

# Wealth Management Practice

## Wealth Management, Inheritance & Business Succession Practice Group


Drawing upon a depth of experience and expertise as well as a global legal network, Mori Hamada & Matsumoto and MHM Tax Advisory Services provide strategic advice to high-net-worth clients, addressing diverse needs from both a legal and a tax perspective.

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MORI HAMADA & MATSUMOTO

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MHM TAX ADVISORY SERVICES



## Offering solutions tailored to the diverse needs of high-net-worth individuals

Mori Hamada & Matsumoto (including Mori Hamada & Matsumoto LPC) and MHM Tax Advisory Services (collectively, "we" or "Mori Hamada & Matsumoto") offer tailor-made solutions that address the diverse needs of our high-net-worth clients, including private business owners, founders and major shareholders of listed companies and private investors. Below are just a few examples of the various services that we offer our clients:

- planning to mitigate inheritance tax on shares held by private business owners in their businesses;
- business succession planning for privately-owned corporate groups with multiple successors;
- remodeling the capital structure of privately-owned corporate groups;
- secure management and maintenance of assets to be inherited by clients' children;
- preparation, storage and execution of wills and other instruments aimed at preventing family disputes;
- representation and negotiation in disputes over management rights in family businesses;
- determining efficient structures for international investment portfolios;
- dealing with cross-border inheritance;
- filing tax returns for income tax, corporate tax and inheritance tax; and
- dealing with tax audits for inheritance and gift tax liabilities.

A variety of factors have caused high-net-worth individuals in Japan to see even greater need for legal services. Those factors include an increase in the inheritance tax burden in Japan, an increasing number of family businesses being unable to keep business succession within the family, facilitation of the movement of people and assets across borders, businesses staking their very existence on overseas expansion, and new potential means of business succession that utilize various legal methods

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derived from the development of the corporate reorganization tax system and the introduction of the share delivery system (*kabushiki-koufu seido*). In addition, the appropriate handling of family disputes is a crucial aspect of the wealth management practice. In the case of an existing family dispute, legal counsel must thoroughly consider the best strategies and either litigate to a successful conclusion or win the best possible settlement for the client. It is also important for legal counsel to advise on a plan to prevent potential family disputes.

Mori Hamada & Matsumoto brings together attorneys and tax accountants with rich knowledge and experience not only in dispute resolution, but also in fields as diverse as domestic and cross-border M&A and corporate reorganization, trusts, asset taxes, international taxation and more, to provide services as part of our Wealth Management Practice Group.

## Integrated strategic advice on both law and taxation

It is no exaggeration to say that it is impossible to offer planning services and solutions to high-net-worth individuals without considering their situations from both a legal and a tax standpoint. This is because of the high rates of income tax, corporate tax, inheritance tax and gift tax in Japan that are applicable to high-value assets held or dealt with by high-net-worth individuals.

In dealing with the demands of high-net-worth individuals, it has been all too common for specialists, such as attorneys and tax accountants, to give advice based solely on their own field of specialization. However, rather than offering analyses separately from a legal perspective and from a tax perspective, we believe that an approach that features a balanced, holistic consideration of both perspectives is a more effective way of addressing wealth management planning and solutions.

For example, consider a privately-owned corporate group that is to undergo a corporate reorganization as a method of passing on the

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business to successors. It would be extraordinarily inefficient to consider separately the inheritance tax assessment of the reorganization and the legal feasibility of that reorganization.

Our attorneys at Mori Hamada & Matsumoto who have legal specializations essential to wealth management—including corporate law, M&A and trust law—work in conjunction with our attorneys and tax accountants who have broad practical experience in tax issues faced by high-net-worth individuals, in order to offer our clients services tailored to their needs. Specifically, we strive to provide planning services that give full consideration to legal and tax implications and risks and to provide documentation that properly reflects the results of our investigations.

We pride ourselves on being one of only a few professional groups able to offer a full range of services and strategic advice combining both legal and tax-related considerations to high-net-worth clients. We not only uncover potential issues, we also offer solutions.

## Examples of the services we provide

### Business succession planning

In many cases, a large proportion of a high-net-worth individual's assets will consist of shares in the individual's own company. Since monetizing those shares is often difficult, especially in the case of a private company, advance measures should be taken to deal with a number of problems that could otherwise arise upon inheritance, such as a dilution of shareholding that may result in destabilization of managerial rights for successors, and a lack of liquidity to pay inheritance tax.

The capstone of an entrepreneur's career is often ensuring that the assets and management of a company that has taken years to build are smoothly transferred to successors.

