



Association for
Financial Professionals®

Underwritten by



Cash and Treasury Management Country Report

JAPAN

Executive Summary

Banking

The Japanese central bank is the Bank of Japan (BOJ). Bank supervision is performed by the Federal Services Agency (FSA).

Japan does apply some central bank reporting requirements. These are managed by the Ministry of Finance (MOF) through the BOJ, according to the rules set out in the Foreign Exchange and Foreign Trade Law and relevant regulations.

Resident entities are permitted to hold fully convertible foreign currency bank accounts domestically and outside Japan. Non-resident entities are permitted to hold fully convertible domestic and foreign currency bank accounts within Japan.

Japan has five large city banks and a decreasing number of regional banks (64), which are divided into first and second tiers generally according to size and assets. There is a significant foreign banking presence in Japan – 57 foreign banks have established branches in Japan.

Payments

Japan's four main interbank payment clearing systems are BOJ-NET, FXYCS, Zengin and the BCCS. In addition, there are seven Japanese banks that are Settlement Members of CLS Bank.

The most important cashless payment instruments in Japan are electronic credit transfers in terms of value and, in terms of volume, payment cards. Checks are primarily used for business-to-business transactions, while direct debits are widely used among individuals and businesses to make regular payments. Though the Japanese have been slower to adopt credit and debit cards, their usage, particularly of credit cards, is increasing rapidly. E-money is also gaining in popularity as a retail payment instrument.

Liquidity Management

Japanese-based companies have access to a variety of short-term funding alternatives. There is also a range of short-term investment instruments available.

Cash concentration is the more common technique used by Japanese companies to manage company and group liquidity. Of the available techniques, zero-balancing, though not as frequently used as in comparable countries, is the most commonly used.

Notional pooling is available in Japan. However, it is not often used, primarily because the tax implications for it are unclear and can make notional pooling too complicated.

Trade Finance

Japan is a member of the Asia-Pacific Economic Cooperation (APEC), the World Trade Organization (WTO) and a dialogue partner with the Association of Southeast Nations (ASEAN). Japan has signed free trade agreements (FTAs) with Mexico, Singapore, Malaysia, the Philippines, Indonesia, Peru, Thailand, Brunei, Chile and Vietnam. It signed an FTA with ASEAN in November 2007, which came into effect on December 1, 2008. Japan is currently negotiating FTAs with India, Australia, Switzerland and the Gulf Cooperation Council (GCC) countries (Bahrain, Oman, Qatar, Saudi Arabia, UAE and Kuwait).

© November 2012, AFP Country Profiles.

The material provided by PNC Bank, National Association (PNC), the Association for Financial Professionals (AFP) and AFP's contracted information supplier is not intended to be advice on any particular matter. No reader should act on the basis of any matter provided by PNC and AFP and AFP's contracted information supplier and third party suppliers in this document without considering appropriate professional advice. PNC, AFP and AFP's contracted information supplier expressly disclaim all and any liability to any person in respect of anything and of the consequences of anything done or omitted to be done by any such person in reliance upon the contents of this document.

The information provided is frequently subject to change without notice. The data and software are provided "AS IS" without any express or implied warranty of any kind including, without limitation, warranties of non-infringement, merchantability, or fitness for any particular purpose. PNC, AFP, and AFP's contracted information provider do not represent or warrant the information contained in this printed report, on this web site or on referred sites or sites accessible via hypertext links is complete or free from error and expressly disclaim and do not assume any liability to any person for any loss or damage whatsoever caused by errors or omissions in the data or software, whether such errors or omissions result from negligence, accident, quality, performance of the software, or any other cause.

All rights reserved. No part of the material provided by PNC, AFP and AFP's contracted information supplier and third-party suppliers may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of AFP and its contracted supplier.

PNC International Banking

PNC's international banking products and services provide credit, risk mitigation, treasury management and advisory solutions to clients who are expanding their business operations beyond the United States.

In-country Accounts

Companies can extend their international reach by leveraging local accounts and services in 25 European countries, as well as Mexico. As a member of the IBOS Banking Association, PNC works with clients and our partner bank in these countries to assist with completing the documentation to open in-country accounts. Our "white glove" approach in serving as the liaison between our clients and partner banks expedites the account opening process. Both international accounts and domestic PNC accounts can be set up on PINACLE®, PNC's top-rated corporate banking portal, so that transaction history and your current and previous day balances are easily available online.

Multicurrency Accounts

Multicurrency accounts (MCAs) from PNC are available in 30 currencies and can simplify foreign currency transactions. Clients deposit foreign receivables, accumulate foreign funds to meet payables requirements, and transfer funds from U.S. dollar accounts or foreign bank accounts. These multicurrency accounts can be added to PNC domestic accounts on PINACLE for viewing balance and transaction detail.

International Funds Transfers

International Funds Transfers to over 130 countries in U.S. dollar and foreign currency can be automatically handled through PINACLE.

Economic Updates

Receive regular Economic Updates from our senior economist by going to: pnc.com/economicreports

PNC is a 2011 national winner of the Greenwich Excellence Award for Middle Market Banking in Financial Stability, Investment Banking, International Service and Accuracy of Treasury Management Operations.

