

JETRO Invest Japan Report 2016

Introduction

Message from the Chairman

In the “Japan Revitalization Strategy,” the government outlined its target of increasing inward foreign direct investment stock to 35 trillion yen by 2020 by inviting foreign companies, in order to attract excellent human resources and technologies to Japan for creation of employment and innovation. Inward foreign direct investment stock exceeded 20 trillion yen in 2014 for the first time and reached 24.4 trillion yen, renewing the historical high at the end of 2015. Further, inflow greatly exceeded withdrawal in the first half of 2016, bringing the stock to 26.7 trillion yen as estimated in June 2016. Behind the favorable growth of investments in Japan, there are positive changes in the evaluation of the investment environment of Japan.

The first change is re-evaluation of the Japanese market and expanded business opportunities. For foreign companies, the greatest appeal in doing business in Japan has been its “huge sophisticated market” with consumers and clients demanding high-quality products and services. Now, in addition to this, Japan is being recognized as a “trendsetter,” in the sense that success in the Japanese market leads to success in Asian and global markets.

In addition to business costs coming down in Japan in comparison with Singapore, Hong Kong, Shanghai and other large cities, Japan’s reputation as a “product development and R&D center” is also rising through collaboration with Japanese companies and research institutions in recognition of the research and technology development capabilities and reliable IPR protection in the country. Furthermore, the rapid increase of foreign tourists visiting Japan is calling attention to tourism-related businesses in Japan.

The second change is in the government’s efforts for attracting foreign investments in Japan. The government has stimulated investments by foreign companies and hammered out various policies to make Japan “the most business-friendly country in the world.” Corporate tax reduction, strengthening of corporate governance and other measures to improve the business environment, and regulatory reforms in pharmaceutical, medical equipment, power/energy and other fields are consistently expanding business opportunities in Japan. Its efforts toward TPP also constitute a major change.

To further improve the business environment, the government held a meeting of the Council for Promotion of Foreign Direct Investment in Japan in May 2016. The Council agreed upon a policy package which includes introduction of the “Japanese Green Card for Highly Skilled Foreign Professionals,” which will be the most quickly obtainable green card in the world. To address administrative procedures and regulations which were pointed out as the top obstacles to foreign companies’ doing business in Japan in the JETRO Invest Japan Report 2015, the government set up a working group, which is conducting a review toward radical simplification of regulations and administrative procedures.

The third change is in foreign companies’ evaluation of Japan and their business activities. Foreign-affiliated companies doing business in Japan are already feeling these changes and many of them are planning to expand investment and employment in Japan.

For 14 years since 2003, JETRO as the central organization for attraction of inward investment has provided support for more than 15,000 projects to enter the Japanese market, and helped in the successful establishment of over 1,500 companies. Experienced staff members and specialists in industry, law, accounting and other fields cooperate to address the challenges faced by foreign companies starting up in Japan, including language, business practice, rules and regulations. In fiscal 2015, JETRO greatly increased the number of staff members handling investment in Japan and strengthened the efforts to support investment projects of foreign-affiliates already in Japan as well as initial investment from overseas. We are working to realize more projects by providing customized and highly-reliable services in cooperation with the central and local governments.

This report compiles the recent trend of foreign direct investment in Japan, related government policies, activities and the perception of foreign-affiliates concerning the business environment in Japan as well as JETRO’s activities. This is the second publication following the 2015 edition. I hope this report will be useful for consideration of starting business in Japan or providing support for foreign companies’ investment in Japan.



Hiroyuki Ishige

Chairman & CEO

Japan External Trade Organization (JETRO)

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Steadily Increasing Investment in Japan

At the end of 2015, Japan's inward direct investment (FDI) stock remained mostly unchanged from the previous year but renewed the record high. The flow was slightly negative in consequence of pulling out of investments from Europe, whereas investments from Asia and the United States remained high. M&A in Japan in 2015 was not very active but is recovering the momentum with large projects in 2016. Investments in Japan by foreign companies are expected to continue to expand.

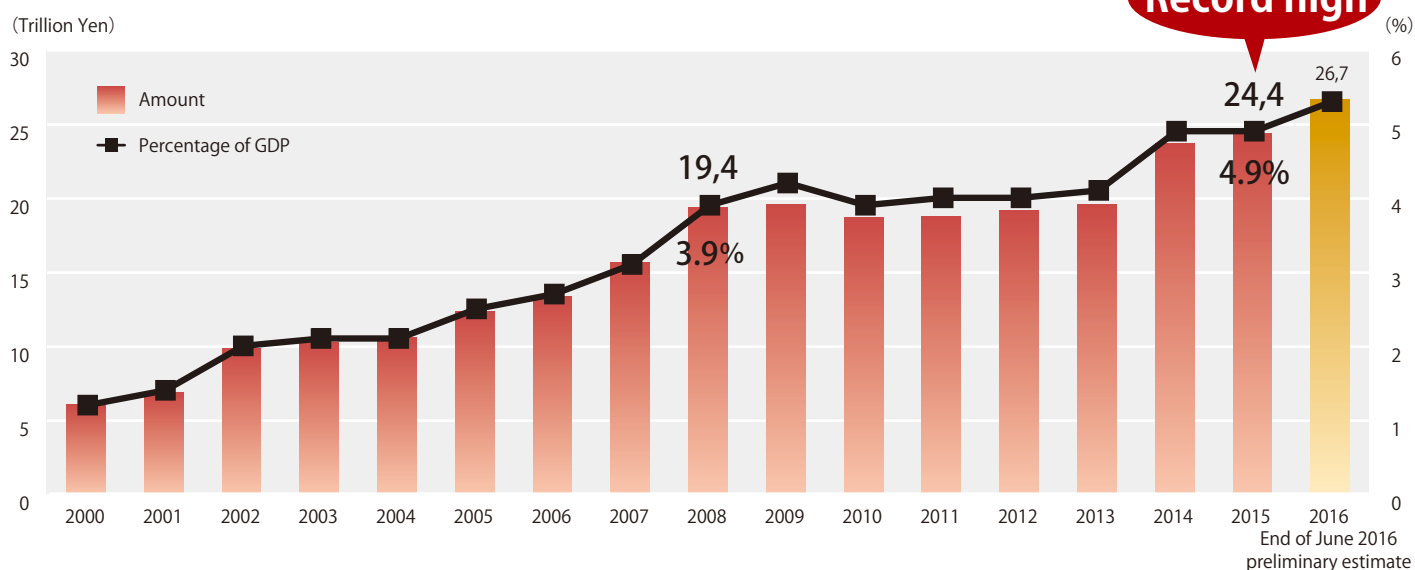
1. Inward FDI stock maintained last year's high level

At the end of 2015, Japan's inward direct investment stock was 24.4 trillion yen, increasing by 636.3 billion yen or 2.7% from 23.7 trillion yen at the end of the previous year and renewed the record high for the second consecutive year (Chart 1-1).

According to the provisional calculation by the Ministry of Finance, the major factor of the increase is estimated to be adjustment of statistical values. A slight decrease (16.4 billion yen) due to the negative net flow of direct investment in Japan and foreign exchange fluctuations (43.0 billion yen) in 2015 pushed down the stock value. However, the fluctuations of stock and bond prices and adjustment of statistics difference between the balance of payments and the international investment positions pushed up the value, resulting in an overall increase in the stock.

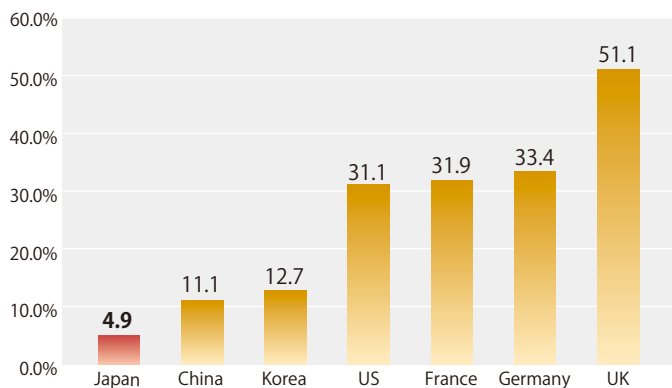
The ratio of foreign direct investment in Japan to its nominal GDP was 4.9%, the same as the ratio in the previous year and still low by international standards (Chart1-2). Comparing inward and outward investment stock, the inward-outward ratio was 1:6.2 as it has been in previous years, still maintaining the large gap (Chart1-3).

Chart 1-1 The stock of inward FDI and its portion in the nominal GDP



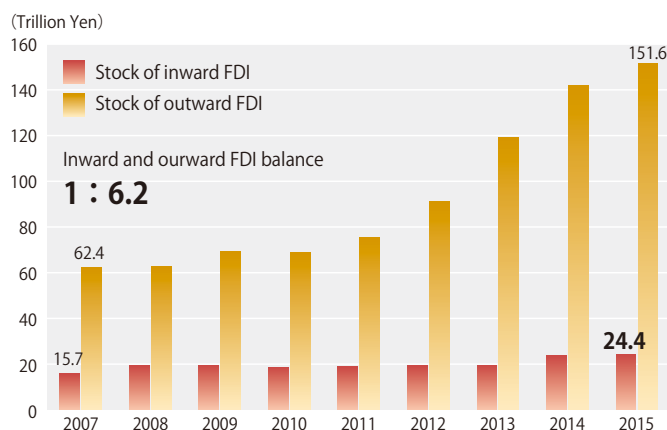
[Source] "Balance of Payments" (Ministry of Finance), "National Accounts of Japan" (Japan Cabinet Office)

Chart 1-2 International comparison of the inward FDI's ratio in nominal GDP (as of the end of 2015)



[Source] "World Investment Report 2016" (UNCTAD) (except Japan)
Japan: "Balance of Payments (as of the end of 2015)" (Ministry of Finance),
"National Accounts of Japan" (Japan Cabinet Office)

Chart 1-3 Japan's outward and inward direct investment balance



[Source] "Balance of Payments" (Ministry of Finance)

2. Asia increased its share in the inward FDI

By region, Europe has the largest direct investment stock in Japan at 11.2 trillion yen (46%) followed by North America (7.0 trillion yen, 28.8%) and Asia (4.3 trillion yen, 17.6%) (Chart1-6). The ratio of investment from Asia, in particular, increased more than 2 percentage points from 15.5% in the previous year.

By country, the United States ranks first with 6.9 trillion yen or 28.1%, followed by the Netherlands (3.7 trillion yen), France (3.0 trillion yen) and the United Kingdom (1.9 trillion yen). The ranking of the top four countries remained the same as in the previous year. From Asia, Singapore (1.8 trillion yen, 5th) and Hong Kong (1.0 trillion yen, 8th) joined the top 10 countries. Hong Kong's direct investment stock in Japan exceeded one trillion yen following Singapore (Chart1-4). Other Asian countries including Taiwan (527.6 billion yen, 11th), South Korea (389.5 billion yen, 12th) and China (218.7 billion yen, 14th) moved up compared with 10 years ago and stepped up their presence (Chart 1-5).

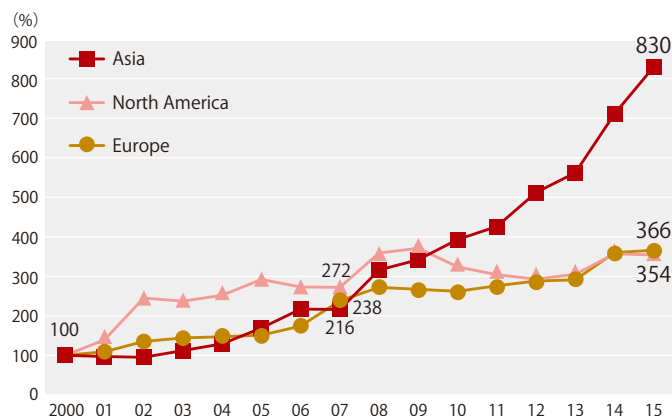
Other countries ranked in the top 10 are Switzerland (1.1 trillion yen, 6th), the Cayman Islands (1.0 trillion yen, 7th), Luxembourg (777.7 billion yen, 9th) and Germany (748.8 billion yen, 10th). Germany's investment stock was over one trillion yen at the end of 2014 but shrunk, moving down from 7th to 10th, partly influenced by the dissolution of the large-scale capital tie-up between Volkswagen and Suzuki.

Chart 1-4 Inward FDI stock by country and region (as of the end of 2015) TOP10

	Country	Stock(Billion Yen)	Ratio(%)
1	US	6,856	28.1
2	Netherlands	3,703	15.2
3	France	3,075	12.6
4	UK	1,927	7.9
5	Singapore	1,814	7.4
6	Switzerland	1,118	4.6
7	Cayman Islands	1,065	4.4
8	Hong Kong	1,042	4.3
9	Luxembourg	778	3.2
10	Germany	749	3.1

[Source] "Balance of Payments" (Ministry of Finance)

Chart 1-5 Stock of Inward FDI by region (growth ratio when the stock as of 2000 is 100)



[Note] The stocks for 2014 and after are calculated based on BPM6. The stocks before 2013 were recalculated from BPM5-based to BPM6-based by JETRO

[Source] "Balance of Payments" (Ministry of Finance)

Stock by industry is largest for finance and insurance accounting for 36.6% of the total followed by transportation equipment manufacturing (13.1%), electric machinery manufacturing (12.8%), wholesale and retail (5.6%) and chemical and pharmaceuticals (4.5%) (Chart 1-7). In the past 10 years, there has been no change in the industrial structure where finance accounts for about 30 to 40%, with transportation equipment manufacturing and electric machinery manufacturing ranking high.