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Mori Hamada & Matsumoto has a wealth of experience in dealing with business succession cases that involve inheritance tax and gift tax issues, and we offer support in effecting the smooth transfer of businesses to successors, giving consideration not only to tax-related issues but also legal and managerial matters, and filing tax returns upon the client's request after planning has been completed. To give a few concrete examples, we have experience in structuring solutions that include:

- planning for shares held by private business owners in their businesses, using a combination of corporate reorganization methods, such as mergers and share exchanges, and the share delivery system (*kabushiki-koufu seido*);
- transitioning to a holding company;
- dividing a business between siblings upon succession by way of restructuring the capital structure through corporate reorganizations;
- setting up a trust to manage shares and maintain managerial rights;
- ensuring stable business succession through preparation of a will;
- expanding a business overseas through a triangular merger or share exchange;
- consultation and guidance regarding the tax payment grace period system and the formulation of business succession plans;
- utilizing class shares to ensure convertibility of shares into cash and involvement in management;
- preparing a shareholders' agreement between successors;
- preparing and implementing a business succession scheme that involves an incorporated foundation, an incorporated association, or both;
- preparing tax returns for inheritance tax; and
- capital restructuring in response to anti-tax haven Japanese CFC rules imposed on individuals and corporations.

### Setting up a trust for asset preservation

One concern of many high-net-worth individuals is whether their families will be equipped to properly manage their assets after their death or incapacity. For example, if assets are to be inherited by a child who does not yet have the necessary skills to manage them, then it can be useful to

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set up a trust for those assets to ensure both their proper management and the heir's welfare. A trust can also be used to create a system whereby property will be transferred to a secondary beneficiary upon the death of the primary beneficiary (a successive life interest trust), allowing a certain level of control over how property is passed on to future generations. For example, a current spouse could be named as primary beneficiary, while a child from a previous marriage could be named as secondary beneficiary, so that the child is able to acquire the beneficial interest after the death of the current spouse.

Trusts are thus an effective tool for preserving assets and passing them on to future generations. Mori Hamada & Matsumoto is able to suggest a trust structure that is most suited to the individual family and their assets, including advice on setting up a trust outside Japan. We also provide advice on other structures, including those that involve an incorporated foundation, an incorporated association, or both.

### Prevention and resolution of family disputes (including support in establishing family governance)

In high-net-worth families, there is a structural risk of disputes due to the size of their assets, and it is very common to see actual family disputes. Mori Hamada & Matsumoto is well experienced in handling family disputes and successfully achieving the best results for the client, drawing upon its long experience in dispute resolution practice.

In addition, Mori Hamada & Matsumoto actively provides clients with advice on preventing family disputes through implementation of family governance systems. Family governance systems include European-style family governance that is usually large-scale, but there are also relatively simple systems whose only purpose is the prevention of family disputes. The most appropriate family governance system would depend on the specific needs of the client. In this respect, Mori Hamada & Matsumoto focuses on: (i) correctly understanding the specific needs of the client, (ii) planning a creative strategy to respond to such needs, and (iii) reflecting such strategy appropriately in a family governance system for the client.



## Support in establishing family business governance systems

Traditionally, a business succession case planning in Japan has will involved the concentration of control in a specific successor. While this measure is, to some degree, effective in stabilizing management of a corporation, it may foster a sense of inequality among successors depending on the scale of the corporation involved and become a cause of familial disputes. Also, tax measures taken in the course of concentrating that control can be harmful to corporate value in some cases.

Using examples from family business governance systems in Europe, Mori Hamada & Matsumoto provides support for relatively large-scale private corporations to establish new business succession systems under which the founding family as a whole controls the corporation without concentrating control in specific successors.

A Japanese founding family will often strengthen its solidarity by sharing among its members a concept of a "family precept" or a "family constitution," and we provide advice for achieving further development of business by the founding family as a unit by transforming that concept into a legal framework.

## Advice for Japanese residents investing overseas

Many high-net-worth individuals residing in Japan have recently begun investing in overseas real estate in order to diversify risk among their asset holdings. However, they may not see the returns they desire because investments are often made with an insufficient understanding of the legal and taxation systems of the target country and Japan.

Mori Hamada & Matsumoto offers advice on overseas investments with a focus on tax implications, particularly for income and inheritance tax.

## Support for cross-border inheritance cases

With lifestyles now more diverse and investment in overseas assets more common than ever before, one problem that high-net-worth individuals are facing is cross-border inheritance—the issues that arise when inheritance commences while, for example, the decedent, the heir, or both reside overseas, or the decedent holds real estate or financial assets overseas.

Cross-border inheritance generates issues that require knowledge of the legal systems of the countries involved, because the question of which law applies depends on the nationality and country of residence of the decedent and the heir, and the location of the assets to be inherited. Concomitantly, planning is required in relation to cross-border inheritance taxes and estate taxes.

