

1 Geographic features of Okinawa

In recent years, BCP and Disaster Recovery measures in preparation for unpredictable states of emergency, such as earthquakes, tsunami, heavy snow, and other natural disasters and accidents, are indispensable. Risk Diversification has gained attention as a popular measure in this regard.



Point 1 Distant from the mainland, there is a low risk of simultaneous disaster occurrence

Due to its remote location, far from the mainland, Okinawa is considered to have a relatively low risk of simultaneous disaster occurrence in the event of a large-scale disaster on the mainland.

Some companies have actually moved their bases of operations to Okinawa, or placed a base for data backup and BCP measures here, after large scale disasters.

The government also sees Okinawa as a valuable base for risk diversification, with some government offices adopting Okinawa as the place for their data backup centers.

Okinawa's proximity to the mainland also has the advantage of speeding up disaster recovery. Okinawa is an ideal location for disaster countermeasure system backups and dual centers (operation centers that operate simultaneously).

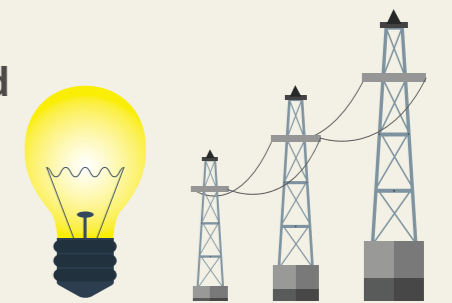
Point 2 Extensive Aviation and Marine Distribution Networks

Naha Airport has complete and fully functional passenger airline flight networks linking major domestic cities to enable immediate response during times of emergency or system failure. In addition, promoting the strengthening of international marine distribution networks linking major ports in Asia and the optimization of overall supply chains throughout Okinawa Island enable the sharing of functions and organic cooperation between Naha Port and Nakagusuku Bay Port.



Point 3 Power Distribution System Independent From the Mainland

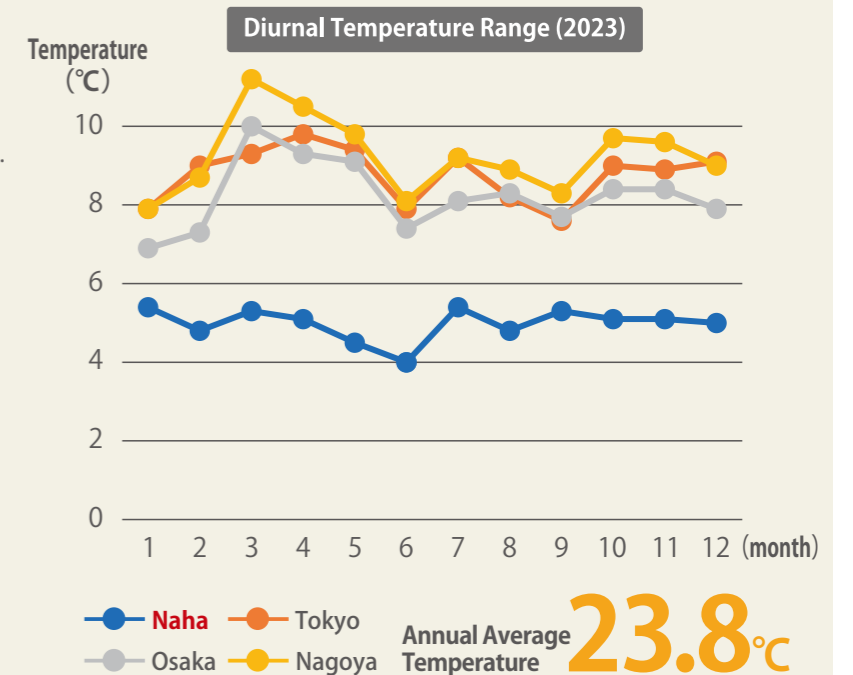
Okinawa has stable power distribution based in thermal power generation which is independent from the Japanese mainland. This makes favorable conditions for mitigating and diversifying the risk of halted operations or data loss due to power shortages.



Point 4 Consistent, comfortable climate!

Okinawa Prefecture is the only subtropical region in Japan and has a mild climate year-round which generally has no snowfall. For example, the required environmental temperature for a clean room in semiconductor manufacturing is said to be 23 degrees Celsius, which is near the average temperature for Okinawa. Temperature fluctuations throughout the day are markedly smaller here than in other prefectures as well, and this adds the benefit of making it possible to reduce the costs of maintaining a constant temperature.

In this way, a climate with small temperature differences is another unique advantage of being located in Okinawa.

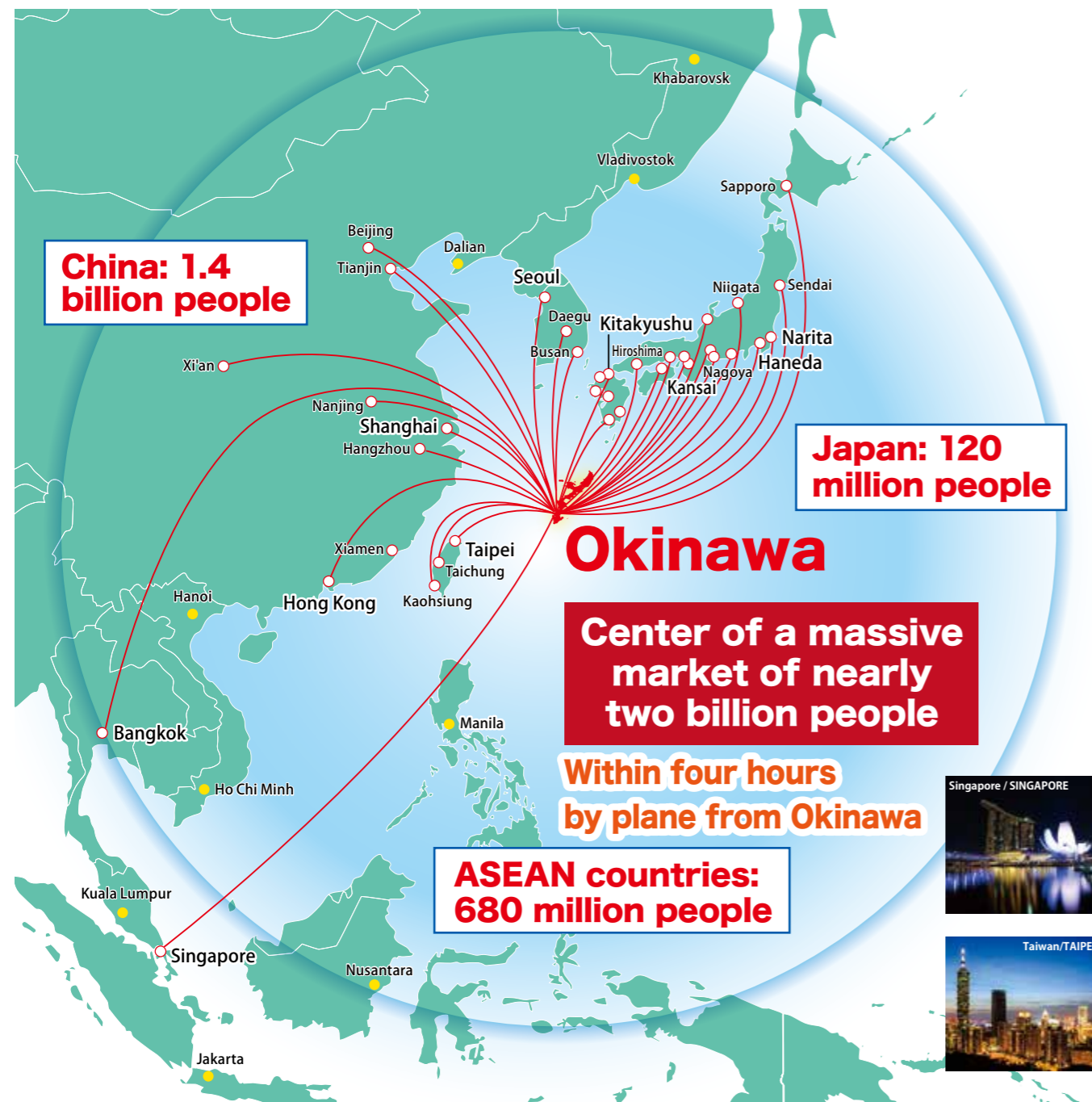


Source: Meteorological Agency (2023)

2

International Distribution Network Ideal for Expansion in Asia

With a geographical advantage located at the heart of East Asia, Okinawa beats with energy and has been garnering attention as a vital business hub interlocked with the Asian economy. In order to develop Okinawa as an international business city connecting Japan and Asia, Okinawa Prefecture is working on building an international logistics network centered around Naha Airport and Naha Port, Okinawa's sky and sea gateways. This distribution hub will be excellent for companies looking to expand in Asia.