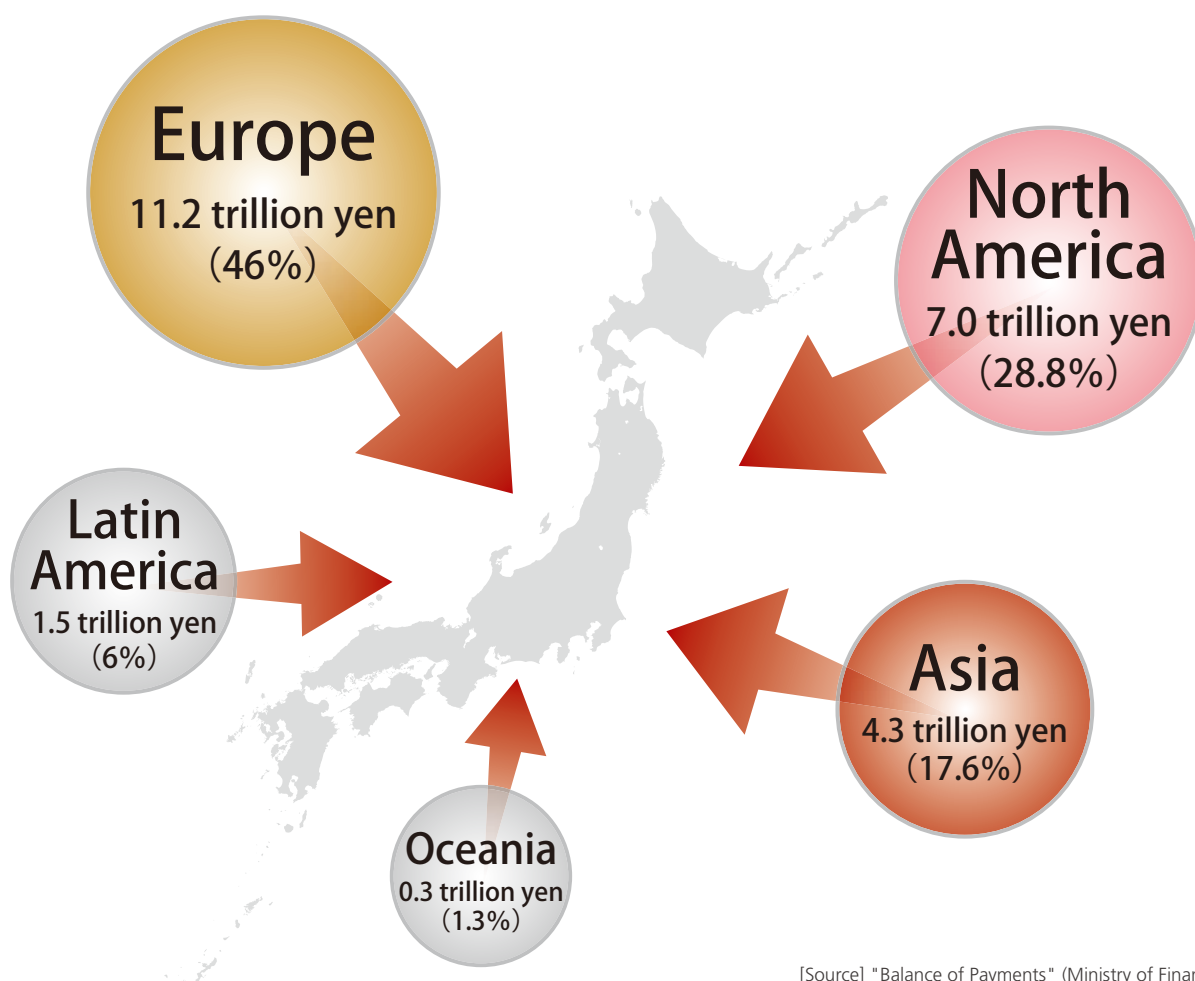
Looking at the breakdown of industry by region, investments in the non-manufacturing industry from Asia and North America are 86.5% and 79.9% respectively, greatly exceeding the investments in the manufacturing industry. Investments in financial businesses are particularly large. On the other hand, the manufacturing industry account for 66.9% of investments from Europe, with transportation equipment manufacturing (28.8%) and electric machinery manufacturing (21.9%) standing out.

In comparison with 10 years ago, the breakdown of investments by industry has undergone a huge transformation. Roughly half of investments from North America and Europe were in the manufacturing industry and the other half were in the non-

manufacturing industry at the end of 2005. The ratio of investments from North America in electric machinery manufacturing has greatly decreased while investment in financial businesses increased at the end of 2015. This is attributed to the increase in North American banks, security businesses and financial services. On the other hand, the ratio of investments from Europe in the communications and wholesale and retail industries has decreased while investments in electric machinery manufacturing, by companies such as Bosch and Schneider Electric, have increased.

With rising investments in Japan, payments of direct investment returns from Japan are also on an increasing trend in the long term. The amount paid of direct investment returns in 2015 was 2.73 trillion yen, or 2.3 times the amount 10 years ago (1.2 trillion yen in 2005). Nearly 90% of the payees were in Europe or America but payment to Asia has grown with the increase of investments from Asia. By region, Asia gradually expanded its share in payment of direct investment returns from 3.6% in early 2000 to 13.4% in 2014 and 2015. A stronger investment relationship with Asia is also visible in terms of returns (Chart 1-8).

Chart 1-6 Stock of inward FDI into Japan by region (as of the end of 2015)



[Source] "Balance of Payments" (Ministry of Finance)

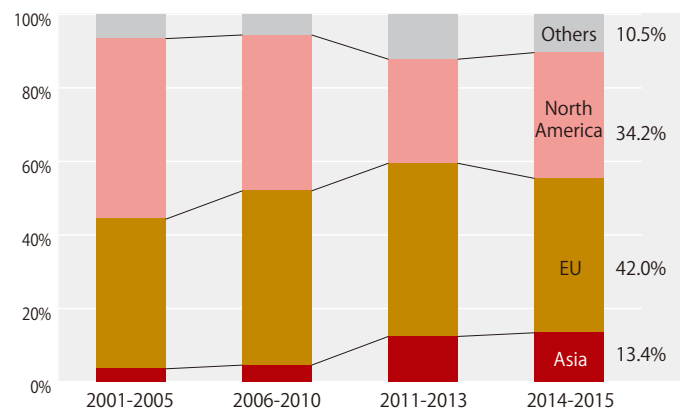
**Chart 1-7 Stock of inward FDI by industry
(as of the end of 2015) TOP10**

	Industry	Stock (Billion Yen)	Ratio (%)
1	Finance and Insurance	7,527	36.6
2	Transportation equipment manufacturing	2,702	13.1
3	Electric machinery manufacturing	2,635	12.8
4	Wholesale and retail	1,142	5.6
5	Chemical and pharmaceutical manufacturing	923	4.5
6	Service	836	4.1
7	Communications	788	3.8
8	General machinery manufacturing	536	2.6
9	Real estate	392	1.9
10	Glass and ceramics manufacturing	378	1.8

[Note] In the statistics of the inward FDI stock by industry, the investment made by a subsidiary to the parent company is counted as the withdrawal of investment by the parent company (Directional Principle). Therefore, the calculation method differs from that of the statistics for inward investment stock by region and investment type.

[Source] "Balance of Payments" (Ministry of Finance)

Chart1-8 Inward FDI payees by region



[Source] "Balance of Payments" (Ministry of Finance)

[Note] 1) Yearly average, 2) Statistics for before 2013 is calculated based on BPM5. Statistics for 2014 and after is calculated based on BPM6.

3. Negative flow in 2015 for the first time in four years, but inflow greatly exceeded in 2016

Looking at the net inflow of direct investment in Japan in 2015, the total inflow dipped negative for the first time in the 4 years since 2011, with a net amount of minus 16.4 billion yen. In gross amount, both the amount of investment and recovered amount due to withdrawal decreased about 45%. Overall, there were fewer activities during the year.

By investment type, reinvestment of earnings, which is equivalent to changes in internal reserves of Japanese subsidiaries, was 1.21 trillion yen, while equity capital, which indicates stock acquisitions and capital contributions, was minus 16.8 billion yen. Debt instruments, which include debits and credits of fund transfers between parent and subsidiaries and acquisition/disposal of debts, were minus 1.20 trillion yen, and this offset the gain by reinvestment of earnings (Chart 1-9).

By region, negative flow was higher by 1.04 trillion yen for investments from Europe, whereas inflow was higher by 683.0 billion yen for investments from Asia and by 634.2 billion yen for North America, showing continuing high-level investments.

Overall, negative flow was higher caused by large-scale capital recoveries by multinational enterprises, which is represented by Suzuki's buying back of its stake held by Volkswagen of Germany (19.9% or about 500 billion yen). Investments from Europe were significantly negative in consequence of these capital recoveries, whereas investments from North America maintained the positive flow at the level of the previous year as a result of investments in the electric/electronic industry by companies such as Amkor Technology and investments in the tourism market including Bain Capital's acquisition of Oedo-Onsen Holdings operating Japanese inns at hot-spring resorts and hot spring facilities.

Investments from Asia were 683.0 billion yen. They slightly decreased from the level of the previous year that had large projects, but exceeded investments from North America and Europe. Asia further increased its presence as investor. By country, investments from countries with a financial center were strong, including 234.3 billion yen from Singapore and 154.1 billion yen from Hong Kong. Backed by the growth of the tourism market thanks to increasing tourists visiting Japan mostly from Asia, real estate investment trusts and other investment funds acquired properties such as commercial buildings and hotels one after another. Inflow of Asian capital continued with focus on tourism (Chart1-10, 1-11).

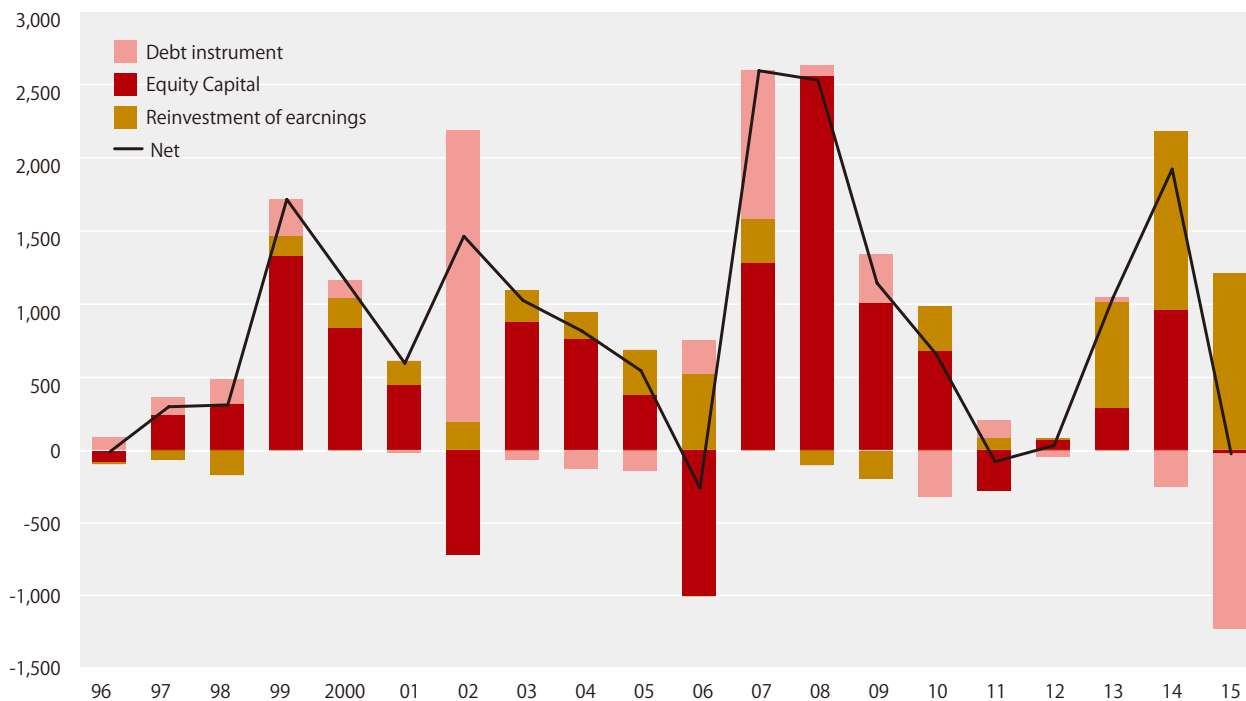
Just as in the previous year, major Asian companies cooperated with Japanese companies with a view to the Asian market. Representative cases include the establishment of a joint venture by Cheung Kong (Holdings) Limited that is a large conglomerate of Hong Kong and MC Aviation Partners (MCAP) that is an aircraft leasing company under Mitsubishi Corporation. Through the joint venture, Cheung Kong entered the Asian aircraft leasing business, which is expanding with the emergence of low cost carriers (LCC).

By industry, negative flow was higher for transportation equipment and chemical and pharmaceutical manufacturing in 2015, making the total of the manufacturing industry minus 289.4 billion yen. Inflow was higher for finance and insurance and communications but this was offset by the excess negative flow in wholesale and retail. As a result, direct investment in Japan for the non-manufacturing industry remained low at 17.0 billion yen.

In 2016, direct investment in Japan is picking up its liveliness. Direct investment for the period from January to June was 2.60 trillion yen, increasing by 709% on a year-to-year comparison (Chart1-10). As indicated in the results of a survey conducted by JETRO (described in the subsequent chapters), direct investment in Japan by foreign-affiliated companies is becoming more active.

Chart1-9 Changes in the flow of inward FDI by investment type

(Billion yen)



[Source] "Balance of Payments" (Ministry of Finance)

Chart1-10 Changes in the inward FDI flow by region

(Billion yen)

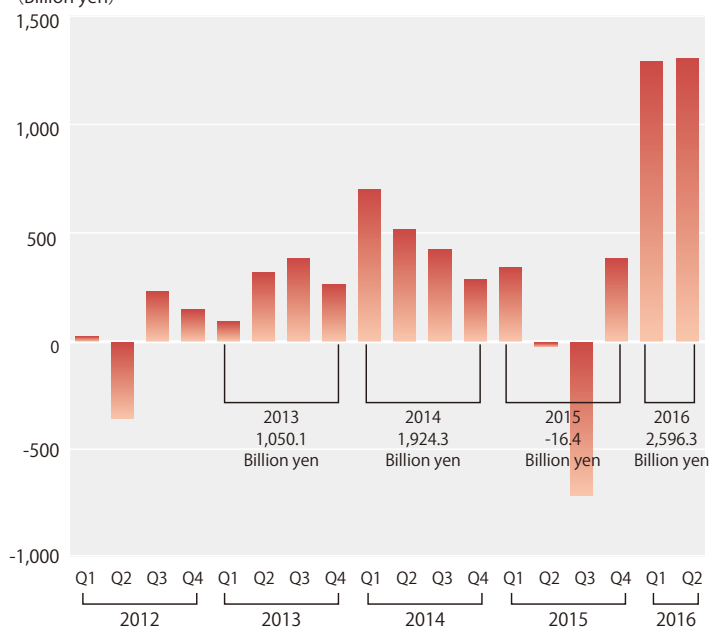
	2013	2014	2015	2016 Jan.-Jun. (P)	Year-on-year growth (%)
Asia	86	687	683	1,313	383%
China	14	80	67	3	-
Hong Kong	17	246	154	90	17%
Taiwan	18	118	74	29	11%
Korea	4	58	100	25	10%
ASEAN	32	185	286	1,173	796%
Singapore	33	155	234	1,132	1,060%
North America	136	725	634	378	92%
US	132	724	631	382	100%
Latin America	-131	67	-257	41	49%
Oceania	37	61	75	28	-
Europe	97	317	-1,042	827	-
EU	128	268	-1,003	786	-
World	225	1,924	-16	2,596	709%

[Note] Because of the changes in the calculation method of the balance of payments, there is no continuity between the data before 2013 and the data after 2014. The data for 2016 is provisional.

[Source] "Balance of Payments" (Ministry of Finance)

Chart1-11 Changes in the quarterly flow of inward FDI

(Billion yen)



[Note] Q1(Jan. ~ Mar.), Q2(Apr. ~ Jun.), Q3(Jul. ~ Sep.), Q4(Oct. ~ Dec.)

[Source] "Balance of Payments" (Ministry of Finance)

4. M&A in Japan was slow in 2015. Number of large projects increased in 2016 with expanded entry into the service market

M&A in Japan in 2015 (completed) decreased 27.0% from a year ago to 919.6 billion yen. Though the amount decreased due to fewer large projects, the number of projects was almost as high as the previous year (140 projects), with 120 projects. The amount turned to significant increase in 2016. M&A in Japan during the period from January to June already reached 2.7 trillion yen, which is second to the record high (3.6 trillion yen) in 2007. The amount was pushed up by acquisition of the operating rights of Kansai and Osaka International Airports by the consortium led by VINCI Airports (a leading airport operating company of France) and ORIX Corporation of Japan. The total transaction amount reached 2.25 trillion yen. The largest M&A in Japan in 2015 was the acquisition of USJ by NBCUniversal of the United States (183.0 billion yen). Both acquisitions are in the service sector. M&A in Japan in the service sector is expanding to hotels, business service and healthcare.