Mori Hamada & Matsumoto has a global network (see below) with a wealth of experience dealing with cross-border inheritance, enabling the firm to provide one-stop service for cross-border inheritance cases.

## Advice for high-net-worth overseas residents investing in Japan

We are receiving an increasing number of inquiries from high-net-worth clients residing outside Japan.

Structuring an efficient Japanese investment portfolio from a tax perspective requires sufficient consideration of Japanese tax law and tax treaties. In addition, there are a number of laws and regulations that must be considered in the case of a non-resident wishing to invest in Japan, such as the Foreign Exchange and Foreign Trade Act, the Financial Instruments and Exchange Act and the Immigration Control and Refugee Recognition Act.

Mori Hamada & Matsumoto provides advice on structuring a portfolio that addresses both legal and tax matters from a global perspective.





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## International network led by our Singapore office

As the number of companies interested in establishing offshore bases for expansion of business continues to rise, it has also become more common for corporate groups to move their headquarters functions overseas. Mori Hamada & Matsumoto has offices in Singapore and across Asia, ready to serve clients who wish to receive support from a Japanese attorney on the ground in Asia. In addition, the firm has a global network of law firms with which we can coordinate to provide legal and tax services across the world.

## Doing what's best for our clients

At Mori Hamada & Matsumoto, we bring together leading specialists from a number of fields to offer the best possible solutions to the challenges faced by our high-net-worth clients—solutions that personal tax accountants and attorneys acting alone may be unable to provide. Our motto is "doing what's best for our clients," and in that spirit we place high importance on honest and conscientious communication with our clients. It is through such communication that we can offer tailor-made solutions that perfectly meet the clients' specific needs.

## Awards and Rankings

Featured below are just some of the many awards and industry-related rankings received by this practice group and its attorneys.



### Chambers High Net Worth 2023

Mori Hamada & Matsumoto and the following lawyers are ranked in Band 1 in Private Wealth Law in Japan for Chambers High Net Worth 2023.

Private Wealth Law  
**Atsushi Oishi**  
**Makoto Sakai**



### The Legal 500 Asia Pacific 2024

Mori Hamada & Matsumoto is ranked in Tier 1 in Private Wealth in Japan and the following lawyers are evaluated highly by The Legal 500 Asia Pacific 2024.

Private Wealth  
Leading Individuals  
**Atsushi Oishi**  
**Makoto Sakai**  
  
Next Generation Partners  
**Hiroshi Oyama**  
  
Rising Stars  
**Yoshihiko Abe**

"Chambers" is a ranking survey conducted by Chambers & Partners to evaluate law firms and lawyers across the globe, based on interviews with their clients and details of legal matters. Of more than 20,000 in-house lawyers surveyed by International In-house Counsel Journal, 51% answered that Chambers & Partners was the resource they used most often when searching for evaluations of law firms and lawyers.

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## Asia Business Law Journal Japan's Top 100 Lawyers 2023

The following lawyer is selected as one of Japan's Top 100 lawyers.

**Atsushi Oishi**

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### The 2024 Edition of The Best Lawyers in Japan™

The firm has 152 lawyers selected as The Best Lawyers in Japan™ and 55 lawyers selected as Best Lawyers: Ones to Watch in Japan™ in a variety of areas, including the members of our Wealth Management Practice Group listed below.

#### Best Lawyers

**Atsushi Oishi**

(Tax Law, Private Equity, Private Funds and Venture Capital Law, Corporate and Mergers and Acquisitions Law)

**Takahiro Kobayashi**

(Banking and Finance Law, Energy Law, Project Finance and Development Practice, Structured Finance Law)

**Takeshi Mukawa**

(International Business Transactions, Project Finance and Development Practice, Real Estate Law, Structured Finance Law)

**Ryota Yamasaki** (Insolvency and Reorganization Law)

**Yoshihiro Kojima**

(Corporate and Mergers and Acquisitions Law, International Business Transactions)

**Atsunori Nobukuni**

(Litigation, Arbitration and Mediation, Corporate and Mergers and Acquisitions Law)

**Takahiro Inou** (Insolvency and Reorganization Law)

**Makoto Sakai** (Tax Law)

**Hiroshi Oyama** (Tax Law)

**Hiroyuki Kurihara** (Tax Law)

#### Ones to Watch

**Yu Takahashi** (Corporate and Mergers and Acquisitions Law)

**Takahiro Iijima** (Corporate and Mergers and Acquisitions Law)

**Yoshiko Yamakawa** (Tax Law)

**Keiichi Bando** (Capital Markets Law)

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