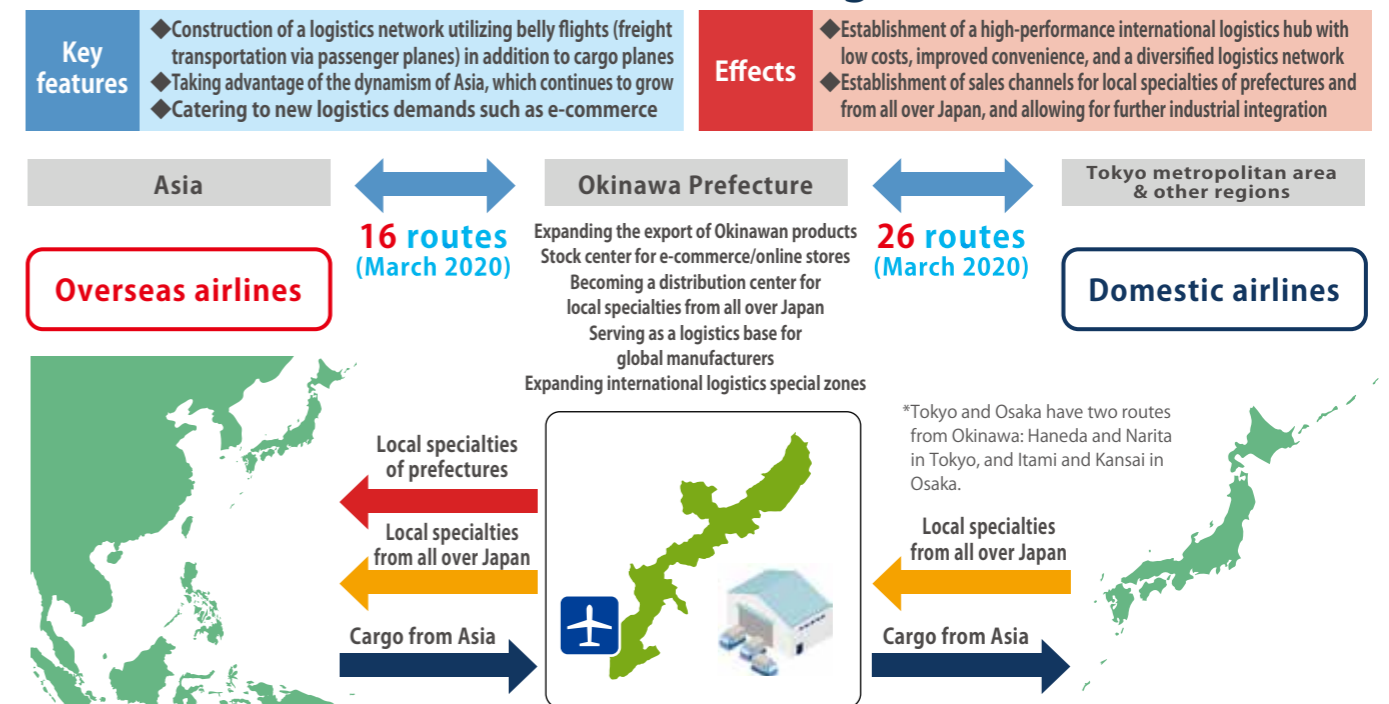
*Due to the effects of COVID-19, some routes are suspended. (As of January 2023)
 *Sources:
 *Population Estimates, Ministry of Internal Affairs and Communications, Statistics Bureau (December 2023 report)
 *Essential Data on the People's Republic of China, Ministry of Foreign Affairs of Japan's website (as of September 25th, 2023)
 *Seeing ASEAN (December 2023) and "ASEAN Today" (2022), Ministry of Foreign Affairs of Japan

2-1 Naha Airport, an airport that connects major cities in Japan and Asia

(1) An air logistics network that takes advantage of our extensive network of flights

Okinawa Prefecture is developing an air logistics network centered on Naha Airport as the international hub of Okinawa by taking advantage of its geographical location in the center of East Asia and its extensive network of flights. Starting from 2021, we are shifting from the cargo-only aircraft-centric model in the past to a model that also utilizes cargo space on passenger flights bound for Naha Airport in addition to cargo-only aircraft. We are also building a new air logistics network that connects the Tokyo metropolitan area and other regions of Japan with cities throughout Asia so as to serve multiple destinations at high frequencies. With this transition, we aim to take advantage of the dynamism of the growing Asian market to further promote the export of Okinawan products and become a distribution center for local specialties from all over Japan. At the same time, we hope to establish an international logistics hub that can meet the new transportation demands of e-commerce, which has been rapidly expanding in recent years.

Okinawa International Logistics Hub



Contact

Executive Committee of Great Okinawa Trade Fair
 (inside the Okinawa Industry Promotion Public Corporation)
 TEL: +81-98-851-7463 / FAX: +81-98-859-6233
 E-mail: daikouekikai@okinawa-ric.or.jp

One of the largest food trade fairs, the Great Okinawa Trade Fair seeks to expand overseas sales routes for specialty products of Okinawa and Japan utilizing its international logistics hub. This highly successful event has been held 11 times. The Great Okinawa Trade Fair 2023 attracted about 400 buyers and suppliers from both Japan and overseas, and facilitated about 2,100 business introductions.

The 12th Great Okinawa Trade Fair 2024

Face-to-Face Business Introductions
 [Date] Thursday, November 21 & Friday, November 22, 2024
 [Venue] Okinawa Convention Center

Online Business Introductions
 [Date] Thursday, August 1 – Friday, December 20, 2024
 [Venue] Online only

2-2 Naha Port : An international trade hub linking Japan and Asia

(1) Marine transport network connecting Japan with other countries

As the maritime gateway for Okinawa, Naha Port has 7 regular international container routes serving Taiwan, North America, China, South Korea, and the Philippines and 29 regular and irregular domestic routes (of which 10 are intraprefectural) featuring RORO, general cargo, and other ships serving such locations as Tokyo, Osaka, Kobe, Hakata, and Kagoshima.

Naha Port is the 17th largest in Japan for foreign trade, 2nd for domestic trade, and 7th for combined trade in terms of the total number of containers handled.

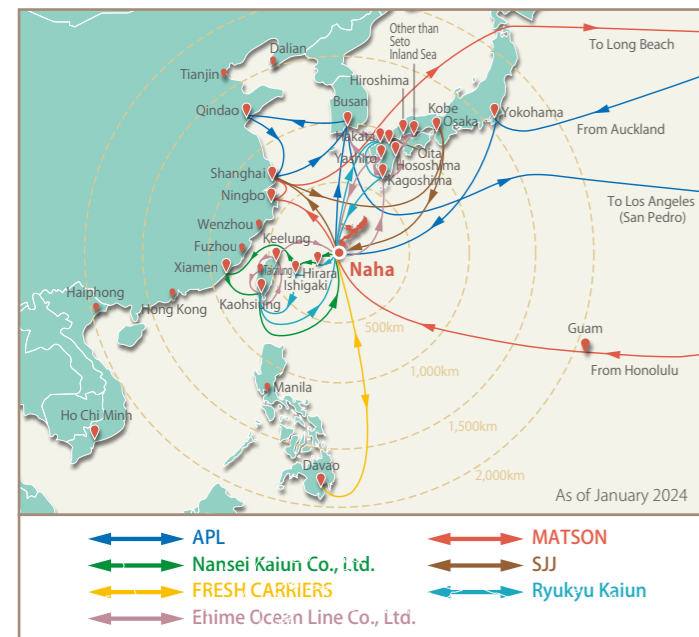
Container Handling Volume(TEU) Ranking by Port (Preliminary figures 2021)