By industry, in the electric and electronic field where investment from the United States has been active, investment fund Kohlberg Kravis Roberts (KKR) acquired the DJ equipment business of Pioneer Corporation (59.0 billion yen). Investment from Europe stood out in medical care and pharmaceuticals. LEO Pharma of Denmark acquired the dermatology business of Astellas Pharma (89.2 billion yen) and AstraZeneca of UK acquired the respiratory business of Takeda Pharmaceutical Company (69.2 billion yen) (Chart 1-12).

In M&A in recent years, the trend of cooperation between Japanese companies and Asian companies is taking root. In addition to the project by Cheung Kong (Holdings) of Hong Kong and an aircraft leasing company under Mitsubishi Corporation described above, there was a capital tie-up between Mahindra & Mahindra (M&M) that is a dominant conglomerate of India and Mitsubishi Agricultural Machinery under Mitsubishi Heavy Industries.

Chart1-12 Top inward M&A deals (2015 to June 2016)

	Date Effective	Target Name	Industry Sector	Acquirer Name	Parent Nation	Industry Sector	Value (Billion ¥)	% Owned After Transaction
1	Apr. 2016	New Kansai Intl-Op Concession	Transportation & Infrastructure	Kansai Airports, a SPV formed by ORIX-VINCI Airports consortium	Japan, France	Transportation & Infrastructure	2,250.0	100.0
2	Nov. 2015	USJ Co Ltd	Recreation & Leisure	NBCUniversal Media LLC	United States	Broadcasting	183.0	51.0
3	Feb. 2016	One M Logistics 2 G.K	Real Estate	LaSalle LOGIPOINT REIT	United States	Real estate Investment trusts	117.2	100.0
4	Apr. 2016	Astellas Pharma-Dermatology	Pharmaceuticals	LEO Pharma A/S	Denmark	Pharmaceuticals	89.2	100.0
5	Mar. 2015	MC Aviation Partners-15	Business Services (Leasing)	Cheung Kong(Holdings)Ltd	Hong Kong	Real Estate	83.3	100.0
6	May. 2016	Takeda Pharm-Respiratory	Pharmaceuticals	AstraZeneca PLC	United Kingdom	Pharmaceuticals	69.2	100.0
7	Mar. 2016	Nissin Kogyo-Brake Business	Automobiles & Components	Autoliv Holding Inc	Sweden	Automobiles & Components	65.0	100.0
8	Mar. 2015	Pioneer Corp-DJ Equipment	Electronics	KKR & Co LP	United States	Investor	59.0	85.1
9	Aug. 2015	ORIX Corp-Kirarito Ginza	Real Estate	SOFAZ	Azerbaijan	Investor	52.3	100.0
10	Oct. 2015	Bit-isle	Business Services (Data Center)	Equinix	United States	Business Services (Data Center)	52.0	96.8

[Note] 1) As of June 2016, 2) Ranking according to single transaction amount, 3) Acquirer Name is the name of the final acquirer (including corporate group), 4) Acquisition of less than 10% of the stocks is not included in the Balance of Payments statistics.

[Source] Thomson Reuters

I Toward Improvement of the Business Environment

1. Improving business environment in Japan

Setting promotion of investment in Japan as one of the pillars of its growth strategy, and aiming to make Japan "the most business friendly country in the world," the government significantly lowered the effective corporate tax rates, strengthened corporate governance and took other measures in the areas related to investment. In addition, the government has positioned energy, agriculture and medical/healthcare, where reform has been slow, as growing sectors, and has worked out various policies to wrestle with reform of "bedrock regulations." Furthermore, the government formulated the "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub" in May 2016, to overcome problems pointed out by foreign companies as obstacles to investment in Japan. This chapter will describe these initiatives by the government and their results as well as measures specially developed to attract foreign companies.

(1) Creation of business opportunities through regulatory reform

The government of Japan has worked on reform of regulations in the energy and medical care fields, which are often called "bedrock regulations," lowered the effective corporate tax rates that were high compared with the level in other developed countries and strengthened corporate governance. The reform is gradually producing effects and encouraging foreign companies' entry into the Japanese market.

· Energy field

In the energy field, the Feed-In Tariff system that started in July 2012 has brought a big change. Aimed at spreading and promoting the use of renewable energy, the cost of which is higher compared with nuclear and thermal power generation, the system encouraged market entry by a large number of solar and other renewable energy power generation operators.

The full liberalization of the electricity retail market started in April 2016. As the size of the electricity retail market is estimated to be about 8 trillion yen, the number of registered electric power retailers reached 310 in a little more than two months after the liberalization. Most of them are domestic companies but entry by foreign companies is also expected for the future. In addition, the

<Foreign-affiliated companies entering the energy field>

Energy Pool Japan (France)



Energy Pool Développement is a French company and the largest demand response operator in Europe. It established a subsidiary and operations center in Tokyo in June 2015, in order to expand its service mainly by enhancing industrial plants' ability to control their power consumption and achieve cost savings.

COMVERGE JAPAN K.K. (US)



The US company that provides energy demand management solutions has started full-scale operation in Japan as it was selected by Japan's Ministry of Economy, Trade and Industry (METI) to participate in its Negawatt Feasibility Study in April 2015. Acting as an intermediary between electric companies and customers, Comverge provides solutions to control electricity usage and ensure a stable supply.

Guidelines for Trading Negawatts were formulated for trading of saved electric power in March 2015. Taking the opportunity of a demand response(*) market starting in full scale, foreign-affiliated companies are entering the market. The government is conducting various demonstration projects and preparing regulatory systems toward the creation of "Negawatt Trading Market" in April 2017.

The full liberalization of the gas retail market is scheduled in April 2017, followed by legal separation of the power transmission/distribution sector scheduled in April 2020. Japan's energy field is expected to expand business opportunities for both Japanese and foreign companies.

*Demand response: A system through which stable supply of energy is achieved by encouraging energy saving and mitigating energy demand at times of high demand. Customers are encouraged to save energy by setting higher energy fees at peak times or paying compensation to customers who saved energy.

· Life science field

The government vitalized the medical/healthcare markets and made them attractive to enter through various reforms including promotion of commercialization of regenerative medicine, elimination of the problems of Drug Lag and Device Lag which indicated delay in the approval of drugs and medical devices, and early commercialization of innovative medical products and equipment.

Through the enforcement of the revised Pharmaceutical Affairs Act in November 2014, and strengthening of the structure of the Pharmaceutical and Medical Devices Agency (PMDA), the time required for the approval review of drugs and medical devices was shortened, and Drug Lags and Device Lags that have been an issue for long time were virtually eliminated. Also, a new category of "regenerative medicine products" in pharmaceutical approval review was set up through the revised Pharmaceutical Affairs Act and the introduction of an early approval system completed the environment to commercialize regenerative medicine products earliest in the world. In addition, a Fast Track Designation System was introduced for development and early commercialization of innovative medical products/equipment and regenerative medicine products in Japan. Under the system, designated medical products are reviewed on a priority basis, reducing the time to approval and enabling early introduction of new products to the market. Furthermore, the "medical treatment based on the patient's request" system was established to enable the use of medical products, etc. that are not yet approved in Japan for the combination use of both treatments covered by public health insurance and those not covered. These reforms and new systems contributes to the improvement of medical services and vitalization of the market.

· Tourism field

According to the Japan National Tourism Organization (JNTO), the number of foreigners visiting Japan in 2015 was 19.74 million, reaching the record high for the third year in a row (Chart 2-1). Most of them are from Asia with visitors from China (4.99 million), South Korea (4 million), Taiwan (3.68 million) and Hong Kong (1.52 million) accounting for over 70%. The number of foreigners visiting Japan is continuing to increase in 2016. The total in the first half was 11.74 million (estimate) for the first time exceeding 10 million, the record high for a half year, while the number in July was 2.30 million (estimate) that is the record high for a single month. The increase shows that Japan's reputation as a tourist destination is taking root despite the tendency of a strong yen. The rapid increase of tourists may be a result of various measures including: relaxing of visa requirements for 14 countries with focus on ASEAN; a great increase in the landing slots at Haneda and Narita Airports; and expansion of exemption of consumption tax for foreign tourists to cover consumables including foods, drinks and cosmetics.

<Foreign-affiliated companies entering the life science field>

Taiwan Liposome Company (Taiwan)



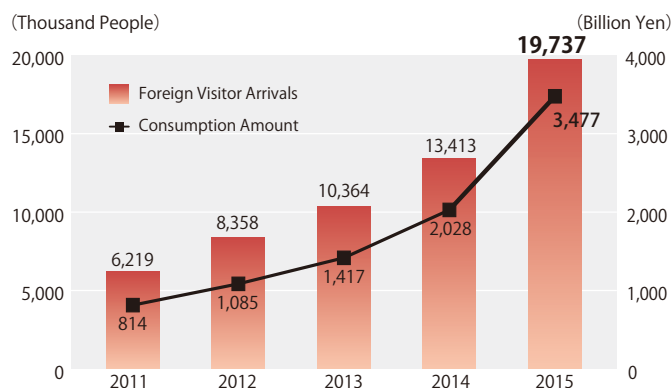
The pharmaceutical company is developing nanomedicines for the treatment of oncologic and ophthalmologic diseases as well as for the management of acute and chronic pain. TLC established its subsidiary in Tokyo in January 2015 towards obtaining approval for its drugs, and developing new partnerships, as well as strengthening relationships with its existing Japanese partners. The company is looking to engage in R&D, manufacture and sales of medical products in Japan.

Caladrius Biosciences (US)



An industry leading company in development and manufacturing of cell therapy products, Caladrius has decided to actively pursue registration of its cell therapy products in Japan largely encouraged by the recent implementation of the Pharmaceuticals and Medical Devices Act in November 2014. The company established its subsidiary in Kobe in August 2014 and is seeking to find a Japanese partner to enable the start of the clinical trial as early as late 2016.

Chart 2-1 Foreign visitor arrivals and their consumption amount

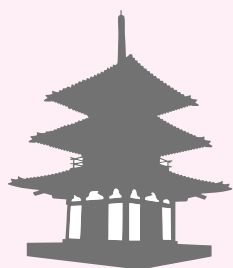


[Source] "2015 Foreign Visitors & Japanese Departures" (Japan National Tourist Organization), "Consumption Trend Survey for Foreigners Visiting Japan" (Japan Tourism Agency)

The government's original goal was to increase foreigners visiting Japan to 20 million. Because the goal is expected to be achieved ahead of the schedule, the government set a new goal of 40 million foreign visitors to Japan with their consumption reaching 8 trillion yen by 2020. In the Japan Revitalization Strategy 2016, the government positions tourism as "the key strategy for 'revitalizing regional economy,' and a pillar of the Growth Strategy aiming to achieve GDP of 600 trillion yen," and states that it will continue to take various measures to "set tourism as one of the key industries of Japan." In order to continue the increase of foreigners visiting Japan experienced in these several years, it is necessary to make

their trips more comfortable by revision of tour guide-interpreter system, deregulation of vacation rental rules, further relaxing of visa requirements, utilization of high-speed transportation and improvement of convenience of airports, in addition to unearthing of local tourism resources and development of tour routes. Some of the issues, such as the regulation on tour guide-interpreter system, have already been taken up by the Council for Regulatory Reform, and a bill to eliminate monopolistic status of tour guide-interpreters is scheduled to be proposed at the parliament. The point is to increase visitors from regions outside Asia, repeat tourists and long-term visitors.

<Initiatives to set tourism as one of the key industries of Japan>



Creating the most appealing tourism resources that will serve for regional revitalization

Developing highly-appealing tourism resources that are not utilized

- Public opening of State Guest House, Akasaka Palace, and Kyoto State Guest House
- Branding Japanese national parks (concentrated improvement of 5 national parks by 2020)
- Encouraging utilization of cultural assets as tourism resources (200 tourism spot projects by 2020)

Spreading tourist consumption to local regions

- Drawing on tourists' demand at local shopping avenues and other areas; expand spending for traditional crafts, etc. (setting up tax-free counters, providing cashless terminals, providing concierge services to foreigners, etc.)
- Create a network of wide-area sightseeing tour routes under a theme/story covering multiple prefectures and transportation. The goal is to improve these tour routes to global standard.



Reforming and enhancing competitive edge of the tourism industry to serve as Japan's core sector

Reexamining tourism-related regulations/schemes

- Reviewing the tour guide-interpreter system to overcome the shortage of tour guides licensed for guiding foreigners
- Fundamental revision of the legal system for accommodation services to handle "vacation rental services"

Strategically mitigating visa requirements

- Mitigating visa requirements for 5 countries (China, the Philippines, Vietnam, India and Russia)

Alleviating accommodation facility shortage

- Encouraging inbound investment at Japanese inns, etc.

Inviting more diverse travelers visiting Japan

- Promoting establishment and development of Destination Marketing/Management Organizations (DMOs) (100 world-class DMOs nationwide by 2020)
- Encouraging invitation of MICE (Meeting, Incentive Travel, Convention, Exhibition)



Providing appropriate environment in which all tourists will be able to fully enjoy comfortable sightseeing trips without feeling any stress

Speeding up immigration service

- Introducing the world's first immigration service package and facial recognition technologies

Enhancing convenience including communications and cashless environments

- Promoting complimentary use of free Wi-Fi environment and SIM card
- Achieving "100% credit card payment" at major tourism spots by 2020

Enhancing the convenience of access

- Making "Japan Rail Pass" available also after arriving in Japan
- Establishing "regional revitalization corridor" by enhancing the convenience of high-speed transport network; and improving the access to local regions
- Accepting more cruise vessels to increase the number of cruise passengers visiting Japan to 5 million in 2020

[Source] Japan Revitalization Strategy 2016

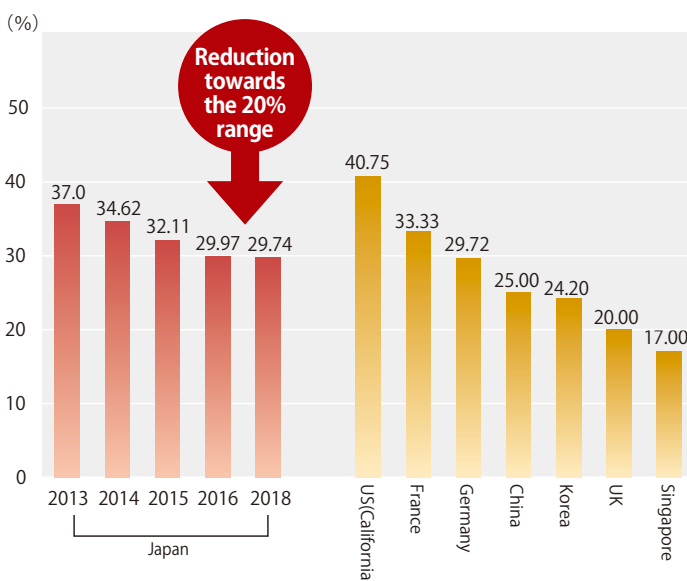
(2) Reduction of the effective corporate tax rates

Japan's standard effective corporate tax rate was lowered about 7% in the three years from 37.00% of fiscal 2013 to 29.97% in fiscal 2016. Further reduction to 29.74% is scheduled in fiscal 2018. It had been pointed out that Japan's corporate tax rate was higher than in other developed countries, which contributed to foreign companies' perception that "business costs are high in Japan." As part of measures to enhance the "earning power" of companies, the government decided to reduce the effective corporate tax rates to under 30%, and implemented the reduction ahead of the schedule.

Japan's effective tax rate (29.97%) is now lower than 40.75% of the state of California in the US and 33.33% of France, and comparable to 29.72% of Germany, but still higher than 20% of UK, 25% of China and 24.20% of South Korea. Continuing corporate tax reform is required to enhance the competitiveness of Japan as a business base.

