

Guide for granting Subsidy for Business Start-Up of Foreign-Capital Enterprise

1. Outline

In order to promote foreign investment in Japan, while advancing and stimulating Osaka-based industry, subsidies are available for a portion of the investment made by foreign-capital enterprises establishing a new head office or an Asian center inside Osaka Prefecture.

2. Eligibility for applicants

Foreign-capital enterprises moving into Osaka Prefecture to set up a head office or an Asian center.

Foreign-capital enterprise: refers to a business corporation established under a law of a foreign country; or a business corporation whose one third (1/3) or more capital stock are owned by foreign investors (hereinafter "foreign investors") as defined in Article 26 of Foreign Exchange and Foreign Trade Control Act (Law No. 228, 1949) [including a company which is invested by another company whose one third (1/3) or more stock or equity are owned by foreign investors (hereinafter a "foreign-capital subsidiary") as a result of which the percentage of stock or equity owned directly or indirectly by foreign investors exceed one third of the total capital stock of such company (determined by multiplying the percentage of foreign investors' investment in a foreign-capital subsidiary by the percentage of the foreign-capital subsidiary's investment in such company)]; or a business entity separately designated by the Governor of Osaka Prefecture.

Head office: refers to the principal office of a corporation registered in the company register, which has general management and fundamental functions of the corporation, including general affairs, accounting, and administrative departments.

Asian center: refers to a base point of a company that controls operations in Asia; the word "control" refers to centrally managing decision-making and coordination of business policies of two or more business sites which are under the control of such Asian center.

3. Subsidy Requirements

1. The grantee should acquire or lease a building with floor area of at least 250 square meters *and*
2. The grantee should maintain 25 or more regular employees.

Regular employee: refers to a person who satisfies all of the following requirements.

- 1) A person employed by the grantee for an unlimited period, works mainly in the subsidized establishment and has been employed for three months or longer by the grantee.
- 2) Person who was certified as an insured person pursuant to Article 9, Paragraph 1 of the [Employment Insurance Law](#) (Law No. 116 in 1974)

4. Obligation of operation

A grantee must meet the requirements above within 3 years from the day following the subsidy application date, and must operate the project for at least 7 years after operation commencement.

5. Eligible expenses

| Classification | Eligible expenses |
|----------------------|--|
| Building acquisition | Acquisition costs of the <u>building</u> and <u>depreciable properties</u> |
| Building rent | <u>Building rents</u> for 24 months from the month following the month when the subsidy requirements are fulfilled |

Building: refers to a building as specified by Article 341 of the [Local Tax Law](#) (Law No. 226 in 1950).

Depreciable property: refers to depreciable property as specified by Article 341 of [Local Tax Law](#).

Building rent: refers to rent for use of buildings (excluding any land rent or rent for machinery/equipment that is not attached to the buildings) and common-area charges or maintenance fees, less refundable money such as deposits and water, lighting and heating costs.

6. Subsidy ratio

| Classification | Subsidy ratio |
|----------------------|--|
| Building acquisition | Lesser of the amount equal to 5% of the actual amount of the eligible expenses |
| Building rent | Multiplying the actual amount of the eligible expenses by one third |

Any fractional amount less than ¥1,000 shall be discarded.

7. Subsidy upper limit

Subsidy upper limit is based on number of regular employees.

| Classification | Number of Regular Employees | Subsidy Upper Limit |
|----------------------|-----------------------------|---------------------|
| Building acquisition | 25 to 99 people | ¥30 million |
| | 100 to 199 people | ¥60 million |
| | 200 or more people | ¥100 million |
| Building rent | 25 to 99 people | ¥20 million |
| | 100 to 199 people | ¥40 million |
| | 200 or more people | ¥60 million |

8. Payment of Subsidy

| Classification | Payment of subsidy |
|----------------------|---|
| Building acquisition | one installment shall be one half of the total subsidy amount |
| Building rent | One installment shall be one half of the annual rent, up to a ceiling of 2.5 million yen per month. |

The payment shall be made after the requirements have been satisfied.

9. Application procedure

In case of Building rent;

1. Grant application

The application set forth of the Grant Regulations shall be performed by submitting a Subsidy Grant Application to the Governor by the day before the earlier of the contact date or the order date of the subsidized project

2. Commencing the subsidized projects

The applicant can make a contract for eligible expenses from the day following the subsidy application date.

3. Examination by the Screening Panel

An examination shall be conducted in which the applicant must attend and make a presentation.

4. Recognition by the Governor

The Governor shall decide whether the applicant is appropriate or not after the examination above.

5. Modification application (if any)

If the grantee makes a modification, the grantee must submit some forms and documents to the Governor.

6. Notification of operation start

Upon starting operation of a subsidized project, the grantee must submit an Operation Start Notification to the Governor without delay.

The grantee shall respond to the survey specified by the Governor on the operation status once every fiscal year for seven years.

7. Report on results

Report of the subsidized project shall be furnished by submitting a Report on Results of Subsidized Project to the Governor by April 20 in the following fiscal year.

When subsidy period (up to 24 months) has passed, the report shall be furnished within 30 days.

8. Confirmation and examination

The Governor shall send his staff to the site who shall examine the original documents relating to the subsidized project.

9. Determination of the grant amount

The Governor shall determine the grant amount after the confirmation and examination above.

10. Payment of subsidy

The grantee shall submit a bill within 10 days after the Governor makes a determination above.

Then the Governor shall pay the subsidy.

10. Documents to be submitted

Please download the forms of the documents from the website shown below.

<http://www.pref.osaka.lg.jp/ritchi/treatment/form.html> (available only in Japanese)

11. Notes

1. There will be some non-eligible expenses such as expenses done before the application date, items whose price per unit/set is lower than ¥500,000, taxes such as consumption tax and local consumption tax and so on.
2. In case of leasing a building, the rents will be covered for 24 months after the requirements are fulfilled.
3. When the Governor's staff are confirming and examining, the grantee must submit copy of the contracts and other necessary documents as well as showing the original. Therefore, the grantee must keep these documents. The expenses that the original documents are not kept will not be covered by the grant.
4. When making a modification, the grantee must report on it to the Governor by submitting a certain form of documentation.
5. A grantee must commence the operation of the subsidized project within three years from the day following the subsidy application date, and must operate the project for at least seven years after operation commencement.
6. The company name and the grant amount will be announced officially.
7. In the documents to be submitted, Japanese language and Japanese yen must be used.

If you have any questions, please feel free to contact us.

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This guide is created for reference purposes only from the guidelines originally written in Japanese. If any doubt arises in this guide, the original Japanese version shall prevail.