Foreign trade container handling volume			Domestic trade container handling volume			Total container handling volume		
Rank	Port name	TEU*	Rank	Port name	TEU*	Rank	Port name	TEU*
1	Tokyo (Keihin)	4,325,956	1	Kobe (Hanshin)	679,167	1	Tokyo (Keihin)	4,862,841
2	Yokohama (Keihin)	2,571,663	2	Tokyo (Keihin)	536,885	2	Yokohama (Keihin)	2,861,307
3	Nagoya	2,539,538	3	Naha	512,628	3	Kobe (Hanshin)	2,823,776
4	Kobe (Hanshin)	2,144,609	4	Osaka (Hanshin)	297,581	4	Nagoya	2,725,596
5	Osaka (Hanshin)	2,128,089	5	Yokohama (Keihin)	289,644	5	Osaka (Hanshin)	2,425,670
6			6	Nagoya	186,058	6	Hakata	957,056
7			7	Kagoshima	161,774	7	Naha	592,929
16	Naha	80,301						

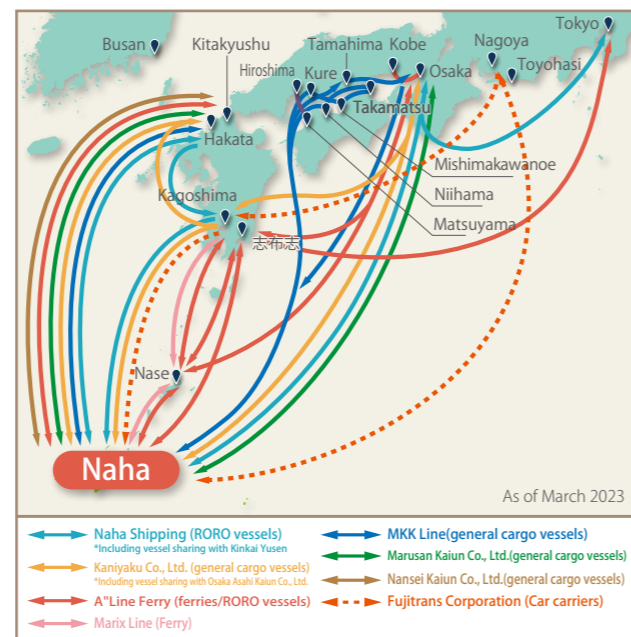
*1 TEU = 1 20-foot container

Source: Port statistics (Current situation of amount of cargo handled in the port, etc.)

Naha Port regular routes (overseas)



Naha's regular and irregular shipping routes (out of prefecture)



Naha's regular foreign trade shipping routes (as of January 2024)

The most recent version can be found at Naha Port's managing association website (<http://www.nahaport.jp>).

Region	Port of Call	Ship Type	Gross Tonnage (International Tonnage)	Frequency	Time of Passage	Operator
North America	Los Angeles (San Pedro) — Auckland — Yokohama — Naha — Busan-Qingdao — Shanghai-Busan — Los Angeles (San Pedro)	Full container	82,794	1/ wk	15d	APL
	Long Beach — Honolulu — Apra (Guam) — Naha — Ningbo — Shanghai — Long Beach	Full container	32,575	1/ wk	14d	MATSON
China	Shanghai - Osaka - Kobe - Naha - Shanghai	Full container	9,994	1/ wk	96hr	SJJ
Asia	Davao (Philippines) — Naha — (Hakata) — (Kobe) — Davao (Philippines)	Freezer container	9,340	1 / 2wk	72hr	FRESH CARRIERS
Southeast Asia (Taiwan)	*Sakishima route extension Naha — Hirara — Ishigaki — Kaohsiung — Naha — Hakata — Kagoshima — Naha	RORO ships	10,184	1/ wk	36hr	RKK Line
	*Sakishima route extension Naha — Hirara — Ishigaki — Xiamen — Kaohsiung — Naha	General cargo ship	1,488	0.5/ wk	93hr	NAMSUNG
	Naha (1st) — Shibushi (1st) — Yatsushiro (1st) — Busan — Matsuyama — Oita — Hososhima — Shibushi (2nd) — Yatsushiro (2nd) — Naha (2nd) — Keelung — Taichung — Kaohsiung — Naha (1st)	Full container	9,443	1/ wk	2d	Ehime Ocean Line

*Final ports are in red *Ports of call in () are irregular ports

(2) Measures to strengthen functionality as an international logistics hub

Measures are being implemented to increase the volume of cargo handled, with the aim of realizing a international maritime logistics hub connecting domestic markets with East Asia.

① Facility maintenance

The Naha Port International Container Terminal has been fitted with gantry cranes and reefer power supply facilities, and the Naha Port Logistics Hub is being developed on an adjacent site.



Naha Port Logistics Hub

Naha Port Logistics Hub

Currently, at Naha Port, which handles the majority of Okinawa Prefecture's port cargo, the development of the Naha Port General Distribution Center is underway. We aim to increase the amount of cargo handled by promoting the collection and creation of cargo, improving the sophistication of our logistics, and focusing creating new value-adding industries, such as distribution and processing. The first phase of the Naha Port Integrated Logistics Center opened in May of 2019, and we are currently analyzing the possibilities for the commercialization of the second and third phases of the Integrated Logistics Center.



Naha Port Logistics Hub Phase 1 renewal site [2.6 ha] Scheduled to open in May 2019 (Basic design: 3 stories, dedicated footprint area about 3.2ha)

*The location of phases 2 and 3 of the Integrated Logistics Center is under consideration

Floor specifications of logistics building	Dedicated footprint area	Tenants	Handled cargo (Results)
3rd floor: dry goods only	approximately 10,495㎡	Okinawa Koun Co., Ltd., Maruei Logistics Co., Ltd., Ryukyus Logistics Co., Ltd.,	Food, Beverages, General Goods Building
2nd floor: frozen, refrigerated, dry goods	-	Okinawa Prefecture Black Sugar Cooperative, Okinawa Kyuso Co., Ltd., Ryukyu Freight Forwarders Co., Ltd.,	Okinawa black sugar, inshore tuna, etc.
1st floor: frozen and refrigerated goods only	-	Nichirei Logistics Kyushu, Inc.	Various frozen and refrigerated foods

② Initiatives to increase foreign cargo

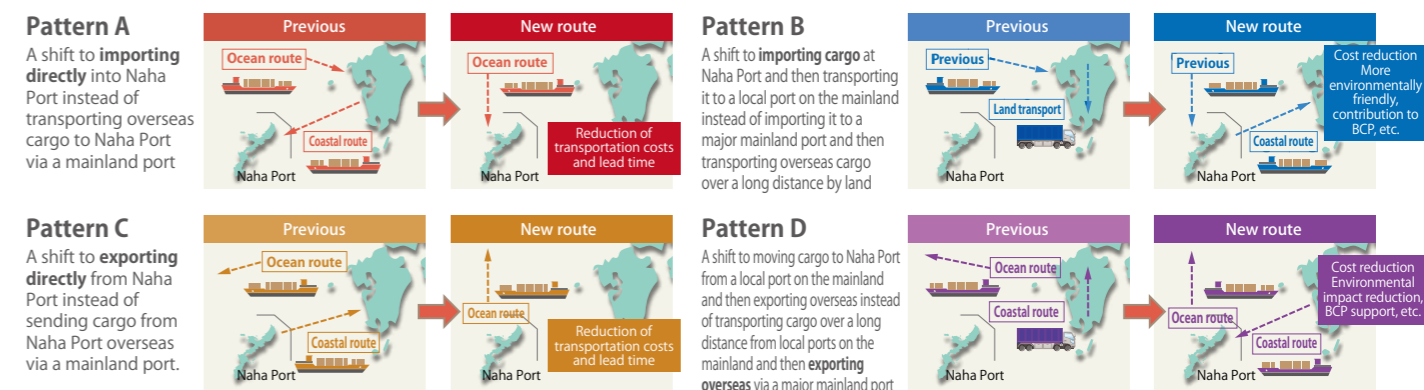
Support systems such as the Naha Port Transport Efficiency Support Project have been set up to encourage companies to ship more cargo through Okinawa and to establish new sea routes.