JETRO conducted a survey of foreign-affiliated companies doing business in Japan (discussed in subsequent chapters) in June 2016. In this survey, to the question on the effort that was most effective in creating a more business-friendly environment, "corporate tax reduction" was chosen by the largest number of respondents (39%) and appreciated as a "measure with palpable effects" and a "big incentive."

Chart 2-2 Reduction of the effective corporate tax rate



[Note] The tax rates for countries except Japan are as of April 2016

[Source] Website of the Ministry of Finance and "FY 2016 Tax Reform Outline"

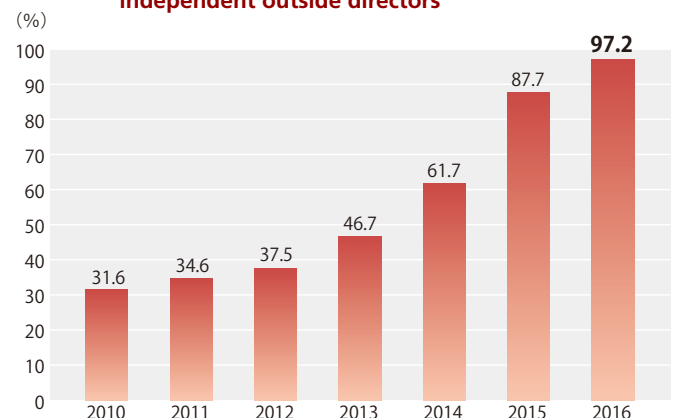
(3) Strengthening corporate governance

The government is implementing a variety of measures to strengthen corporate governance as part of the strategy to increase the "earning power" of companies. The aim is to build up strength to win global competition by improving the medium- to long-term profitability and productivity of companies, while at the same time making them more attractive for investors by establishing clear principles of relationship between their management and investors to ensure more transparent corporate decision making.

In February 2014, the "Principles for Responsible Institutional Investors «Japan's Stewardship Code»" were formulated as a code of conduct for institutional investors investing in listed companies in Japan. They are expected to deeply understand the companies in which they invest as "shareholders," while creating a process for sharing a common purpose. As of September 2, 2016, 213 institutional investors adopted the Stewardship Code.

Additionally, in June 2015, the Tokyo Stock Exchange started application of the "Corporate Governance Code," which compiles key principles contributing to effective corporate governance. The Code consists of the five General Principles: (1) securing the rights and equal treatment of shareholders; (2) appropriate cooperation with stakeholders other than shareholders; (3) ensuring appropriate information disclosure and transparency; (4) responsibilities of the board; and (5) dialogue with shareholders, and calls for discipline including appointment of at least two outside directors at listed companies. In response, the number of companies that appointed outside directors increased greatly. Assisted by the effect of the revised Company Act encouraging appointment of outside directors (enforced in May 2015), the ratio of companies that appointed independent outside directors reached 97.2% in 2016 (Chart 2-3). The government intends to deepen its corporate governance reform through initiatives including the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code and the Corporate Governance System (CGS) Study Group.

Chart 2-3 Ratio of TSE-listed companies appointing independent outside directors



[Source] "Survey on Corporate Governance of Listed Corporations" (August 1, 2016, Japan Association of Corporate Directors)

(4) Utilization of National Strategic Special Zones

“National Strategic Special Zones” were established for progressive reform of bedrock regulations in various fields including medical care, tourism, and starting business. Since the enactment of the act in December 2013, 10 areas have been established as Special Zones. In these zones, the government is promoting regulatory reform and other measures in a comprehensive and focused manner in order to enhance the international competitiveness of the industries and promote the formation of hubs for international economic activities through intensive structural reform of economic society.

Over 50 regulatory reform matters have been realized by the National Strategic Special Zones, including nationwide measures. The regulatory reforms include the expediting procedures of urban planning, lifting of so-called vacation rental (residences that can accommodate tourists), establishment of new medical departments and clarification of employment conditions (establishment of the Employment Consultation Centers), all of which could not have been realized for many years. 202 projects in total have been approved (as of September 9, 2016) in the 10 Special Zones and are rapidly making recognizable progress (Chart 2-4, 2-5).

Chart 2-4 Examples of projects that have been approved (as of June 2016)

Regulatory reform	Summary	First local government to implement
One-stop center for starting business	Establishment of a one-stop center for promotion of business establishment The center helps foreign companies and others in starting a business by unifying the procedures required to launch a business, which include filing procedures for company registration, taxes, social security, and certification of articles of incorporation. It provides comprehensive support including consultation.	Tokyo
Foreign entrepreneurs	Program to increase the number of foreign entrepreneurs The requirements for receiving status of residence (business manager) ("employ at least 2 people" or "invest at least JPY 5M" from the very beginning) are eased for entrepreneurs if their business plan is approved by the local government.	Tokyo Fukuoka City
Inns and Hotels Act	Exclusion from application of the Inns and Hotels Act to staying facilities Business operators who intend to make available facilities suitable for stay by travelers from Japan and abroad for the period from 7 to 10 days based on a lease contract and provide services necessary for their stay will be exempt from the Inns and Hotels Act, if they are certified by the governor of the prefecture.	Tokyo (Ota Ward)
iPS	Lifting the ban on use of blood for tester cells, etc. produced from iPS cells Production using collected blood as raw material is limited to blood products, etc. However, in order to utilize regenerative medicine technology to strengthen international competitiveness of medical products R&D, it is allowed to use blood to produce tester cells, etc. from iPS cells on a regular basis.	Kyoto Prefecture

[Source] Website of the Office for the Promotion of Regional Revitalization, Cabinet Office

For further promotion of regulatory reform, the government will tackle the remaining issues, with particular focus on the following areas and items. The government will add necessary designated zones and “visualize” concrete projects utilizing reform matters in an accelerated rate, in addition to adding and deepening the existing regulatory reform matters.

- To encourage acceptance of “foreign human resources” in a wide variety of fields;
- To promote “inbound” demand through the use of the concession system;
- To realize “equal footing” among business entities in a wide variety of fields;
- To promote “sharing economy” in a wide variety of fields;
- To promote “diversified ways of working” especially in global and emerging companies; and
- To reform the fields of “primary industry” and “tourism” contributing to regional revitalization.

<Examples of “sharing economy” in the service field>

Sharing economy is typically represented by services to mediate lending of privately-owned idle properties (including intangible assets such as skills). The lender can gain an income by utilizing the idle properties, while the borrower can use the properties without owning them. Examples are “ride share” to gain an income by finding a passenger to ride in a car together with the owner, and “vacation rental” to rent an apartment or room that the owner is not using as an accommodation facility. The wave of sharing economy that started in Silicon Valley and has grown globally is reaching Japan, calling for early development of a legal system. Following are examples of foreign sharing economy companies entering the Japanese market.

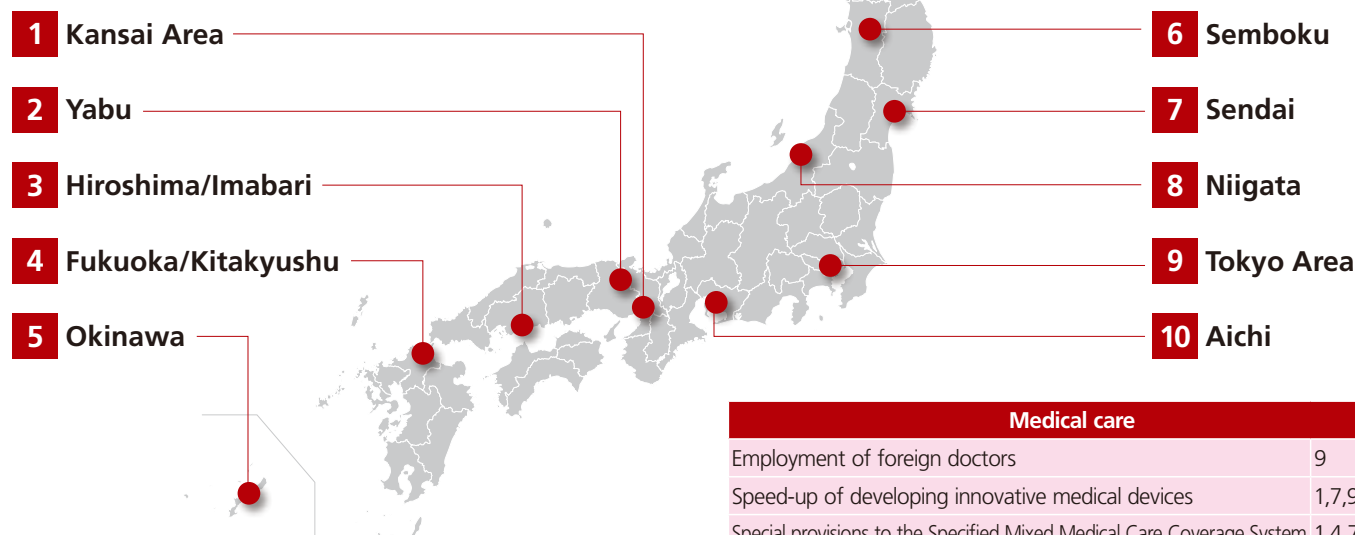
Uber Japan (US, ride share)

The US company provides ride sharing service by matching a car owner entering his/her drive destination using the Uber smartphone application and a passenger requesting car dispatch. Entering Japan in 2013, the company has been providing an existing taxi dispatch system using smartphones, but could not provide the ride share service that it operates globally due to regulations in Japan. In May 2016, the company announced that it will launch a fee-based car dispatch service "Sasaeai Kotsu" using its system in the Kyotango National Strategic Special Zone, Kyoto. For the future, the company will work to improve convenience of traffic in depopulated areas with aging population.

Airbnb Japan (US, vacation rental)

The US company operates a website to provide privately owned vacant rooms and apartments for use as accommodation facilities. Private persons upload the data of the rooms they offer to the website and persons who wish to use the rooms make reservations on the site. The system with 2 million registered rooms is used in 190 countries in the world. In Japan, the Inns and Hotel Act restricts provision of residences as accommodation facilities, but this is eased in National Strategic Special Zones in Tokyo (Ota Ward) and Osaka, where vacation rental services have started. The service of Airbnb has a potential to solve the shortage of accommodation due to increase in people visiting Japan for the Tokyo Olympics.

Chart 2-5 National Strategic Special Zones - selected examples of regulatory reforms (as of September 2016)



Tax	
Special treatment for capital investment (special depreciation system, tax reduction for capital investment)	1,8
Foreign personnel	
Accepting foreign personnel for housekeeping work	1,9
Tourism	
Minpaku (the use of vacant houses as tourist accommodation)	1,9
Revitalization of cities	
Speed-up of the procedure for city planning	9

Medical care	
Employment of foreign doctors	9
Speed-up of developing innovative medical devices	1,7,9
Special provisions to the Specified Mixed Medical Care Coverage System	1,4,7,9,10
Special provisions to the Medical Care Act concerning hospital bed regulations	1,4,5,9
Setting up a medical school	9

Startups	
Startup Visa (deregulation of a visa requirement)	3,4,8,9
Center for employment system reform for business creation	3,4
Tokyo One-Stop Business Establishment Center	9
Certification of Articles of Incorporation outside of notary offices	9

Agriculture	
Diversified business model by agricultural corporation	2,6

[Source] Website of the Office for the Promotion of Regional Revitalization, Cabinet Office

Realization of the “fourth industrial revolution”

The technological breakthrough by IoT (Internet of Things), Big Data, robots, artificial intelligence and the like is progressing with unprecedented speed and impact, which may be called “the fourth industrial revolution.” The government views that correctly understanding the technological breakthrough and changing the systems of economic society to lead the breakthrough are the key for Japan to move to a new growth phase. Setting a goal to create 30 trillion yen added-value related to the fourth industrial revolution by 2020, the government is expediting efforts to develop environments and systems to enable speedy commercialization of innovative technologies.

Specifically, the government will establish the control center to accelerate R&D and social implementation of artificial intelligence

technology that holds the key of the “fourth industrial revolution” and promote data utilization across companies and organizations.

The Artificial Intelligence Technology Strategy Council was set up in April 2016. The council will develop R&D goals of artificial intelligence and industrialization roadmaps for industry-government-academia collaboration purposes.

A system to select projects will be built to promote regulatory and system reforms and data utilization projects. The government will introduce a new mechanism for specific regulatory reforms. In this mechanism, the public and private sectors will share a vision and develop a roadmap by working backward from the future image.

<Examples of specific projects planned for the future>

1. Further enhancing healthcare and medical services by utilizing IoT

Establish “Agency Organization (tentative name)” system for collection, management and anonymization of clinical trial and laboratory data. Provide “individualized healthcare services” using health data available on a daily basis from wearable devices, etc.

2. Developing the environment for realization of advanced automated driving including unmanned automated driving. Create maps for automated driving by 2018

Realize transportation services by unmanned driving and automated driving on expressways by 2020. Develop systems and infrastructure necessary for this purpose by 2017.

3. Developing the environment for further business use of small drones

Realize package delivery by drones in three years at the earliest. Decide the policy for development of the system in summer of 2016.

4. i-Construction

Use 3D data obtained by flying drones for earthworks such as raising and cutting the ground. The Government will start applying necessary standards to basically all large-scale national construction projects from fiscal 2016 (Reducing the number of days for inspection and the amount of inspection documents to a fifth and a fiftieth respectively).

5. Promoting sharing economy

To develop sound sharing economy that is new economic activities using idle properties based on innovative IT development, the Government will establish a council to hear from parties concerned, and will aim to put together necessary measures in fall 2016.

[Source] Japan Revitalization Strategy 2016

2. Measures to attract foreign companies

The government set a goal to increase the stock of inward FDI in Japan to 35 trillion yen, which is double of the figure as of the end of 2012, by the end of 2020. For this purpose, the government has been working on various measures including an initiative to improve the ease of doing business in Japan, improvement of the living environment and convenience for foreigners and subsidies as incentive to attract high-value added bases to Japan. The government is also providing individual support for foreign companies launching business in Japan and widely dispatching information to encourage investment. These efforts are described in Chapter 5 “Investment Promotion Projects of JETRO.”

(1) “Five Promises for Attracting Foreign Businesses to Japan”

The government holds meetings of the Council for Promotion of Foreign Direct Investment in Japan as a cabinet meeting to

discuss challenges and measures for attraction of FDI to Japan. The council is attended by the Minister of State for Economic and Fiscal Policy, the Minister of State for Regulatory Reform, the Minister for Internal Affairs and Communications, the Minister of Foreign Affairs, the Minister of Economy, Trade and Industry, the Minister in Charge of Regional Revitalization and other members, and acts as a “control tower” for these measures while hearing opinions directly from foreign enterprise executives and others, in order to realize institutional reform and other necessary matters.

