from the date of enforcement of the provision of Article 5 of the Act of Partial Revision of the Act on Measures Accompanying the Accession to the International Monetary Fund and International Bank for Reconstruction and Development for the Purpose of Forming a Harmonized Foreign Economic Relationship (July 1, 1984).

**Supplementary Provisions [Cabinet Order No. 48 of March 25, 1991]**

(Effective Date)

(1) This Cabinet Order shall come into force as from April 1, 1991.

(Transitional Measures Accompanying the Partial Revision of the Cabinet Order on Inward Direct Investment, etc.)

(2) With regard to the cases where the new shares prescribed in Article 2, paragraph 13, item 2 of the Cabinet Order on Inward Direct Investment, etc. prior to the revision by the provision of Article 4 are acquired at the time of the issue of new shares for which the provisions then in force still remain applicable pursuant to the provision of Supplementary Provisions, Article 11 of the Act on the Partial Revision of the Commercial Code, etc. (Act No. 64 of 1990), and the cases where the new shares prescribed in the provision of item 5

of the same paragraph are acquired due to the appropriation of profit for which the provisions then in force still remain applicable pursuant to the provision of Supplementary Provisions, Article 17 of the same Act, the provisions then in force shall remain applicable.

- (3) With regard to the penal provision concerning the act conducted prior to the enforcement of this Cabinet Order, the provisions then in force shall remain applicable.

**Supplementary Provisions [Cabinet Order No. 354 of November 27, 1991]**

(Effective Date)

- (1) This Cabinet Order shall come into force as from the date of enforcement of the Act on the Partial Revision of the Foreign Exchange and Foreign Trade Control Act (January 1, 1992).

(Transitional Measures)

- (2) With regard to the penal provision concerning the act conducted prior to the enforcement of this Cabinet Order, the provisions then in force shall remain applicable.

**Supplementary Provisions [Cabinet Order No. 411 of December 26, 1994]  
[Extract]**

(Effective Date)

- Article 1 This Cabinet Order shall come into force as from the date of enforcement (March 1, 1995) of the Act on the Partial Revision of the Gas Business Act (Act No. 42 of 1994).

**Supplementary Provisions [Cabinet Order No. 419 of December 28, 1994]**

This Cabinet Order shall come into force as from the date on which the Marrakesh Agreement preceding the World Trade Organization comes into effect with regard to Japan.

**Supplementary Provisions [Cabinet Order No. 359 of October 18, 1975]  
[Extract]**

(Effective Date)

- Article 1 This Cabinet Order shall come into force as from the date of enforcement (December 1, 1995) of the Act on the Partial Revision of the Electricity Business Act (hereinafter referred to as "Act on Revision").

**Supplementary Provisions [Cabinet Order No. 426 of December 22, 1995]**

This Cabinet Order shall come into force as from the date of enforcement of the Insurance Business Act (April 1, 1996).

**Supplementary Provisions [Cabinet Order No. 384 of December 25, 1997]**

(Effective Date)

Article 1 This Cabinet Order shall come into force as from the date of enforcement of the Act on the Partial Revision of the Foreign Exchange and Foreign Trade Control Act (April 1, 1998).

(Transitional Measures)

Article 2 The provision of Article 6-4, paragraph 2 of the Cabinet Order on Inward Direct Investment, etc. after the revision shall apply to the Conclusion of a Technology Introduction Contract, etc. prescribed in Article 31, paragraph 1 of the Foreign Exchange and Foreign Trade Act which will be made after the date of enforcement of this Cabinet Order (hereinafter referred to as "Conclusion of a Technology Introduction Contract, etc." in this Article), and with regard to the Conclusion of a Technology Introduction Contract, etc. which was made prior to the said date of enforcement, the provisions then in force shall remain applicable.

Article 3 With regard to the penal provision concerning the act conducted prior to the enforcement of this Cabinet Order and the act conducted after the enforcement of this Cabinet Order pertaining to the matters for which the provisions then in force shall remain applicable pursuant to the provision of the preceding Article, the provisions then in force shall remain applicable.

**Supplementary Provisions [Cabinet Order No. 431 of December 27, 1999]  
[Extract]**

(Effective Date)

Article 1 This Cabinet Order shall come into force as from March 21, 2000.

**Supplementary Provisions [Cabinet Order No. 307 of June 7, 2000]  
[Extract]**

(Effective Date)

Article 1 This Cabinet Order shall come into force as from January 6, 2001.

### **Supplementary Provisions [Cabinet Order No. 77 of March 28, 2001]**

(Effective Date)

- (1) This Cabinet Order shall come into force as from the day of promulgation; provided, however, that the provision of revision of Article 3, paragraph 1 shall come into force as from April 1, 2001.

(Transitional Measures)

- (2) The provision of Article 6-4, paragraph 2 of the Cabinet Order on Inward Direct Investment, etc. after the revision shall apply to the Conclusion of a Technology Introduction Contract, etc. prescribed in Article 31, paragraph 1 of the Foreign Exchange and Foreign Trade Act which will be made after the date of enforcement of this Cabinet Order (hereinafter referred to as "Conclusion of a Technology Introduction Contract, etc." in this paragraph), and with regard to the Conclusion of a Technology Introduction Contract, etc. which was made prior to the said date of enforcement, the provisions then in force shall remain applicable.
- (3) With regard to the penal provision concerning the act conducted prior to the enforcement of this Cabinet Order and the act conducted after the enforcement of this Cabinet Order pertaining to the matters for which the provisions then in force shall remain applicable pursuant to the provision of the preceding Article, the provisions then in force shall remain applicable.

### **Supplementary Provisions [Cabinet Order No. 54 of March 20, 2002]**

(Effective Date)

- (1) This Cabinet Order shall come into force as from April 1, 2002.

(Transitional Measures Concerning Convertible Bonds)

- (2) With regard to the acquisition of the new shares prescribed in the provision of Article 3, paragraph 1, items 6 and 7 of the Cabinet Order on Inward Direct Investment prior to the revision by this Cabinet Order pertaining to convertible bonds and bonds with preemptive rights for which the provisions then in force shall still remain applicable pursuant to the provision of Supplementary Provisions, Article 7 of the Act on the Partial Revision of the Commercial Code, etc. (Act No. 128 of 2001), the provisions then in force shall remain applicable.

### **Supplementary Provisions [Cabinet Order No.386 of December 18, 2002] [Extract]**

(Effective Date)

Article 1 This Cabinet Order shall come into force as from April 1, 2003.

**Supplementary Provisions [Cabinet Order No. 476 of December 3, 2003]  
[Extract]**

This Cabinet Order shall come into force as from April 1, 2004.

**Supplementary Provisions [Cabinet Order No. 429 of December 28, 2004]  
[Extract]**

(Effective Date)

Article 1 This Cabinet Order shall come into force as from the date of enforcement of the Act (December 30, 2004).

**Supplementary Provisions [Cabinet Order No. 42 of March 17, 2006]**

This Cabinet Order shall come into force as from the date of enforcement of the Companies Act.