Scan the QR code for details on the Naha Port Transport Efficiency Support Project ▶



Naha Port Transport Streamlining Support Project

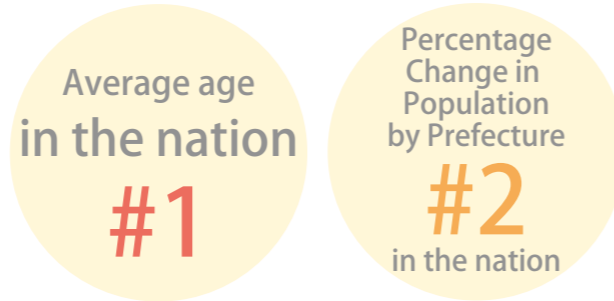
- Objective: The Naha Port Transport Streamlining Support Project aims to promote the expansion of international container cargo and streamline transport using Naha Port. It will achieve this by helping operators shift to more efficient transportation patterns for international container cargo via Naha Port.
- Target operators: Shippers and logistics companies transporting international container cargo
- Support:
 - Financial support for increased costs (marine and land transportation expenses, etc.) that arise as a result of shifting to a transportation route via Naha Port
 - The maximum financial assistance is ¥300,000 for the first stage and ¥1,000,000 for the second stage. ¥100,000 is provided at each stage as a participation subsidy for a total of ¥1,500,000
 - *A second stage of transportation can start if the project is confirmed to be effective at the end of the first stage.
- Main requirements for support:
 - 1) Containers must be imported or exported through Naha Port
 - 2) New transportation routes must use Naha Port and follow transport patterns A, B, C, or D (see chart below).
 - 3) Applicants must meet the project's objectives and be planning to use Naha Port continuously
- Transport patterns eligible for support



Inquiries: Naha Port Management Association, Planning and Construction Department, Minato Promotion Division TEL 098-868-2582

3

Okinawa is a vibrant place with talented people



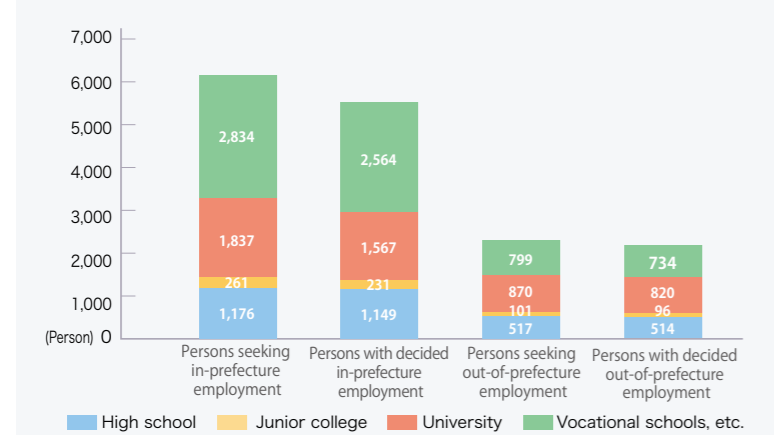
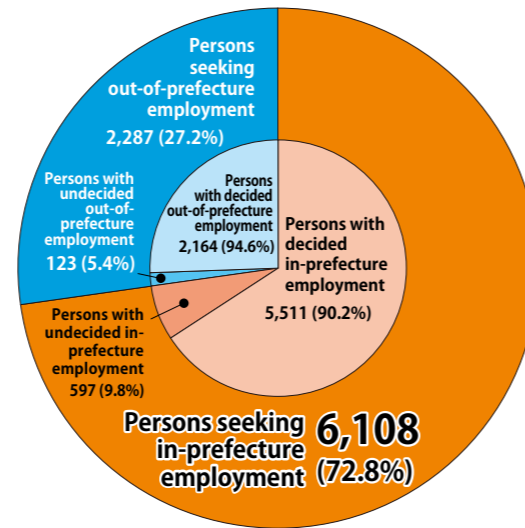
As we move into an era of population decline, Okinawa Prefecture is still experiencing population growth. Okinawa is also Japan's youngest prefecture, with the average age by prefecture the lowest at 43.5 years old and Japan's highest proportion of young people (ages 0 to 14) at 16.6%. Each year, a large number of students enroll in the prefecture's industrial education institutions, where the human resources who will lead the manufacturing industry of the future are trained.

72.8% of new graduates want to find employment inside of Japan.

■ Data on the employment status of new graduates (job seekers) in the prefecture.

	High school	Junior college	University	Vocational schools, etc.	Total
#of graduates (people)	16,544	526	3,821	4,098	24,989
#of job seekers (people)	1,693	362	2,707	3,633	8,395
Within the prefecture	1,176	261	1,837	2,834	6,108
Outside the prefecture	517	101	870	799	2,287
#of people with unofficial job offers (people)	1,663	327	2,387	3,298	7,675
Within the prefecture	1,149	231	1,567	2,564	5,511
Outside the prefecture	514	96	820	734	2,164
Unofficial job offer rate	98.2%	90.3%	88.2%	91%	91.4%
Within the prefecture	97.7%	88.5%	85.3%	91%	90.2%
Outside the prefecture	99.4%	95%	94.3%	92%	94.6%

■ Employment status of new graduates



Source: Employment Security Division, Employment Security Department, Okinawa Bureau of Labor Graduation in March 2023 (as of March 2023)

Capacity of universities, technical colleges, prefectural technical high schools, etc.

	Name of school	Capacity	Name of school	Capacity
North	National Institute of Technology, Okinawa College (Regular Course)	160	Nago Commercial and Technical High School	200
	Okinawa Prefectural Mirai Senior High School of Technology	320	Misato Technical High School	280
Central	University of the Ryukyus (Faculty of Engineering)	350		
	Urasoe Technical High School	280	Naha Technical High School	320
South	Nambu Technical High School	120	Okinawa Technical High School	320
	Yaeyama Commercial and Technical High School	160	Miyako Technical High School	120
Remote Islands				
Overall total				2,630

Polytechnic colleges

Name of school	Capacity
Okinawa Polytechnic College (Faculty of Engineering)	130
Gushikawa Polytechnic College	85
Urasoe Polytechnic College	120
Total	335

*Okinawa Polytechnic Development Promotion Center also has a Faculty of Engineering.

Source: Okinawa Prefectural Board of Education, schools' websites

Proportion of individuals returning to their home prefecture after having moved to another prefecture

National average	43.7%	Rank
Okinawa	70.9%	1
Toyama	55.3%	2
Shizuoka	54.6%	3

According to the National Survey on Migration conducted by the Ministry of Health, Labour and Welfare, approx. 70.9% of the individuals who were born in Okinawa Prefecture and who had moved to other prefectures for education or employment have returned to the prefecture, a percentage that is significantly higher than the national average.

Source: National Survey on Migration conducted by the Ministry of Health, Labour and Welfare

Education in Okinawa

Okinawa Prefecture provides an educational system and guidance on how to enroll in it in multiple languages with the goal of becoming a place where foreign residents can also feel easy when it comes to living here. The local government conducts information sessions about student life and holds orientation sessions on its systems for helping students to enroll. Thanks to its efforts to promote supplying information about the educational system with non-Japanese in mind, anyone relocating here with school-age children should have no concerns on this front.

International Schools in Okinawa

Okinawa Amicus International
 (Kindergarten, Elementary and Junior High School)
 1212-1 Enobi, Uruma City
 TEL: +81-98-979-4711
<http://www.amicus.ed.jp/en/>

Okinawa Christian School International
 1835 Zakimi, Yomitan Village
 TEL: +81-98-958-3000
<http://ocsi.org>

New Life Academy
 134-1 Noborimata, Nakagusuku Village
 TEL: +81-98-870-3893
<http://www.newlifecademy.com>

Japanese Classes + Japanese Language Vocational School

Okinawa International Exchange & Human Resources Development Foundation
 4-2-16 Isa, Ginowan City
 TEL: +81-98-942-9215
<http://www.oihf.or.jp>

Japanese Language Institute, International Center of Language & Culture
 Sun Hills Tabaru 2F, 1-4-1 Tabaru, Naha City
 TEL: +81-98-859-3881
<https://icljapan.com/course/english/>

Japanese Language School SAELU
 2-4-4 Tomari, Naha City
 TEL: +81-98-943-3297
<http://www.saelu.net/>

4

Detailed overview of available aid

4 - 1 Support for business expansion into Okinawa

What is Okinawa Investment Support Center?

We provide information about business environment and economic situation of Okinawa as well as consultation services for incorporation of a business. We also introduce hubs of international distribution and provide information and support about various incentives for business. In addition, for those who wish to visit and observe companies in Okinawa before you deploy investment or other specific plans, we coordinate and accompany your visit.

[Normal scenario to establish a company in Okinawa]



"Okinawa Investment Support Center" can provide one-stop service in accordance with clients' needs.



Available in Japanese, Chinese and English



Available via telephone and Email



Available for face-to-face consultation

What is Okinawa Investment Support Center?