The Council (held in March 2015) adopted the “Five Promises for Attracting Foreign Businesses to Japan.” They are: 1. Overcome language barriers at retailers and restaurants; 2. Facilitate better Internet connectivity; 3. Accommodate business jets at local airports; 4. Enhance educational environment for expatriate children; and, 5. Strengthen advisory and consultation services to support foreign businesses, which are aimed at developing an environment for foreign-affiliated companies to do business easily and improving the living environment for foreigners. Progress of efforts to realize the five promises is as follows (as of the end of fiscal 2015):

II Toward Improvement of the Business Environment

· First Promise: Overcome language barriers at retailers and restaurants

Item	Progress
Multilingual retailers	→ "Multilingual Guidelines for In-store Signs in the Retail Industry" were developed based on a survey of foreigners on multilingual needs in shopping. The guidelines are on the website of the Ministry of Economy, Trade and Industry since spring of 2016 for dissemination.
Multilingual medical care	→ Nine medical centers, to which interpreters specialized in medical fields were assigned, were newly selected in July 2015, bringing the total to 19. Such medical centers will be increased to 30 by 2020. → Revised Act on National Strategic Special Zones was enacted in July 2015 to expand the advanced clinical training system so that foreign doctors are allowed to work for the purpose of training not only at large hospitals but also at local clinics in National Strategic Special Zones (enforced in September 2015).
Multilingual restaurant	→ Multilingual training seminars were held for restaurants and others at seven places (Mie, Ishikawa, Kagawa, Hiroshima, Nagasaki, Hokkaido and Sendai) in Japan. "Guidebook for Inbound Services" providing multilingual tools and phrases to address foreign customers was compiled and published.
Speech translation system	→ The latest version of multilingual speech translation app (10 languages) for travel phrases with improved accuracy was made public in October 2015. The application was downloaded about 180,000 times by the end of January 2016.

· Second Promise: Facilitate better Internet connectivity

Item	Progress
Free Wi-Fi	→ In July 2015, SoftBank launched a free Wi-Fi service for foreigners visiting Japan at 400,000 spots across the country. In addition, NTT BP and Wire and Wireless are offering 138,000 spots and 200,000 spots respectively as of December 2015. → In April 2015, a page disseminating information on free Wi-Fi was opened on the website of the Japan National Tourist Organization.

· Third Promise: Accommodate business jets at local airports

Item	Progress
Accommodate business jets at local airports	→ Immigration lanes were increased by 44 in 14 airports in fiscal 2015. In July 2015, additional 15 immigration officers were assigned to branch offices having jurisdiction over local airports, and examination task forces of 20 members in total were deployed at two immigration offices. Furthermore, an additional 57 immigration officers were deployed impromptu at Kansai and Naha Airports in December 2015. Further addition of six booths is planned at four airports. → Improved the system for accepting business jets in March 2016 by reducing the two-week advance notice to one week at airports where CIQ (Customs, Immigration and Quarantine) officers are not permanently stationed.

· Fourth Promise: Enhance educational environment for expatriate children

Item	Progress
Promoting activities of the International Students Support Network	→ Publicized the International Students Support Network that provides total support from arriving at Japan to finding employment at seminars in Summer 2015. As a result, the members of the network increased. As of February 2016, 71 universities, about 2,000 international students and about 700 private companies are registered. → Job interview sessions for international students were held in August and October 2015 with participation of 1,800 students and 170 companies in total. Sessions were held also in March 2016.
International schools	→ In July 2015, Ministry of Education, Culture, Sports, Science and Technology asked prefectures to ease their criteria for approval of establishment of schools in various category. As part of the effort, Tokyo reduced the requirement of land/building lease years from 20 to 10 years in January 2016.
Teaching English in elementary schools	→ Assistant Language Teachers (ALT) of the Japan Exchange and Teaching Program (JET Program) were increased from 4,101 of fiscal 2014 to 4,404 in fiscal 2015. The goal is to increase the number to 6,400 by 2019.

· Fifth Promise: Strengthen advisory and consultation services to support foreign businesses

Item	Progress
Collaboration with local governments	→ "Portal site for creating global circulation for regional economy" was built to attract companies to local regions and was launched in August 2015. → Jointly developed strategies to attract foreign companies, conducted PR and information dispatch including top-level sales, approach to individual companies, support for starting a business and other initiatives depending on the needs of the local government.
Investment Advisor Assignment System	→ The "Investment Advisor Assignment System" was established. In this system, State Ministers act as advisors to companies that have made important investments in Japan. Invitation of foreign company applicants was made from January 7 to February 12 of 2016, and 9 companies were selected in March. State Ministers have been providing consultation to the companies as needed since April 2016.

[Source] Website of the Council for Promotion of Foreign Direct Investment in Japan, Cabinet Office

Nine companies were chosen for the Investment Advisor Assignment System through public invitation (Chart 2-6). In the meeting which companies will hold with the assigned State Minister, the State Minister for Foreign Affairs, staffs of the assigned Ministries, the Ministry of Foreign Affairs and staffs of JETRO will sit in the meeting and support the companies. The system facilitates consultation with the government of Japan for foreign companies that have made important investments in Japan.

In order to be eligible for participation in the program, companies must have made a direct investment of 20 billion yen or more in Japan and have 500 or more regular employees in Japan, must operate in one of the strategic sectors listed in the Japan Revitalization Strategy and be carrying out healthy business activities, and must carry out activities that are expected to contribute to the invigoration of the Japanese economy.

Chart 2-6 List of companies chosen for the Investment Advisor Assignment System

Company	Nationality	Sector	State Minister	Name of Japanese Subsidiary
IBM	US	IT	State Minister of Economy, Trade and Industry	IBM Japan Ltd.
Air Liquide	France	Chemistry	State Minister of Economy, Trade and Industry	Air Liquide Japan Ltd.
Johnson & Johnson	US	Medical device	State Minister of Health, Labour and Welfare	Johnson & Johnson K.K.
3M	US	Chemistry	State Minister of Economy, Trade and Industry	3M Japan Limited
DuPont	US	Chemistry	State Minister of Economy, Trade and Industry	DuPont K.K.
Pfizer	US	Medicine	State Minister of Health, Labour and Welfare	Pfizer Japan Inc.
Philips	Netherland	Medical device	State Minister of Health, Labour and Welfare	Philips Electronics Japan, Ltd.
Micron Technology	US	Semiconductor	State Minister of Economy, Trade and Industry	Micron Memory Japan, Inc.
Merck	US	Medicine	State Minister of Health, Labour and Welfare	MSD K.K.

[Source] Cabinet Office

(2) Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub

While improvement has been observed in Japan's rating as an investment destination by foreign companies, various issues that hinder investment in Japan were still being pointed out in a survey of foreign-affiliated companies conducted by JETRO last year. The issues include the complexity of regulations and administrative procedures, difficulty in securing globally competitive human resources, and the difficulty in communicating in non-Japanese languages. To address these issues, the Council for Promotion of Foreign Direct Investment in Japan adopted a new policy package at its meeting on May 20, 2016.

Mainly for "simplifying administrative procedures" and "attracting globally competitive human resources," the government will carry out reforms under this policy package.

Improvements in regulations and administrative procedures	<ul style="list-style-type: none"> -Simplify administrative procedures -Increase the number of Japanese laws and regulations translated into foreign languages -Ensure a one-stop procedure for setting up a business
Attracting and fostering globally competitive human resources	<ul style="list-style-type: none"> -"Japanese-version green card" for highly-skilled foreign professionals -Online applications for residence status -Employment support for international student -Strengthening English language education for Japanese nationals
Improvement of the living environment for foreign nationals	<ul style="list-style-type: none"> -Japanese language support to all children who require it -Expand medical institutions equipped with the capabilities to accept foreign patients -Information on services for foreigners by medical institutions, banks and electricity/gas suppliers will be posted on JETRO's website

1. Regulatory reform and improvements in administrative procedures

- Simplify administrative procedures

For the purpose of fundamentally simplifying regulations and administrative procedures associated with FDI in Japan, the Council will draw conclusions within one year as to how regulations and administrative procedures that are deemed too complex for foreign companies can be reviewed and simplified. Matters on which conclusions can be reached early on will be addressed ahead of others by deciding on concrete measures by the end of 2016 and promptly implementing them.

- Increase the number of Japanese laws and regulations translated into foreign languages

Additional 500 laws and regulations at minimum will be translated into foreign languages by fiscal 2020.

*Translations of 508 laws and regulations had been published on the website below.

<Japanese Law Translation>

<http://www.japaneselawtranslation.go.jp/?re=02>

- Ensure a one-stop procedure for setting up a business

A new support system will be introduced at The Tokyo One-Stop Business Establishment Center to assist business startups by launching an electronic application system for company registration, tax affairs, pension administration and other procedures required for launching a business. In addition, the range of applications accepted over the counter, which is currently limited to those pertaining to immigration control and others, will be expanded to cover all administrations. Furthermore, in order to facilitate immigration procedures for foreign nationals who need to enter Japan for starting a business in the country, the center will expand the scope of residence status that can be applied for by adding "engineer / specialist in humanities / international services" to its current line-up comprising "business manager" and "intra-company transferee." In addition, applications for residence status, which are currently accepted at the center for a period of six months from establishing a corporation, will be accepted over an extended period of time.

2. Attracting and fostering globally competitive human resources

–acceptance of highly-skilled foreign professionals, employment support for international students and strengthening English language education for Japanese nationals

- Highly-skilled foreign professionals

A “Japanese-version green card” system for highly-skilled foreign professionals will be established by significantly shortening the 5-year residence period required for highly-skilled foreign professionals to apply for permanent residence permission, which will make this “green card” one of the most quickly obtainable permanent residence permissions in the world. At the same time, the points-based system for highly-skilled foreign professionals will be reviewed to revise the requirements with the aim of making the system more accommodating. The system will also be more widely publicized. Necessary preparations will be undertaken to facilitate and expedite the procedure for residence status applications, including accepting applications online.

Employment of foreign housekeeping support workers will be promoted in the National Strategic Special Zones (in addition to Kanagawa prefecture and Osaka city, the project will be expanded to Tokyo and other regions).

- Employment support for international student

The government aims to increase the proportion of international students employed in Japan after graduation (with a bachelor's, master's and/or doctoral degree) to 50% by fiscal year 2020, up from approximately 30% as of fiscal year 2013. Measures taken toward this goal include preferential treatment of simplifying the application procedures in acquiring or changing the status of residence with less documentation requirements and less processing time for international students who have completed specified programs of Japanese business culture or business Japanese, internships, etc.

- Strengthening English language education for Japanese nationals

A total of 20,000 or more external human resources including assistant language teachers (ALTs) and those fluent in English will be deployed at all elementary schools by fiscal 2019 to ensure that all schoolchildren receive high-quality English language instruction and develop human resources fluent in English.

3. Improvement of the living environment for foreign nationals

–education, medical care and foreign languages

- Educational support for foreign schoolchildren

Japanese language support will be made available by 2020 to all elementary and junior high schoolchildren who require it. (It is currently available to approximately 80% of such schoolchildren as of fiscal 2014). The number of elementary and junior high schools that introduce the Japanese as a Second Language (JSL) curriculum will be increased in areas where a large number of schoolchildren require Japanese language support, with a view to ensuring Japanese language support in such areas.

- Offering procedures associated with daily life in foreign languages

The government will increase the number of medical institutions to around 40 in Japan that are equipped with the capabilities to accept foreign patients by the end of fiscal 2016. Medical institutions, banks, mobile phone operators, and electricity/gas suppliers will provide foreign nationals with easy-to-understand information on sites/contacts that offer services in foreign languages. Such information will be posted on JETRO's website in an integrated manner.

(3) Meeting of the Working Group for Revising Regulations and Administrative Procedures

For the purpose of promoting FDI in Japan, the Council for Promotion of Foreign Direct Investment in Japan decided to establish the Working Group for Revising Regulations and Administrative Procedures (“Working Group”) on May 20, 2016. The Working Group will discuss simplification of regulations and administrative procedures posing a challenge for foreign companies to invest in Japan, and make adjustment among relevant ministries and agencies.

The Working Group consists of experts, businessmen, foreign-affiliated company executives and other people appointed by the Minister of State for Economic and Fiscal Policy. For the purpose of fundamentally simplifying regulations and administrative procedures associated with FDI in Japan, the Working Group will draw conclusions within one year.

The first meeting of the Working Group held on August 17, 2016, took up signature certificates and certificates for paid funds as issues associated with incorporation of a stock company in Japan.

Certificates of seal-impression of the incorporator and the director at the time of incorporation are required for registration of incorporation of a stock company, but foreign nationals who have no domicile in Japan may submit their signature certificate as a substitute. In the past, because signature certificates must be issued by an authority of their own native country (consul in Japan or notary of the country), if the foreign national is living in a foreign country that is not his/her mother country, he/she had to travel back to the mother country or visit its consul in Japan. At the first meeting of the Working Group, the member from the Ministry of Justice reported that, based on the notification on June 28, 2016, the legal affairs bureau accepts signature certifications issued by the mother country's authority in the country of residence, in the case where the foreign national is living outside his/her mother country or Japan.

For incorporation of a stock company, the incorporator is required to pay the entire amount of the contribution into a bank account in the incorporator's name or a bank account of the person who will be the representative director at the time of incorporation, and submit a document certifying the payment when making application for registration of incorporation. However, many foreigners have pointed out the difficulty for a foreign national to open a bank account in Japan and complicated procedure of identity verification by banks based on money laundering regulations. To address this issue, the working group vigorously discussed the point of submitting a document certifying the payment of the contribution when registering a company, the right timing to confirm the contribution and other matters at this first meeting.

After discussions on various issues for simplification of regulation and administrative procedures from September to around November, the Working Group plans to decide concrete measures for matters that will be addressed ahead of others by the end of this year. Matters requiring further examination will be discussed by the Working Group in the first half of 2017. A final decision will be made around June and the conclusion will be reported to the Council for Promotion of Foreign Direct Investment in Japan.



Trend of Investment in Japan (Foreign-affiliated companies in Japan)

The reputation of the Japanese market as “a huge sophisticated market” has been established. For this reason, the mainstream of investment in Japan has been mostly in establishment of marketing, sales and customer service offices. Not a few companies set up R&D centers in Japan to develop products targeting Japanese customers who demand high quality. With this strategy, the foreign companies also expect that success in the Japanese market will generate a competitive edge to succeed in other Asian markets and further in the global market. In this context, this chapter describes new trends of investments in Japan.

1. Research and Development Field

In recent years, there has been a move by foreign-affiliated companies to take advantage of Japan’s outstanding technologies and know-how by establishing R&D centers in Japan with an eye to the booming Asian market. Symbolic examples are the establishment of R&D centers in Japan by Apple of the US and Nokia of Finland,

which were announced in succession. According to the “2015 Survey of Trends in Business Activities of Foreign Affiliates” conducted by the Ministry of Economy, Trade and Industry (METI), 670 (21%) of 3,332 foreign-affiliated companies in Japan have their R&D centers in Japan. In the manufacturing industry, 310 of 594 companies, or over half (52%), have their R&D centers in Japan (as of March 2015).

“Japan as an R&D center” is generally rated high abroad. “Global Innovation Index 2016” (released by the World Intellectual Property Organization (WIPO), Cornell University and INSEAD) ranked Japan as No.1 in innovation quality among 128 countries and regions in the world. In “the Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan Report 2015” published by METI in February 2016, Japan ranked top as R&D center among investment destinations in Asia, which shows a high evaluation given to Japan by foreign companies (Chart 3-1). In a survey of foreign-affiliated companies in Japan conducted by JETRO in 2016, about 70% of the nearly 200 companies chose “high quality of R&D” as appeal of Japanese market (See P28 of Chapter 4 for detail).