Canada Treasury Management

Canada Express is a comprehensive suite of Canadian treasury management services, which can be tailored to help manage Canadian receivables and payables.

Foreign Exchange Risk Management

PNC's senior foreign exchange consultants can improve foreign exchange risk management, secure pricing and costs, and potentially increase profits and reduce expenses.

Trade Services

PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so clients always know their contact at PNC and receive best-in-class service. And PNC delivers it all to the desktop through advanced technology, resulting in fast and efficient transaction initiation and tracking.

Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.⁽¹⁾

(1) Information compiled from Freedom of Information Act resources.

PINACLE® is a registered mark of The PNC Financial Services Group, Inc.

Bank Deposit products and services are provided by PNC Bank, National Association, a wholly-owned subsidiary of The PNC Financial Services Group, Inc. and **Member FDIC**. Lending products and services, as well as certain other banking products and services, require credit approval.

Foreign exchange and derivative products are obligations of PNC Bank, National Association and are not deposits and are not insured or guaranteed by the FDIC. PNC does not provide legal, tax or accounting advice.

This AFP Country Report is being provided for general information purposes only and is not intended as specific legal, tax or investment advice or a recommendation to engage in any other transactions and does not purport to be comprehensive. Under no circumstances should any information contained herein be used or considered as an offer or a solicitation of an offer to participate in any particular transaction or strategy. Any reliance upon this information is solely and exclusively your own risk.

Contents

Executive Summary	2
PNC International Banking	4
Financial Environment	8
Country Information	8
Geographical Information	8
Business Information	8
Country Credit Rating	9
Economic Statistics	10
Economics Table	10
Sectoral Contribution as a % of GDP	11
Major Export Markets	11
Major Import Sources	11
Political and Economic Background	12
Economics	12
Interest Rate Management Policy	12
Foreign Exchange Rate Management Policy	12
Major Economic Issues	12
Politics	13
Government Structure	13
Major Political Issues	14
Taxation	15
Resident/Non-resident	15
Tax Year	15
Corporate Taxation	15
Financial Instruments	16
Interest and Financing Costs	17
Foreign Exchange	17
Advance Tax Ruling Availability	17
Withholding Tax (Subject to Tax Treaties)	18
Tax Treaties / Tax Information Exchange Agreements (TIEAs)	18
Transfer Pricing	18
Thin Capitalization	19
Stamp Duty	19
Sales Taxes / VAT (including Financial Services)	19
Financial Transactions / Banking Services Tax	20
Cash Pooling	20
Capital Gains Tax	20
Payroll and Social Security Taxes	20
Cash Management	21
Banking System	21
Banking Regulation	21

Banking Supervision	21
Central Bank Reporting	21
Exchange Controls	22
Bank Account Rules	22
Anti-money Laundering and Counter-terrorist Financing	23
Banking Sector Structure	24
Major Domestic Banks	24
Overall Trend	24
Payment Systems	26
Overview	26
High-value	27
High / Low-value	28
Low-value	29
Payment and Collection Instruments	31
Overview and Trends	31
Statistics of Instrument Usage and Value	31
Paper-based	31
Checks	31
Promissory Notes	31
Electronic	32
Credit Transfer	32
Direct Debits	32
Payment Cards	32
ATM/POS	33
Electronic Wallet	33
Liquidity Management	34
Short-term Borrowing	34
Overdrafts	34
Bank Lines of Credit / Loans	34
Trade Bills – Discounted	34
Factoring	34
Commercial Paper	34
Bankers’ Acceptances	35
Supplier Credit	35
Intercompany Borrowing, including Lagging Payments	35
Short-term Investments	35
Interest Payable on Bank Account Surplus Balances	35
Demand Deposits	35
Time Deposits	35
Certificates of Deposit	35
Treasury (Government) Bills	35
Commercial Paper	36
Money Market Funds	36

Repurchase Agreements	36
Bankers' Acceptances	36
Liquidity Management Techniques	36
Cash Concentration	36
Notional Pooling	36
Trade Finance	37
General Rules for Importing/Exporting	37
Imports	38
Documentation Required	38
Import Licenses	38
Import Taxes/Tariffs	38
Financing Requirements	38
Risk Mitigation	38
Prohibited Imports	38
Exports	39
Documentation Required	39
Proceeds	39
Financing Requirements	39
Export Licenses	39
Export Taxes/Tariffs	39
Risk Mitigation	39
Prohibited Exports	39
Information Technology	40
Electronic Banking	40
External Financing	41
Long-term Funding	41
Bank Lines of Credit / Loans	41
Leasing	41
Bonds	41
Private Placement	41
Asset Securitization / Structured Finance	41
Government (Agency) Investment Incentive Schemes / Special Programs or Structures	42
Useful Contacts	43
National Treasurers' Association	43
National Investment Promotion Agency	43
Central Bank	43
Supervisory Authority	43
Payment System Operators	43
Banks	43
Stock Exchanges	43
Ministry of Finance	44
Ministry of Economy	44
Chamber of Commerce	44
Bankers' Association	44