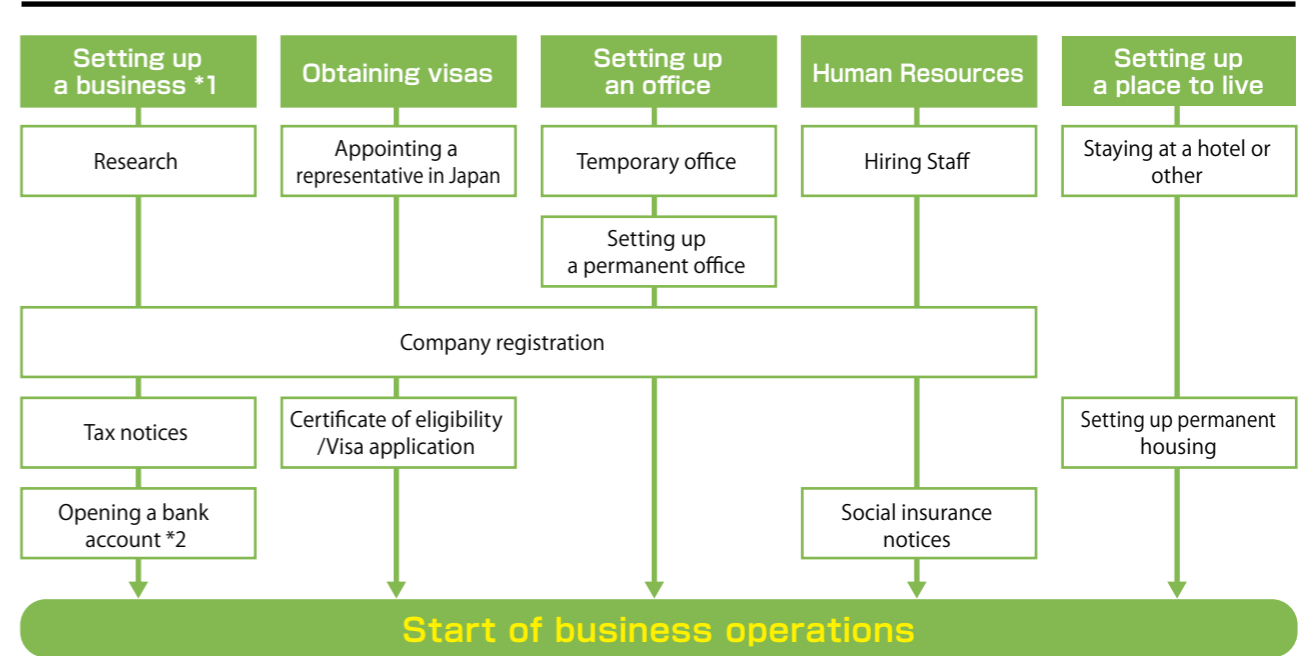
Overseas and Business Support Division, Okinawa Industry Promotion Public Corporation

Business Hours : Monday - Friday 9:00-17:00 (Closed on Saturday, Sunday and Holidays)

+81-98-894-6288 +81-98-859-6233

Email: business_s@okinawa-ric.or.jp WEB: <http://invest-okinawa.biz>

Steps of setting up business in Japan



Reference: JETRO Website - Setting up Business https://www.jetro.go.jp/en/invest/setting_up/
Okinawa Investment Support Center will provide support for the above procedures as necessary.

*1 General flow of procedures for establishing a company (case of joint-stock corporation)

1. Advance preparations

- Determination of profile of joint-stock corporation to be established
- Examination at the Legal Affairs Bureau of identical corporate names
- Preparation of joint-stock corporation's articles of incorporation
- Acquisition of registration certificates, etc. for the parent company, and preparation of affidavits regarding the profile of the parent company and affidavits regarding signatures of the representatives of the parent company

2. Application for establishment

- Notarization of joint-stock corporation's articles of incorporation by a Japanese notary
- Remittance of joint-stock corporation capital to the account of the incorporator, or representative director, or director at incorporation
- Appointment of directors and other officers, such as representative directors and auditors
- Examination by directors and auditors of the legality of establishment procedures
- Application at the Legal Affairs Bureau for registration of joint-stock corporation establishment and the registration of company seal at the Legal Affairs Bureau

3. Procedures after application

- The acquisition of a certificate on registered information and a company seal impression certificate
- Opening of a bank account under the company name *2
- The notification of stock acquisition to the Bank of Japan

Reference: JETRO Website - Procedures for registering establishment https://www.jetro.go.jp/en/invest/setting_up/section1/page3/

*2. Opening a bank account under company name

In general, the following items are required to open a corporate account. Please contact your bank to be corresponded for more details as each bank may have different procedures.

- Landline phone number
- Business card
- Contracts with business partners, etc.
- Passport
- Residence card
- Corporate seal
- Materials that show your business, such as websites
- Certified copy of the corporate register
- Certificate of seal impression of the corporation
- Articles of Incorporation
- Copy of the tax office report

4 - 2 Support Towards the Reduction of Initial Investments

Financing system of the Okinawa Development Finance Corporation

Financing is available if needed to conduct business in international logistics hubs/industrial clusters or industrial innovation promotion areas.



Okinawa Development Finance Corporation

Fund Name	Amount Limit	Repayment Period	Contact
Business Development Fund	70% of required capital	Within 25 years	Financing Department No. 1 Industrial Development Financing Group Phone: 098-941-1765
Fund for Small and Medium Businesses	¥720 million	Within 20 years	Financing Department No. 2 Small and Medium Enterprise Financing Group No. 1 Phone: 098-941-1785
Occupation Fund	¥72 million		Financing Department No. 2 Small and Medium Enterprise Financing Group No. 2 Phone: 098-941-1795

*In addition to the above, a variety of other financing systems are available depending on type of business and objective in use of funds.
*For more information, please visit the website of Okinawa Development Finance Corporation or contact us by phone.

4 - 3 Support for transport

Project for Promoting the Use of Aerial Cargo Space on Passenger Flights

Okinawa Prefecture provides airfare subsidies for the export of products from Okinawa to overseas to establish international aerial logistics networks at Naha Airport via airline companies.

Target Users: Producers, manufacturers, trade companies and other wholesalers, distributors, consigned freight forwarding business operators

Target Cargo: Agricultural products, livestock products, marine products, processed food, cosmetics, crafts, precision machines, etc.

Target Destinations: Hong Kong, Shanghai, Bangkok, Singapore, Kuala Lumpur, Taipei, Seoul, and more

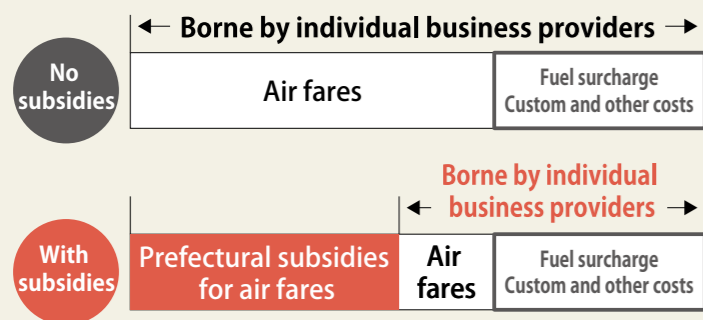
Usage, Conditions, Amount of Subsidy, etc.: Please contact consigned freight forwarding business operators registered with and approved by Okinawa Prefecture for details.

(Posted on the Okinawa Prefectural Department of Global Market Strategy official website.)