**Chart 3-1 Locational competitiveness by countries and type of base
(most attractive Asian countries/regions for foreign companies as investment destination by type of business location)**

2015 survey with 222 respondent companies

Type of base	Number of respondents	Japan		China		Singapore		Hong Kong		India		Thailand		South Korea		Vietnam	
R&D base	105 companies	1	43%	4	10%	2	15%	7	2%	2	15%	11	1%	7	2%	11	1%
Regional headquarters	172 companies	2	20%	4	10%	1	42%	3	13%	9	1%	6	2%	6	2%	6	2%
Sales base	162 companies	1	32%	3	18%	2	20%	5	5%	6	4%	9	2%	8	2%	11	1%
Financial base	73 companies	3	10%	5	1%	1	51%	2	30%	-	0%	5	1%	-	0%	-	0%
Back office	69 companies	2	19%	7	4%	4	13%	5	12%	1	20%	-	0%	-	0%	-	0%
Distribution base	73 companies	4	10%	2	18%	1	36%	3	16%	10	1%	5	5%	-	0%	6	3%
Manufacturing base	90 companies	6	4%	1	46%	6	4%	12	1%	4	6%	4	6%	-	0%	2	14%

*Percentage of 222 respondent companies (including 106 companies in Japan) except for “n/a” and “not known” (82 European, 67 North American and 73 Asian companies)

*1 Respondents chose the most attractive country or region as investment destination by type of business location among 21 Asian countries/regions.

*2 The number to the left of percentage is the ranking among 21 countries.

*3 Because this is a survey on willingness to invest in Asia including Japan, votes of Asian/Oceanian companies for countries/regions where they have headquarters are not counted.

[Source] “Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan Report 2015” (Ministry of Economy, Trade and Industry (METI))

The government is also encouraging establishment of R&D centers by foreign-affiliated companies. The coming into force of the Trans-Pacific Strategic Economic Partnership (TPP) will give birth to a huge economic bloc, which it is believed will encourage international trade and investments, accelerating restructuring of the global value chain. The government aims to make Japan a global hub of trade and investments and will focus on attraction of R&D centers as part of the efforts for this purpose.

In fiscal 2012, the government established the "Act for Promotion of Japan as an Asian Business Center" that provides shortening of the time for investment procedures and other measures to attract R&D centers of global companies. From fiscal 2012 to 2015, the government improved the investment environment including the introduction and expansion of the "Points-based Preferential Immigration Treatment for Highly Skilled Foreign Professionals" that provides preferential treatment of researchers, business managers, etc. in immigration control. In fiscal 2015, the government newly introduced the "Subsidy Program for Global Innovation Centers" to support establishment of innovation centers by foreign companies. The program aims to make Japan a high-value added innovation center in the global value chain by attracting R&D departments in the field of "regenerative medicine" and "IoT (Internet of Things)" that are expected to grow (See P41 of Chapter 5 for detail).

Reflecting Japan's reputation as an R&D center and efforts of the government, there have been increased activities by foreign-affiliated companies to establish R&D centers of various fields in Japan or to pursue joint research with Japanese universities and research institutes.

(1) Examples of establishment of R&D centers by foreign-affiliated companies

A large number of foreign-affiliated companies are developing globally competitive products taking advantage of Japan's cutting-edge technologies (Chart 3-2). **Volvo Technology Japan Corporation**, the Japanese subsidiary of a leading car manufacturer with its headquarters in Sweden, established its R&D center in Tokyo in 2013 to pursue further technical innovation in the rapidly growing Asian market. At this center, the company will pursue basic research and technology development to contribute to the reduction of CO2 emissions and noise of large commercial vehicles such as buses and trucks as well as the increased efficiency in logistics and distribution businesses. Recognizing the need to further expand technical innovation and R&D in Asia in order to further develop its business in the Asian market, the second largest market for the group after Europe, the Volvo Group had been investigating multiple candidate

Chart 3-2 Recent examples of establishing R&D centers

ICT	Apple (US) Apple plans to build a technical development center in a next-generation smart city, which is under construction in Yokohama, Kanagawa. The operation will start in fiscal 2016. The total floor area of the facilities will be about 25,000 square meters.	ICT	Nokia (Finland) An R&D center was established in Kawasaki, Kanagawa, in May 2015. The center will enhance the research and development of fifth-generation (5G) and cloud products for practical use. The results of the research in Japan will be introduced to the R&D centers in other countries. The center employs about 300 people.
ICT	Rocket Software (US) A global business software developer set up an office in Yokohama, Kanagawa in April 2015 to respond to the Japanese development who demand high quality. It was followed by an R&D center in Sapporo, one of the IT cluster regions in Japan where it is easy to find talented people. Rocket Software aims at expanding their share on mainframe software in Japan, one of the world's largest IT markets.	Manufacturing/ Infrastructure	Continental (Germany) Continental is manufacturing automobile parts. It has over 1,100 employees in Japan and more than half of them are engineers. It opened an R&D center in Toyota, Aichi in June 2015 in order to meet the demand of Japanese automobile manufacturers expanding their businesses globally. Continental positions the R&D center as one of the most important sites for maintaining the growth of business in the future.
Manufacturing/ Infrastructure	Caterpillar (US) Strengthened the R&D function to develop a new product for the global market at Akashi plant in Hyogo, which is a global center for manufacturing and R&D of a hydraulic shovel. Their R&D was subsidized by METI in fiscal 2014.	Manufacturing/ Infrastructure	BASF (Germany) The battery material R&D center was established in Amagasaki Research Incubation Center in Hyogo, in February 2014. The laboratory is the first development center in the Asia-Pacific region specializing in basic research and development of materials for lithium ion batteries and providing customer support. The lab employs 80 people.
Life Science	Johnson & Johnson (US) "Tokyo Science Center" was established in the International Strategic Zone in Kawasaki, Kanagawa, in August 2014. The center, equipped with a surgery simulation system, is expected to be utilized by healthcare professionals of Asian countries as a research and training facility.	Life Science	3M (US) 3M established a new R&D center that specializes in health care, in Sagami-hara, Kanagawa in September 2013. It aims to develop high-value products that appeals to the diversifying needs of the Japanese health-care market. The company was chosen for subsidy program for Projects Promoting Asian Site Location in Japan.

[Source] Press releases by the companies and various press reports

locations for the establishment of its R&D center. After consideration of factors such as advanced technological abilities in the field of basic research, ease of joint industry-government-academia research and advantages in subsidies and taxation, the Volvo Group chose to establish its R&D center in Japan.

There are also companies responding to deregulation. In the field of regenerative medicine, a system of early approval of regenerative medicine products was introduced in November 2014, which allows earlier commercialization with certain conditions. With the establishment of one of the earliest approval systems in the world, **SanBio** moved its head office from the United States to Japan. Thus, advanced deregulation is increasing the advantage in doing R&D in Japan.

Tenneco Japan Ltd., the Japanese subsidiary of a leading car parts manufacturer based in the US, opened its technical center

in Kanagawa in April 2014. The company's main products, shock absorbers and exhaust emission control systems, are used not only in automobiles but also widely for construction equipment, agricultural machinery and ships. The center mainly conducts design and development of products for Japanese companies. Considering Japan as its strategic market, the company expanded the technical center in 2016. The company positions the center as a strategic facility to play the key role in its business with Japanese customers, and pursues rapid growth in Japan by supporting the global production systems of Japanese companies.

Some foreign-affiliated companies have established R&D centers in Japan to meet high-level requirements of Japanese consumers and are developing products targeting the Asian market. **Pierre Fabre Dermo-cosmétique Japon Co., Ltd.** ("PFDCJ"), a Japanese subsidiary of Pierre Fabre, a leading French manufacturer of

Chart 3-3 Examples of research collaborations by foreign-affiliated companies and Japanese universities/research institutes

Life science

Foreign/ Foreign-affiliated company	Japanese university, research institute, etc.	Form	Description	Announced in
Orion (Finland)	Asahi Kasei Pharma	Partnership	Partnership for R&D collaboration in the field of pain management	June 2016
Chugai Pharmaceutical (Roche Group (Switzerland))	Osaka University	Comprehensive collaboration	Comprehensive collaboration agreement for advanced research in immunology	May 2016
Eli Lilly and Company (US)	Kanazawa Medical University	Joint research	Development of a new remedy to treat intractable gastric cancer	May 2016
MSD (Merck (US))	University of Tokyo	Joint research	Strategic partnership in joint research for drug discovery	May 2016
Boehringer Ingelheim (Germany)	Kyoto University	Joint research	Development of drug to treat sensorineural hearing loss	March 2016
Sanofi (France)	University of Tokyo	Joint research	Strategic partnership in joint research for drug discovery	February 2016
AstraZeneca (UK)	National Cancer Center Japan	Joint research	Joint research on analysis of anticancer drugs	November 2015
GlaxoSmithKline (UK)	Tokyo Metropolitan Geriatric Hospital and Institute of Gerontology	Joint research	Joint research on bioelectronics	January 2015
Bayer Healthcare (Germany)	Kyoto University	Partnership	Cooperation in identification of candidates for possible joint research projects	October 2014
Pfizer (US)	University of Tokyo	Joint research	Strategic partnership in joint research for drug discovery	October 2014
AstraZeneca (UK)	Osaka University	Joint research	Drug re-profiling studies in the area of cardiovascular diseases	March 2014

ICT

Foreign/ Foreign-affiliated company	Japanese university, research institute, etc.	Form	Description	Announced in
Intel (US)	University of Tsukuba	Memorandum on regional collaboration	Intel, the university and Tsukuba city promote advanced town development through partnership projects for citizens' welfare in ICT, human resource development and other fields that are expected to contribute to the city's development	March 2016
IBM (US)	National Institute of Informatics	Research agreement	Promoting innovation through cognitive technologies (a broad range of technologies including deep learning and other AI technologies)	February 2016

Manufacturing

Foreign/ Foreign-affiliated company	Japanese university, research institute, etc.	Form	Description	Announced in
Saint-Gobain (France)	National Institute for Materials Science		They together with French National Center for Scientific Research (CNRS) opened a joint international research unit	October 2014

[Source] Press releases by the companies, universities and research institutes, and various press reports

dermatological cosmetics, has opened its first R&D center outside France, Asia Innovation Center PFDC in Tokyo. While developing products tailored to the needs of Japanese consumers, the company aims to gain access to other Asian markets that are expected to grow substantially, including South Korea, China and Taiwan, by selling products developed in Japan.

(2) Joint research by foreign-affiliated companies and Japanese universities

There are many cases of research collaborations by foreign-affiliated companies with Japanese universities, research institutes and others (Chart 3-3). Especially in the field of life science, there are initiatives to use high-level basic research of Japanese universities for drug development.

In March 2016, **Eli Lilly and Company**, a leading pharmaceutical company based in the US, announced that the company and the National Cancer Center Japan would start a research collaboration to identify biomarkers for advanced gastric cancer. The aim is the development of new treatment methods and innovative medicine in Japan. Major German pharmaceutical firm **Boehringer Ingelheim** started joint research with Kyoto University to develop medicine for hearing loss for three years from April 2016. The company has a drug discovery laboratory in Japan, which will work to develop drugs for sensorineural hearing loss for which treatment is not yet established, based on the knowledge and technology of the university.

With the progress of these research collaborations with foreign-affiliated companies, Japan expects to improve its R&D capabilities and accumulate know-how.

2. Investment from Asia / Tourism Field

Asian companies are increasingly entering into the Japanese market and expanding their business in Japan. Asian countries that used to be solely investment destinations are now activating overseas expansion taking advantage of profits and know-how gained in their fast-growing domestic market and moving to the stage of outward direct investment.

Looking at Inward FDI stock by country in 2015, share of investments from Asia has increased more than 2% from the previous year. In addition to Singapore and Hong Kong with investment stock exceeding one trillion yen, other Asian countries/regions including Taiwan, South Korea and China are also steadily increasing their presence (see Chapter 1). Furthermore, Thailand, for example, is active in investments in mega solar, represented by **Chow Steel Industries** and **Impact Electron Siam**. From India, leading IT-related companies such as **HCL Japan** and **Infosys Limited** have set up companies in Japan. In addition, promotion of investments in the IoT field in Japan was announced in the “Joint Statement on India and Japan Vision 2025” in December 2015. The increasing trend of direct investment in Japan from Asian countries is expected to accelerate in the future.

In this context and with the rapid increase in tourists visiting Japan, investment in Japan by Asian countries is especially conspicuous in tourism related businesses (Chart 3-4).

According to the Japan National Tourism Organization (JNTO), the number of tourists visiting Japan in 2015 was 19.74 million, reaching the record high for the third year in a row. Most of them are from Asia with visitors from China (4.99 million), South Korea (4 million), Taiwan (3.68 million) and Hong Kong (1.52 million) accounting for over 70%. The number of tourists visiting Japan continued to increase in 2016. Despite the tendency of a strong yen, Japan is a popular destination for foreign tourists, especially from Asia.

According to the Japan Tourism Agency, the amount spent by tourists in Japan was 24.8 trillion yen in 2015, of which the amount spent by foreign tourists increased 75.0% to 3.5 trillion yen. Repeat tourists account for about 60% of the tourists visiting Japan. They tend to visit regions outside the so-called Golden Route (Tokyo, Kyoto, Osaka, etc.), which shows that the demand of foreign tourists is both increasing and becoming more segmented.

In response to the diversification of destinations of foreign tourists, an increasing number of foreign-affiliated airlines including low-cost carriers (LCC) started service to local cities in Japan. For example, **Juneyao Airlines** (China) started with service to major airports such as Haneda, Narita and Kansai, and, with extension of its routes, opened branches at Nagoya, Naha, Fukuoka and other new destinations.

Chart 3-4 Cases of FDI into Japan in tourism

Areas	Company name	Nationality	Business	Contribution to local economy
Nationwide	Travelex Japan	UK	Operating foreign exchange business	Accumulating management knowledge, and creating jobs
Nationwide	Laox	China	Operating large-scale duty-free shops	Increasing foreign tourists, accumulating management knowledge, and creating jobs
Hokkaido	Fuson Group	China	Acquisition of a ski resort in Hokkaido	Increasing foreign tourists
Tokyo	TripAdvisor	US	Providing information on trips	Accumulating management knowledge, and increasing foreign tourists
Yamanashi	Undisclosed	China	Re-establishing a hot-spring inn	Increasing foreign tourists
Nagano	Hakuba Hotel Group	Australia	Possessing and managing hotels in Hakuba area	Increasing foreign tourists, accumulating management knowledge
Aichi	Spring Airlines	China	Operating hotels geared toward foreign tourists	Increasing foreign tourists
Osaka	USJ	US	Managing an entertainment park	Accumulating management knowledge, creating jobs, and increasing foreign tourists
Tottori	DBS Cruise Ferry	South Korea	Operating regular cargo-passenger ships	Increasing foreign tourists
Oita, Fukuoka, and others	T'way Airlines	South Korea	Setting up new sites in line with its international flights	Increasing foreign tourists

[Source] JETRO Global Trade and Investment Report 2016

Another example is **Shanghai Spring Investment Management Co. Ltd.** (China) which partnered with a Japanese company to open an urban hotel in Aichi prefecture to meet demand for hotels to accommodate the rapidly increasing foreign travelers visiting local regions.

Shanghai Zensy Corporation publishes a travel and lifestyle magazine, "Koraku," dispersing information on travel in Japan and Japanese culture targeting affluent Chinese. The company founded a corporation in Tokyo in 2015 with the aim of strengthening ties with local Japanese governments and others. **Global Tax Free** (South Korea), the top tax refund agent in Asia, positions Japan as "a promising market with a big growth potential" and opened a tax exemption service desk in Fukuoka following those in Tokyo. The expansion was pushed partly by the 2015 revision of the consumption tax exemption system for travelers visiting Japan. **Ctrip**, the biggest online travel agency in China, opened a corporation in Osaka, following a corporation in Tokyo, to meet the needs of rapidly increasing Chinese visiting Japan. In this way, many companies in a wide range of fields related to tourism are now trying to harness inbound demand.

Local regions in Japan have plentiful tourism resources and are very attractive investment targets for foreign companies. Because tourism benefits a broad range of industries from transportation and accommodation to retail, restaurant, entertainment and other services, expanding the tourism market will also revitalize regional economies.

Positioning the development of tourism into a key industry as one of the pillars of its growth strategy, the government of Japan set a new target to increase the number of foreigners visiting Japan to 40 million by 2020. Various regulations are relaxed and revised; for example, mitigation of visa requirements, revision of tour guide-interpreter systems, and response to vacation rental services. Infrastructure, such as expansion of LCC terminals at airports, will be strengthened in order to receive foreign travelers and further improve the business environment. Through these government efforts, increase of foreign tourists visiting Japan is expected to create a virtuous cycle of attracting further investments. The trend of Asian investment in Japan's tourism business is expected to continue.

3. Partnership between foreign-affiliates and Japanese companies

There are many cases where foreign companies collaborate with Japanese companies to take advantage of Japan's outstanding R&D strength and other resources. According to the "Casebook on Investment Alliances with Japanese Companies" published by the Ministry of Economy, Trade and Industry in Japan in April 2015, the number of investment alliances formed between foreign and Japanese companies has greatly increased over the last 30 years. Alliances formed in knowledge-based industries such as software and services have been also on the increase in recent years. In the survey of foreign-affiliated companies conducted by JETRO in 2016, over 70 percent of the responding companies answered they "have ever partnered with Japanese companies for their business." Foreign-affiliated companies perceive "existence of good partners" such as outstanding companies or universities as "an attractiveness of Japan." As high as 90 percent of the foreign-affiliated companies that responded to the survey were interested in partnering with

Japanese companies (See Chapter 4).

Typical benefits that foreign-affiliated companies expect to gain from partnership with Japanese companies are: (1) early access to a market in Japan, (2) early access to a market in Asia, (3) knowledge on business practice, (4) highly-skilled human resources, (5) expansion of product/service line-up, (6) improvement of operation efficiency, and (7) brand acquisition. Advantages of such partnership for Japanese companies include (8) expansion of domestic/foreign market, (9) expansion and new development of products/services and (10) improvement of product/service quality. In addition, they can expect contribution to solution of their business challenges (cost reduction, sophistication of business management methods, etc.).

Actual examples also show the intention of foreign-affiliated and Japanese companies to maximize these advantages by building complementary relationship capitalizing on their respective strengths.

Neopost (France), a major player in Shipping Solutions, and **Yamato Transport Co., Ltd.**, the Japanese leader in transportation and parcel delivery, formed a joint venture (established in May 2016) (Chart 3-5). With the increased number of double-career households and lifestyle changes in Japan, unsuccessful home deliveries represent about 20% of Yamato Transport's total parcel deliveries, which requires a solution also in terms of driver shortage and environmental impact. To address this issue, Yamato Transport aims to provide a new high-quality and convenient home delivery solution that is open for use also by other delivery companies in Japan by using Neopost's know-how to build infrastructure of lockers for the delivery of parcels. Through this project, Neopost expects to quickly gain a market in Japan, while Yamato Transport expects to improve its service and quality.

There are also moves to strengthen global competitiveness by combining product development capabilities, cost competitive production and the world's first-class global sales network of foreign-affiliated companies on one hand, and technical and brand strengths of Japanese companies on the other. **Mahindra & Mahindra (M&M)** which is a dominant conglomerate of India formed a capital tie-up with **Mitsubishi Agricultural Machinery** under **Mitsubishi Heavy Industries** in October 2015 to jointly expand their business with focus on Southeast Asia. M&M is the 5th largest agricultural machine company in the world and the 1st in agricultural tractors, but is relatively weak in rice planting machines and light-weight tractors where Mitsubishi Agricultural Machinery is strong. Through this tie-up, the companies intend to combine the technical strength of Mitsubishi and procurement and sales strength of M&M to enhance their operations with focus on Asia where food demand is increasing.

Similar moves are found also in the automobile sector. **Autoliv** (Sweden), the worldwide leader in airbags, and **Nissin Kogyo**, a leading supplier of braking systems in Japan, formed a joint venture (established in September 2015). They will jointly develop driving systems including automatic driving that is expected to become a growth sector, by combining Nissin Kogyo's technology and production capacity in brake systems with Autoliv's electronic control units, radar and other sensing technologies and development resources as well as its global reach and customer base.

PRISMADD, a French company manufacturing products by 3D printing for the aviation and automobile industries and **Yamaichi Special Steel of Japan** established **PRISMADD Japan**. The joint venture aims to enter the global market by combining PRISMADD's

3D printing technologies and design optimization know-how with Yamaichi's post-process technologies including precision machining.

The joint venture established by **ABB**, the leading power and automation group of Switzerland, and Hitachi in October 2015 combines ABB's cutting-edge high-voltage direct current (HVDC) transmission and system integration capability with Hitachi's immense credibility in the Japanese market, sales network and project management know-how. In the Japanese market that demands high reliability, the companies intend to contribute to higher resilience of power transmission systems to support the introduction of natural energy that is expected to increase, and

thereby support the electricity system reform in Japan.

As described above, foreign-affiliated and Japanese companies, based on the assessment of their respective superiority in R&D, production, sales, service and other functions, are building win-win relationships to enjoy benefits gained from each other with an eye to global business development. For Japanese companies, such partnership with foreign companies is one of the powerful options to help advance technologies, develop new products, expand sales channels in Japan and abroad and expand their business to foreign countries.

Chart 3-5 Examples of collaboration (joint venture, capital tie-up) between foreign-affiliated and Japanese companies

Foreign-affiliated company	Japanese company	Field	Form	Summary Key strength of the foreign and Japanese companies in ()	Announced in
PRISMADD (France)	Yamaichi Special Steel	Manufacturing	Joint venture	Production and processing using 3D printing technology for the aviation and other sectors (Foreign-affiliated: preceding process xJapanese: post-process)	January 2016
Neopost (France)	Yamato Transport	Service	Joint venture	Lockers for the delivery of parcels accessible for other industry players (Foreign-affiliated: new service xJapanese: network and know-how)	January 2016
LY.com (China)	H.I.S.	Service	Joint venture	Planning and sales of products for Foreigners visiting Japan (Foreign-affiliated: customer transfer xJapanese: tourism products)	November 2015
ABB (Switzerland)	Hitachi, Ltd.	Energy	Joint venture	High-voltage direct current (HVDC) business for Japanese market (Foreign-affiliated: cutting-edge technology xJapanese: sales network and project management know-how)	October 2015
Spark Energy (US)	eREX	Energy	Joint venture	Power retailing (Foreign-affiliated: know-how of new service xJapanese: network)	October 2015
Johnson Controls (US)	Hitachi, Ltd.	Manufacturing	Joint venture	Manufacturing and sales of air-conditioning products (Foreign-affiliated: technology and overseas sales channel xJapanese: technology and network)	October 2015
Autoliv (Sweden)	Nissin Kogyo	Manufacturing	Joint venture	Development, design, manufacturing and sales of brake systems (Foreign-affiliated: technical strength and customer base xJapanese: technical strength and production capacity)	September 2015
Mahindra & Mahindra (India)	Mitsubishi Heavy Industries	Manufacturing	Capital tie-up	Partnership in agricultural machinery (Foreign-affiliated: overseas sales channel xJapanese: technology)	May 2015
Air Liquide (France)	Toyota Tsusho	Energy	Joint venture	Supply of hydrogen gas for fuel-cell vehicles (installation and operation of hydrogen stations) (Foreign-affiliated: know-how of new service xJapanese: network)	October 2013
Amgen (US)	Astellas Pharma	Life science	Strategic tie-up, Joint venture	Development and sales of medical products (joint development and commercialization) (Foreign-affiliated: innovative medical products xJapanese: know-how and network)	May 2013
GE (US) and Safran (France)	Nippon Carbon	Manufacturing	Joint venture	Manufacture and sales of a material (silicon carbide (SiC) continuous fiber) for next-generation aircraft engine components (Foreign-affiliated: overseas sales channel xJapanese: cutting-edge technology)	February 2012

[Source] Press releases by the companies and various press reports

IV Conception of the Business Environment in Japan among Foreign-affiliated Companies

~From the Survey on Japan's Investment Climate 2016 Results~

From June to July 2016, JETRO conducted the "Survey on Japan's Investment Climate" designed for present data analysis to develop a more attractive investment environment for foreign-affiliated companies and make policy recommendations for this purpose. JETRO analyzed the attractiveness and challenges of doing business in Japan, as well as obstacles to entering the market. The questionnaire was sent to about 1,300 companies with focus on foreign affiliates supported by JETRO in their entry into the Japanese market. 197 companies responded.

Regarding the investment plan within the next five years, approximately 80% of them answered that they will expand their business, while over 70% answered that they will increase the number of employees, showing strong motivation to invest in Japan following the previous year's survey result. In respect to locations of expansion and their functions, the results revealed unique characteristics of each prefecture.

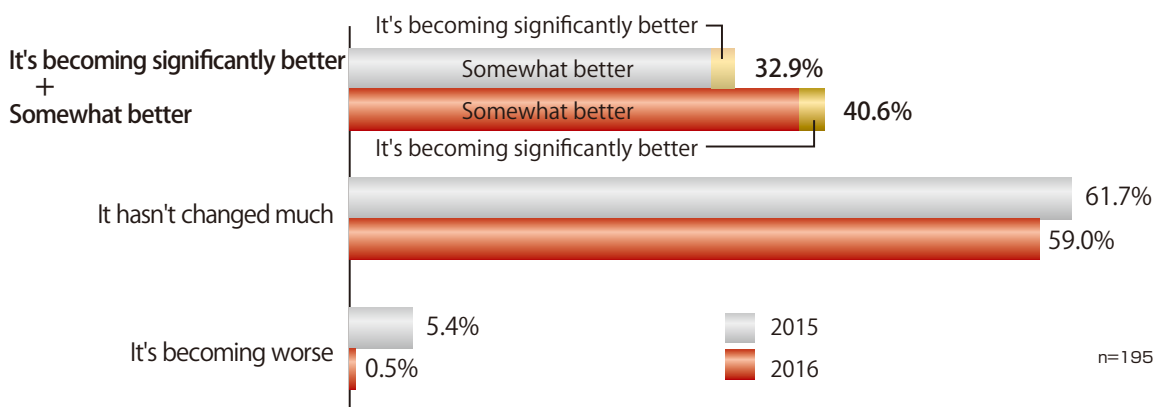
Respondents chose "difficulty in finding human resources," "difficulty in communicating in non-Japanese languages," "high business costs," "complicated administrative procedures and business permits" and the like as obstacles, though the ranks were slightly changed from the 2015 survey. "Complicated administrative procedures and business permits" moved down from the first place of the previous year to the fourth, in recognition of the deregulation by the government (see Chapter 2). Difficulty in finding human resources and administrative procedures will be discussed later.

1. More than 40% of the companies are feeling improvement in the business climate

Over 40% of the companies answered that the business climate was "becoming significantly better" or "becoming somewhat better." The ratio increased nearly 8% from 32.9% of 2015 survey. Companies that answered "becoming worse" account for only 0.5%, further decreasing from 5.4% in 2015 (Chart 4-1).

As especially effective measures for improving the business climate, "corporate tax reduction (38.9%)" and "regulatory reform (37.2%)" were chosen by nearly 40% of the respondents, followed by "immigration rules reform (33.6%)," "administrative procedures reform (20.4%)" and "corporate governance reform (8.8%)." While corporate tax in Japan is perceived to be "at the level of other countries," the tax reduction was appreciated because it helped improve the competitiveness of enterprises. In respect to deregulation, many respondents appreciated the reforms of bedrock regulations, specifically acceleration of pharmaceutical approval in the pharmaceutical and medical equipment area, and the reform of the electricity retail market. Other factors leading to the improved business climate chosen by them include "increased inbound businesses with focus on tourists," "measures to promote innovations" and "strengthened support for foreign-affiliated companies" as concrete examples.

Chart 4-1 Do you feel that the Japanese business climate has become better?



2. Nearly 80% of the companies are willing to expand investment

To the question about business plans within the next 5 years, 77.1% of the companies answered that they will “expand business,” while no company chose “scale down business” or “exit Japan.” Following the 2015 survey, the results show prosperous business of foreign-affiliated companies and a prospect for active investment in the future (Chart 4-2, 4-3).

Similarly, 75.9% of the companies answered they “will increase the number of employees,” while only 1.5% answered that they will “decrease” (Chart 4-4, 4-5).

Companies answering that they are planning business expansion in Japan were asked a question on concrete plans and reasons. There are a lot of ambitious comments and the major purposes of investment expansion are divided into three categories: (1) consolidation/expansion of business locations, (2) acquisition of market outside the Tokyo metropolitan area, and (3) function enhancement. Many companies showed a strong investment intention as follows:

Chart 4-2 Business plans in Japan (within the next 5 years)

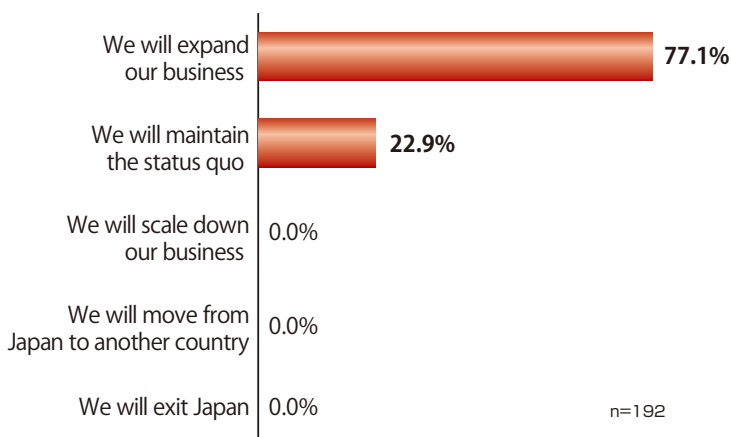


Chart 4-4 Projected number of employees in Japan

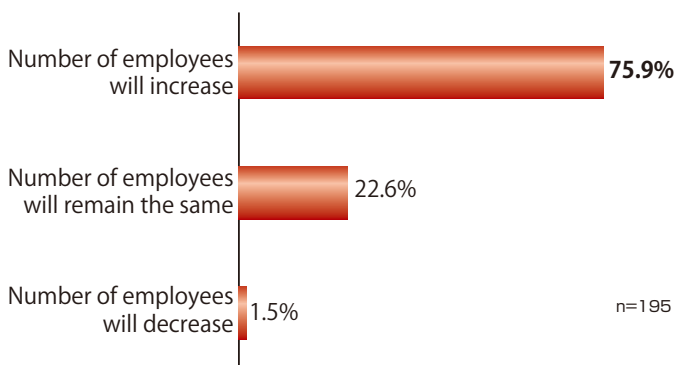


Chart 4-3 What type of business are you planning to expand?