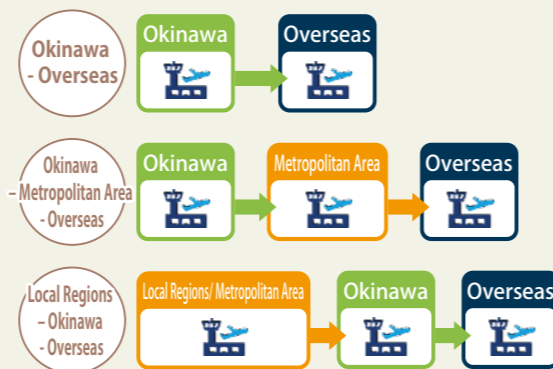


Airline Cargo Capacity Use Promotion Project

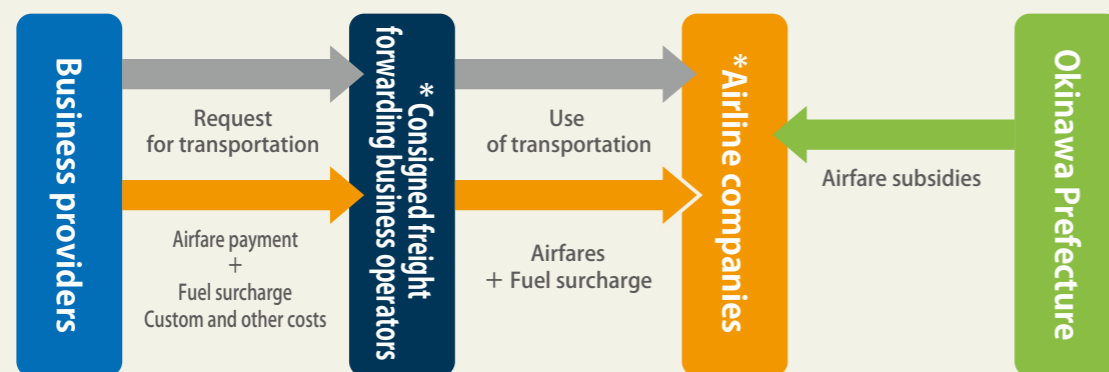
Subsidies for Air Fares



Examples of the use of subsidies



Flow of Use *Business providers approved for use of subsidies by Okinawa Prefecture



4 - 4 Okinawa Industry Promotion Corporation Support Services



Okinawa Industry Promotion Public Corporation

For medium and small entrepreneurs aiming to develop new businesses and products and for those seeking to found companies

We provide advice to medium and small business owners who are not sure where to turn for help, such as with issues related to physical distribution, benefits under the tax system, and new client acquisition, through phone, email, or in-person visits as needed. We encourage everybody to please feel free to reach out.

Various forms of consultation for support	Logistics Consultation Desk (Comprehensive Support Project for Logistics Measures)	Business to Promote the Advancement of Physical Distribution 098-851-7515
	A cost-free consultation desk has been established to provide advice, information, and proposals for improvement to facilitate proactive efforts by companies to address issues regarding logistics in Okinawa.	
	Business to Promote the Utilization of Special Zones in Okinawa and Regional Tax Benefits Companies from inside and outside the prefecture may receive benefits under the tax system when investing in facilities in the prefecture. We have established the "One-stop Consulting Service for the Utilization of Special Zones in Okinawa and Regional Tax Benefits" to provide information, advice, and support in creating request forms.	Business to Promote the Utilization of Special Zones in Okinawa and Regional Tax Benefits 098-894-6377
	Business to Promote Manufacturing Orders Within the Prefecture In order to promote manufacturing orders and transactions in the prefecture, we provide follow-up support to match manufacturing companies in the prefecture with business that is being outsourced outside the prefecture and processes that require new partners.	Business to Promote Manufacturing Orders Within the Prefecture 098-851-8760
Research and Development Support	Industry Promotion Section This program subsidizes the cost of high value-added product development by Okinawan product development collaborations (industry-academia-government collaborations and industry-industry collaborations), and provides support according to the challenges the selected companies face.	Industry Promotion Section 098-859-6239
Overseas Expansion Support	Business to Promote the Utilization of Okinawa International Logistics Hub (Travel and Invitation Support) In order to expand overseas sales channels for Okinawan products through the use of the Okinawa International Logistics Hub, they subsidize a portion of the cost of traveling to, or inviting foreign buyers to participate in product exhibitions, trade fairs, and business meetings overseas across primarily Asia.	Overseas Business Support Section 098-859-6238
	Business for Networking with Asian Businesses The program supports companies and organizations in the prefecture in building networks with overseas companies and organizations to help expand their business. It also provides support for overseas companies and organizations that want to invest, locate, or conduct business transactions in Okinawa.	Business for Networking with Asian Businesses 098-894-6288

4 - 5 Support for Demonstration Experiment

Okinawa Demonstration Experiment Support Platform

(Contact: Okinawa Prefecture Department of Commerce, Industry and Labor, Industrial Site Promotion Division TEL: 098-866-2770)

Overview: To develop a prefectural system as a test bed island in which demonstration experiments and social implementation for new technologies are actively conducted, Okinawa Prefecture has established the Okinawa Demonstration Experiment Support Platform in cooperation with national and municipal governments. We focus on support for providing or mediating fields, recruiting monitors, coordination in communities, consultation for compliance with regulations, and PR.



5

Special Taxation in a Special Economic Zone

Special Zones and Regional Systems based on the Act on Special Measures for the Promotion and Development of Okinawa

In Okinawa, there are several systems available for companies based outside the Prefecture and for companies based within the Prefecture that are running local businesses. Okinawa has adopted preferential treatment measures, such as tax-related incentives to promote capital investment and high tax deductions on income (up to 40%) which are not available in other prefectures.

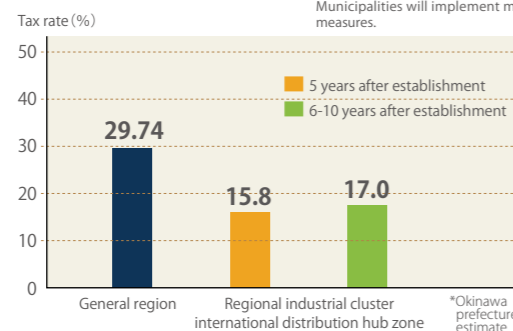


	1 Business Innovation Zones	2 International Distribution Base and Industry Cluster Zone	3 Economic and Financial Revitalization Special Zone
Target Businesses /Facilities	① Manufacturing ② Land freight transportation ③ Warehousing ④ Wholesale ⑤ Design ⑥ Natural science research institute, ⑦ Electric utility (with certain requirements) ⑧ Designated gas supply operator ⑨ Packing ⑩ Machine repair ⑪ Machine design ⑫ Non-destructive inspection ⑬ Commodity inspection ⑭ Measurement certification ⑮ Management consulting ⑯ Engineering ⑰ Research and development support inspection and analysis *①-⑰ apply only to special exemption programs outside of the tax system	① Manufacturing ② Special machine repair ③ Special non-store retail ④ Warehousing ⑤ Aircraft maintenance ⑥ Land freight transportation ⑦ Special real estate leasing ⑧ Wholesale ⑨ Packing *⑨ applies only to special exemption programs outside of the tax system	① Finance-related industries ② Telecommunications-related industries ③ Tourism-related industries ④ Agriculture and Aquaculture ⑤ Manufacturing ⑥ Management consulting
National Tax	Income Tax Deductions	○	○
	Investment Tax Deductions	○	○
	Special Depreciation	○	○
	Angel Tax System	—	○
Local Tax	Business Tax	○	○
	Real Estate Acquisition Tax	○	○
	Property Tax	○	○
	Office Tax (Naha City only)	○	—

*1. For national tax, only one special measure can be selected for each fiscal year.
 *2. Office tax is based on Article 33 of the Local Tax Law Supplementary Provisions. In all other cases, Prefectures and Municipalities will implement measures according to laws and regulations, following the national deficit compensation measures.

Comparison of effective tax rates for corporate taxes in the international distribution base and industry cluster zone versus general regions

*Corporate tax rate for general regions quoted from public reference material on the Ministry of Finance website (federal tax + local tax)
 *The corporate tax rate for the international distribution hub zone was estimated assuming selection of the "income deduction scheme" (federal tax + local tax).



For more information about the application of the tax system, please consult the Okinawa Special Zone/Regional Tax System One-Stop Assistance Services.

Okinawa Special Zone/
 Regional Tax System
 One-Stop Assistance Services :
 TEL.098-894-6377
 E-mail:okitoku@okinawa-ric.or.jp



5 -1 Business Innovation Zones

All over the prefecture (41 municipalities)

Businesses within the limits of the area designated in the Industrial Innovation Promotion Plan established by the Okinawa prefectural governor (throughout the prefecture) may take advantage of tax incentives with regard to the following national and local taxes for plans to implement industrial advancement and business innovation measures, provided that they have first received approval regarding the eligibility of said plans from the prefectural governor and confirmation by the responsible cabinet minister.



	Incentives	Outline of tax incentives	Applicable industries
National tax	① Investment tax credit	If new or additional facilities that exceed a certain value (machinery and equipment, furniture and fixtures 1 million yen Note 2, buildings and their attached facilities 10 million yen Note 3) and are in accordance with the approved implementation plan for industrial upgrading and business innovation measures are increased within Okinawa, a set percentage of the acquisition value of said facilities will be deducted from the corporate income tax. Deduction rate : Machinery, installations, appliances, fixtures 15% Buildings and their auxiliary facilities, structure* 8% (Limited to 20% of the corporate tax amount, can be carried forward for 4 years, maximum acquisition price of 2 billion yen) * Approval by the Governor of Okinawa and confirmation by a competent minister are required	① Manufacturing ② Road freight forwarding ③ Warehousing ④ Wholesale ⑤ Design ⑥ Natural science laboratories ⑦ Electrical (with certain requirements) ⑧ Designated gas supply operator ⑨ Packing ⑩ Machine repair ⑪ Machine design
	② Special depreciation	If new or additional facilities that exceed a certain value (machinery and equipment, furniture and fixtures 1 million yen Note 2, buildings and their attached facilities 10 million yen Note 3) and are in accordance with the approved implementation plan for industrial upgrading and business innovation measures are increased within Okinawa, special depreciation is granted. Deduction rate: Machinery, installations, appliances, fixtures 34% Buildings and their auxiliary facilities, structure* 20% (Upper limit of acquisition price of ¥2 billion) * Approval by the Governor of Okinawa and confirmation by a competent minister are required	⑫ Non-destructive inspection ⑬ Commodity inspection ⑭ Measurement certification ⑮ Management consulting ⑯ Engineering ⑰ Research and development support inspection and analysis
Local tax	Tax exemption from corporate enterprise tax	Within the designated zones, if the cost of installing new equipment (5 million yen for machinery, installations, appliances, fixtures, 10 million yen for buildings and their auxiliary facilities) for the implementation of activities certified as promoting industry development / business innovation exceeds a certain price, there is partial tax exemption from corporate enterprise tax (5 years) * Approval by the Governor of Okinawa and confirmation by a competent minister are required	⑩ Machine repair ⑪ Machine design
	Tax exemption from real estate acquisition tax	Within the designated zones, if the purchase of buildings or land for the implementation of activities certified as promoting industry development / business innovation exceeds a certain price (10 million yen), there is partial tax exemption for real estate acquisition tax* * Approval by the Governor of Okinawa and confirmation by a competent minister are required	⑫ Non-destructive inspection ⑬ Commodity inspection ⑭ Measurement certification ⑮ Management consulting ⑯ Engineering ⑰ Research and development support inspection and analysis
	Tax exemption from property tax *Except warehousing businesses	Within the designated zones, if the cost of installing new equipment (5 million yen for machinery, installations, appliances, fixtures, 10 million yen for buildings and their auxiliary facilities) for the implementation of activities certified as promoting industry development / business innovation exceeds a certain price, depending on the ordinances of each municipality, there is partial tax exemption from property tax (5 years)* * Approval by the Governor of Okinawa and confirmation by a competent minister are required	
	Tax reduction of business tax *Only in Naha City	Within Naha City, if the cost of acquiring new equipment is 10 million yen or more, and the cost for acquiring buildings, etc. is 100 million yen or more for the implementation of activities certified as promoting industry development / business innovation, out of the payable office tax, the taxable office floor surface area can be calculated as half the actual surface area (5 years)	

* To receive the tax incentives ①, ②, ③, ④, and ⑤, an approval is required for each by the Governor of Okinawa and the confirmation by the relevant minister. When applying for the tax incentives, please consult the nearest tax office and Okinawa Regional Taxation Office (for national taxes), the prefectural tax office (for prefectural tax), and nearest municipal tax division (for municipal tax). Please understand that approval, however, does not ensure application of the tax incentives. (Judgment for application shall be made by the relevant tax office.)
 Note 1: For national tax incentives, choose either ① or ②. (Individuals can only choose ②.)
 Note 2: Appliances and fixtures are limited to those used exclusively for research and development, or other appliances and fixtures specified by government ordinances.
 Note 3: Only auxiliary facilities installed at the same time as the building are eligible for tax incentives.
 Note 4: Structures are limited to gas storage tanks for storing liquefied natural gas used by a gas supply business or manufacturing business, and pipelines for the use of said gas.
 Note 5: Limited to land acquired where construction starts within one year after acquisition (purchase).

Advantages of utilizing special zones / local systems

1 Income deduction

A maximum of 40% of taxable income of corporate income tax can be deducted (only applicable to industrial clusters of international logistics bases).

Before using the system: Income 10 million yen, Amount of corporate tax 3 million yen.

After using the system: Income deduction 4 million yen, Income 6 million yen, Amount of tax reduction 1.2 million yen, Amount of corporate tax 1.8 million yen.

* Corporate tax (national tax + local tax) is calculated as 30%
 * When using income deduction, the effective corporate tax is About 30%→20%

2 Investment tax credit

When machinery and equipment, etc. are newly installed or expanded, a certain amount of their acquisition price can be deducted from the corporate tax.

Before using the system: Income 10 million yen, Amount of corporate tax 2.3 million yen.

After using the system: Acquisition of machinery, etc. (6 million yen), 6 million yen x 15% = 900,000 yen Deduction limit, 2.3 million yen x 20% = 460,000 yen, Amount of tax reduction 460,000 yen, Amount of corporate tax 1.84 million yen.

* Income refers to the amount when deducting only ordinary depreciation
 * Income tax (national tax) is calculated as 23%
 * Amounts exceeding the maximum deductible limit (20% of corporate tax) can be deducted from the following fiscal year (can be carried forward for 4 years)

3 Special depreciation

When machinery and equipment, etc. are newly installed or expanded, a certain amount of the acquired value can be included in expenses as special depreciation expenses.

Before using the system: Income 10 million yen, Amount of corporate tax 2.3 million yen.

After using the system: Acquisition of machinery, etc. (6 million yen), 6 million yen x 50% = 3 million yen, Special depreciation 3 million yen, Tax reduction during the year the incentive is used 690,000 yen, Income 7 million yen, Amount of corporate tax 1.61 million yen.

* Income refers to the amount when deducting only ordinary depreciation
 * Income tax (national tax) is calculated as 23%
 * The special depreciation rate of 50% can only be used when utilizing the International Distribution Base Industrial Cluster Region System

5-2 International Distribution Base and Industry Cluster Zone

Naha, Urasoe, Tomishiro, Ginowan, Itoman district, Uruma, Okinawa district (Nakagusuku Port Shinko Zone, Nakamine/Kamiesu Zone, Henza Zone, Ikento Zone)

Companies in zones designated under the International Logistics Hub Industry Concentration Plan formulated by the Governor of Okinawa are eligible for the following tax structure incentives after passing a screening process including approval from the Governor and verifications by the relevant Minister regarding points such as their business plan.

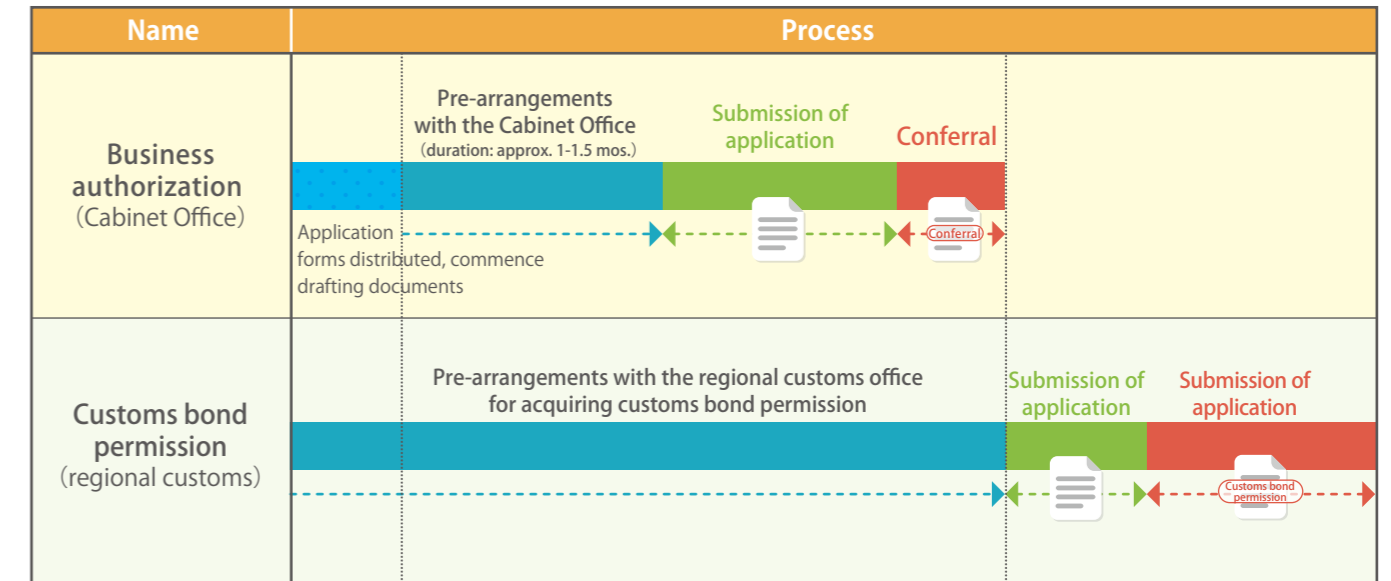
* Certification requirements differ depending on the type of incentive.



	Incentives	Outline of tax incentives	Applicable industries
National (Japan) tax	① Income Deduction	Corporations that have been newly established in an international logistics hub/industrial cluster, operate exclusively in any of the targeted industries, and have 15 or more permanent employees, will receive a 40% deduction on corporate taxes for 10 years after being established. (The same also applies to corporate business tax and corporate inhabitant tax.) *For specific international logistics hub businesses, certification by the Governor of Okinawa Prefecture and confirmation by a Cabinet Minister are required.	Manufacturing businesses, warehousing businesses, specified equipment maintenance businesses, specified nonstore retailing, and aircraft maintenance businesses)
	② Investment tax credit (ITC)	If new facilities are built or expanded exceeding a specified amount (1 million yen for machinery and equipment; 10 million yen for buildings and their related equipment; see note 2) for supplying target industries in the target region, a fixed proportion of the acquisition cost will be deducted from corporate taxes. Tax credit rate: 15% of machinery and equipment; 8% of buildings and their related equipment (up to 20% of the amount of corporate tax; carry-forward: 4 years; upper limit of 20 million yen for acquisition costs) * Approval by the Governor of Okinawa and confirmation by a competent minister are required	
	③ Special depreciation system	If new facilities are built or expanded exceeding a specified amount (1 million yen for machinery and equipment; 10 million yen for buildings and their related equipment; see note 2) for supplying target industries in the target region, special depreciation will be recognized. Special depreciation rate: 50% for machinery and equipment; 25% for buildings and their related equipment (upper limit of Acquisition price of ¥2 billion) * Approval by the Governor of Okinawa and confirmation by a competent minister are required	
Customs duties	Application of selective system for customs duties	If you accept products in Japan processed or manufactured in a bonded factory, or similar, from raw materials that were foreign cargo and you are charged customs duties on those products, you are allowed to choose either a taxation scheme applying to the materials (excluding special items) or a scheme applying to the products. * Business authorization required from the relevant Minister.	Manufacturing businesses, warehousing businesses, road cargo transportation businesses, wholesaling businesses, specified equipment repair businesses, specified nonstore retailing, specified real estate leasing, and aircraft maintenance businesses, packing businesses* *Packing businesses are not eligible for special exemptions from national tax or from regional tax (except business tax)
	Reduced customs bond permission fee	The customs bond permission fee will be halved for bonded warehouses, bonded factories, bonded show rooms, and general bonded areas. * Business authorization required from the relevant Minister.	
Local taxes	Corporate enterprise tax exemption	If facilities are built out or expanded exceeding a specified amount (10 million yen for machinery and equipment; 10 million yen for buildings and their related equipment) for supplying target industries in the target region, a portion of corporate enterprise taxes will be waived (for 5 years) (see note 2). * Approval by the Governor of Okinawa and confirmation by a competent minister are required	
	Real estate acquisition tax exemption	If facilities are built or expanded exceeding a specified amount (10 million yen for machinery and equipment; 10 million yen for buildings and their related equipment) for supplying target industries in the target region, a portion of real estate acquisition taxes will be waived (see note 2, see note 3). * Approval by the Governor of Okinawa and confirmation by a competent minister are required	
	Fixed asset tax exemption *Except warehousing businesses	If facilities are built or expanded exceeding a specified amount (1 million yen for machinery and equipment; 10 million yen for buildings and their related equipment) for supplying target industries in the target region, a portion of fixed asset taxes levied according to each municipality's regulations will be waived (for 5 years) (see note 2, see note 3). * Approval by the Governor of Okinawa and confirmation by a competent minister are required	
	Business office tax exemption *Naha city only	In Naha city, if the total cost for acquiring machinery, equipment, etc. to supply target industries equals or exceeds 10 million yen, or if the total acquisition cost of constructing new buildings, etc. equals or exceeds 100 million yen, calculations will be halved for commercial floor space subject to asset taxation as part of the business facility tax. (for 5 years)	

* To receive the tax incentives ①, an approval for the specific international logistics hub project is required by the Governor of Okinawa and the confirmation by the relevant minister. To receive the tax incentives ②, ③, ⑥, ⑦, and ⑧, an approval is required for each by the Governor of Okinawa and the confirmation by the relevant minister. To receive the tax incentives ④ and ⑤, a permission by the regional customs and an approval by the relevant minister. When applying for the tax incentives, please consult the nearest tax office and Okinawa Regional Taxation Office (for national taxes), the Okinawa Regional Customs Consultation Office (for customs), the prefectural tax office (for prefectural tax), and nearest municipal tax division (for municipal tax). Please understand that approval, however, does not ensure application of the tax incentives. (Judgment for application shall be made by the relevant tax office.)
Note 1: For national tax incentives, choose either ①, ②, or ③. (Individuals can only choose ③.)
Note 2: Only auxiliary facilities installed at the same time as the building are eligible for tax incentives.
Note 3: Limited to land acquired where construction starts within one year after acquisition (purchase).
Note 4: Packaging businesses are not eligible for tax incentives for national and local taxes (excluding business office tax).

How to obtain business certification for special customs taxation



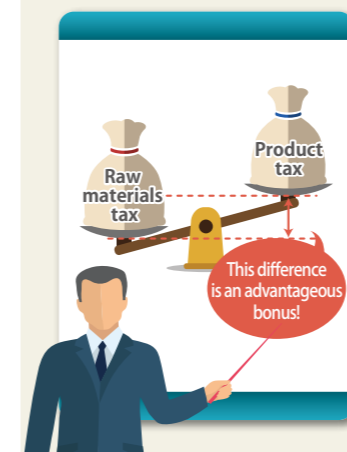
Supplemental notes

- * After start of coordination with the zone customs office to obtain a bonded permit, then after contact to the Cabinet Office and preparation of application documents, advance coordination will begin. The Cabinet Office will conduct advance coordination with relevant ministries and agencies.
- * Application documents will be submitted to the Cabinet Office once discussions with related ministries and agencies are completed. Following screening, a business certificate will be issued.
- * Bonded procedures and application will be made after business certification is obtained. If a bonded permit is not obtained within one year after business certification, the business certification will expire.
- * Acquiring customs bond permission requires knowledge related to customs bonds for business operators, as well as building the necessary business framework. The time required for this may vary, though in some cases is quite considerable for new applicants.

Selective system for customs duty

Companies can select either "materials customs" or "product customs" in the international distribution hub zone. If you take raw material that is foreign cargo secured with a customs bond and you process or manufacture it and ship (import) it into Japan as a product, you are allowed to choose the cheaper of two taxation schemes ("materials customs" or "product customs") for the customs duty.

*Exclusions apply to some products.



What is the bonded area system?

The bonded area system is a system that allows a business to receive permission for a customs bonded zone from the Chief Customs Inspector and to store, process, manufacture, display, etc. foreign cargo in specified locations and facilities without having paid custom duties and consumption taxes.

Companies that have received bonded area permission

- If you process or manufacture components and/or raw materials that were foreign cargo and export them as products outside Japan, you do not need to pay customs duties or consumption taxes.
- You can store, inspect, refurbish, finish, etc. foreign cargo for which customs duties and consumption taxes have not been paid and export or ship them domestically in response to market demand. If they are shipped domestically, customs duties and consumption taxes must be paid.
- If stored foreign cargo is shipped abroad as returned goods or is destroyed as defective goods, there is no need to pay customs duties or consumption taxes.