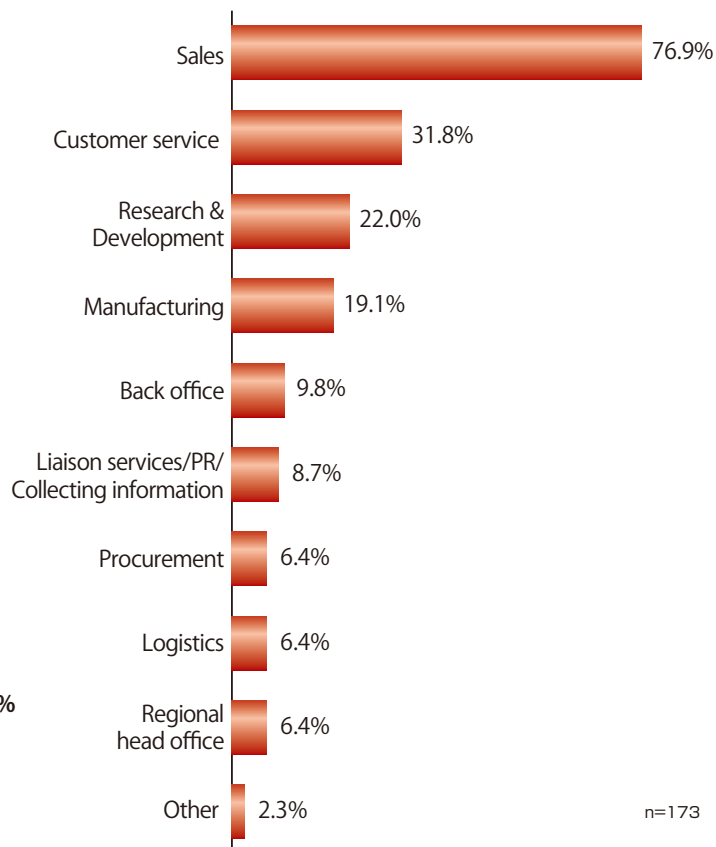
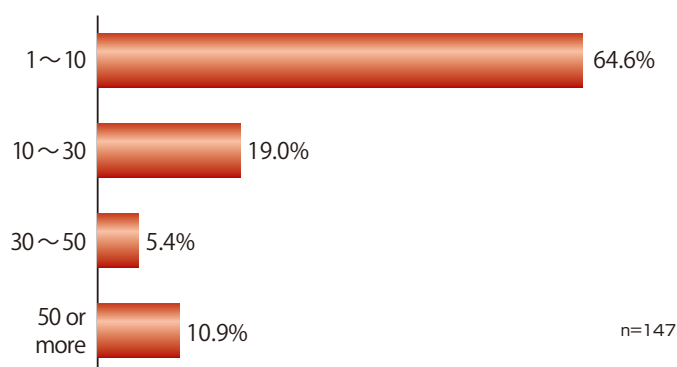


Chart 4-5 Number of the increase



Consolidation/ expansion of business locations

- We will employ an additional 300 people in the coming two years. (North America, Medicine/medical devices)
- We will consolidate our Singapore office and establish a Japan office of 7 people within this year, and expand the team to 15 people within five years. (Europe, Service)
- We will double our Tokyo offices within three years and open stores also in Nagoya and/or Osaka as needed, because sales and product support are growing. (Europe, ICT/telecommunications)
- We will open 12 to 15 stores in Japan in five years. (Europe, Apparel)
- We plan to establish a mass production plant in Japan within five years because Japan is in proximity to the world's production bases in Asia. (North America, Electric/electronic and precision devices)
- We will establish a new plant in Japan in the next five years. (Europe, Medicine/medical devices)
- We will increase staff within five years because customers and sales are increasing. (Europe, ICT/telecommunications)

Acquisition of trading area

- Planning to increase business bases in Kansai or Chubu as we release new products. (Europe, ICT/telecommunications)
- Planning to set up a sales hub in West Japan to develop the market there. (North America, Logistics)
- Planning to open a branch in West Japan because of sales increase. (Europe, ICT/telecommunications)
- Set up new branches in other cities such as Nagoya and Fukuoka. (Asia, Finance)
- Open a hub in Osaka to expand business partners in remote regions. (Europe, Electric/electronic and precision devices)
- Planning to open business offices in Kansai. (Europe, Airline)
- Open new routes to Okinawa, Osaka and Sapporo and establish business bases there. (Asia, Airline)
- Planning to open additional stores outside Tokyo within five years. (Asia, Service)

Function enhancement

- Planning to increase sales and solution development staff with expansion of our business. (Asia, ICT/telecommunications)
- Increase personnel for global support and domestic parts supply for new products of Japanese car manufacturers, and strengthen development capabilities. (North America, Vehicle and parts)
- Because we are a logistics company, we will increase warehouse locations in Japan with focus on Kanto and expand the accompanying service functions. (Asia, Logistics)
- Planning to open a lab in Aichi within two years to respond to requests from our car industry customers. (North America, Other)
- Open a new R&D center in Yokohama. (Europe, Vehicle and parts)
- Planning to open a new business base and increase staff for rental business. (Europe, Electric/electronic and precision devices)

3. Expanding business sites for production, R&D, regional head office or back office, taking advantage of the regional characteristics

In addition to the prefectures where additional investment is planned, the business function intended there was also included in a question. As locations for the secondary investment, Tokyo, Osaka, Aichi and Kanagawa ranked high. In respect to business function, "sales" is common to most prefectures, while Aichi was chosen for "manufacturing, R&D," Fukuoka for "Asian head office" and Hokkaido for "back office," revealing the regional characteristics (Chart 4-6).

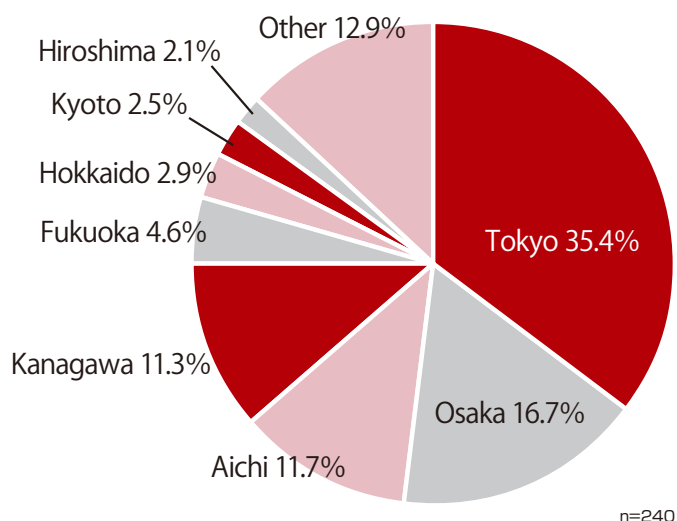
To the question about the factors which the companies consider the most important when deciding on the location of additional

investment, "proximity to customers" was chosen by 45.1% of the respondents. This is followed by "infrastructure (transportation, logistics, ICT, energy, etc.)" at 34.6%, "market size (marketability)" at 30.7%, "costs (land, personnel, etc.)" at 29.4% and "access or distance from other offices or places in Japan" at 27.5% (Chart 4-7).

To the question about the incentives offered by the Japanese government (including local governments) which the company has used, the largest number of respondents (35.6%) chose "We have never used these incentives" because "We did not know about them." The incentives offered by the central and local governments are not sufficiently known to foreign-affiliated companies. The result revealed the need to improve their recognition for the future.

IV Conception of the Business Environment in Japan among Foreign-affiliated Companies

Chart 4-6 Where to make secondary investment (prefecture) and the type of business



Rank	City	No. of Projects	Type of business, Rank 1	Rank 2	Rank 3
1	Tokyo	85	Sales	Regional head office (Japan head office)	Manufacturing, Research & Development
2	Osaka	40	Sales	Customer service	Liaison services/ PR/Collecting information
3	Aichi	28	Sales	Manufacturing, Research & Development, Customer service, Logistics	
4	Kanagawa	27	Sales	Research & Development	Manufacturing
5	Fukuoka	11	Sales	Manufacturing, Regional head office (Asian head office)	
6	Hokkaido	7	Sales	Back office, Customer service, Regional head office (Japan head office)	
7	Kyoto	6	Research & Development	Sales, Manufacturing	
8	Hiroshima	5	Manufacturing, Research & Development, Customer service, Regional head office (Asian head office)		
9	Other	31			

Chart 4-7 The most important factors when deciding on the location of secondary investment



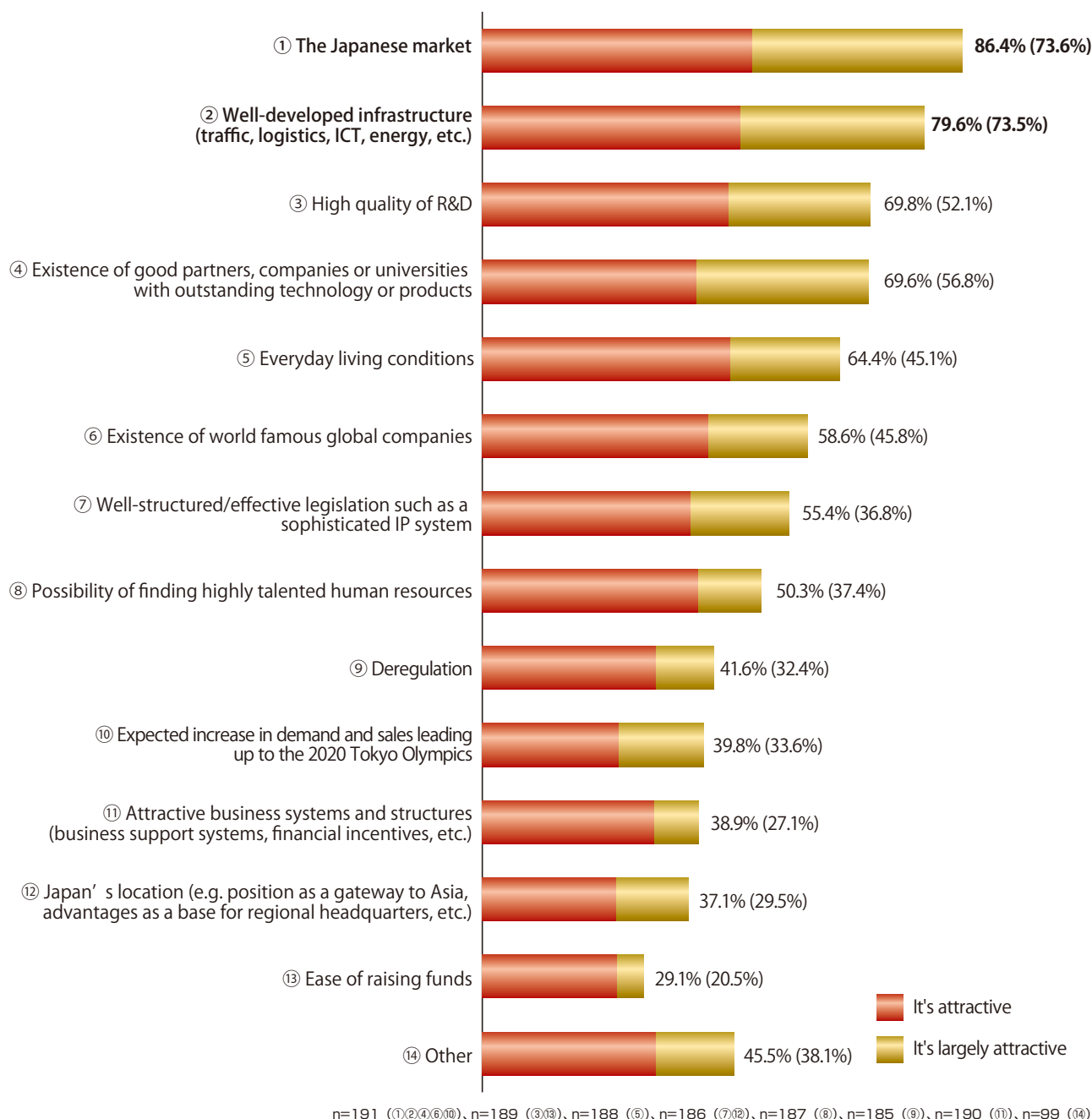
4. Attractiveness of doing business in Japan - The greatest appeal is "Japanese market"

As attractiveness of doing business in Japan, 86.4% of the companies answered "Japanese market" followed by "well-developed infrastructure (transportation, logistics, ICT, energy, etc.)" at 79.6%, "high-quality of R&D" at 69.8% and "existence of good partners, companies or universities with outstanding technologies or products" at 69.6% (Chart 4-8). The top two have not changed from the result of the previous year's survey. As "Other," convenient living and the national character of the Japanese were also

mentioned, such as "well-maintained public peace," "neatness," "transparency," "politeness" and "trustworthy people."

As especially attractive factors of the Japanese market, an overwhelming 73.4% answered "market size" followed by "consumer purchasing power" (33.5%) and "advantageous for expanding business in other markets (e.g., Asian countries)" at 31.9% (Chart 4-9). As "Other," in addition to purchasing power, respondents mentioned consumer preference such as "customers demanding sophistication" and "sophisticated customers willing to pay higher price for high-quality products."

Chart 4-8 The attractiveness of doing business in Japan (those who chose the top two options among the available four options*)
(() indicates % in 2015 survey)



* The four options available were: "It's largely attractive," "It's attractive," "It's a little attractive," and "It's not attractive."

IV Conception of the Business Environment in Japan among Foreign-affiliated Companies

In this survey, we asked about “the merit of partnering with Japanese companies and universities.” An overwhelming majority chose “expansion of sales network (62.0%)” followed by “acquisition of new business (35.8%)” and “improving technology/expertise (30.5%)” (Chart 4-10). The result shows that foreign-affiliated companies are trying to use the sales network and know-how of Japanese companies by partnering with them, in order to quickly expand sales channels in the Japanese market that is seen as the most attractive factor in doing business in Japan.

72% of foreign-affiliated companies answered they “have ever partnered with Japanese companies for their business” (Chart 4-11). As to “interest in partnering with Japanese companies for future business,” 90% of the companies are interested in partnership with 45.4% choosing “aggressively promote business partnerships with Japanese companies” and 44.8% choosing “partner with Japanese companies as needed” (Chart 4-12). Most foreign-affiliated companies are positive about partnering with Japanese companies in the future.

Chart 4-9 Two of the options which you think are most attractive in the “Japanese Market”

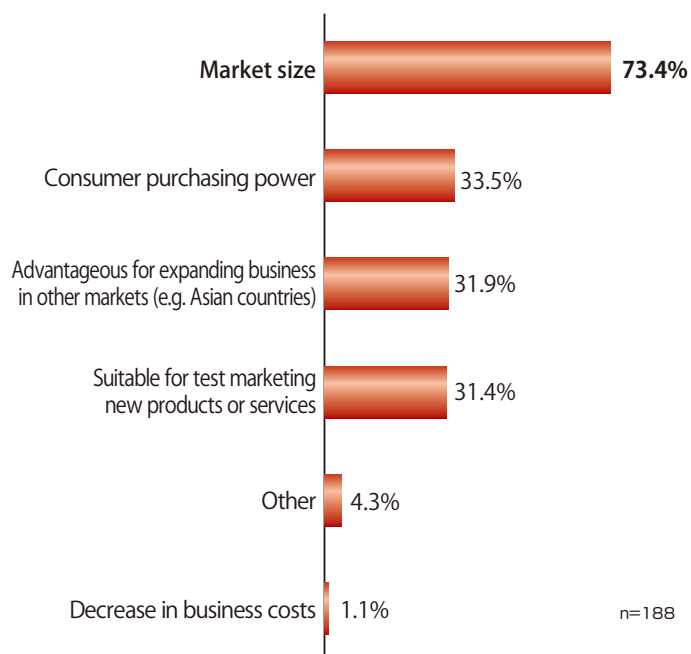


Chart 4-10 Two of the options which you think are the merit of partnering with Japanese companies and universities

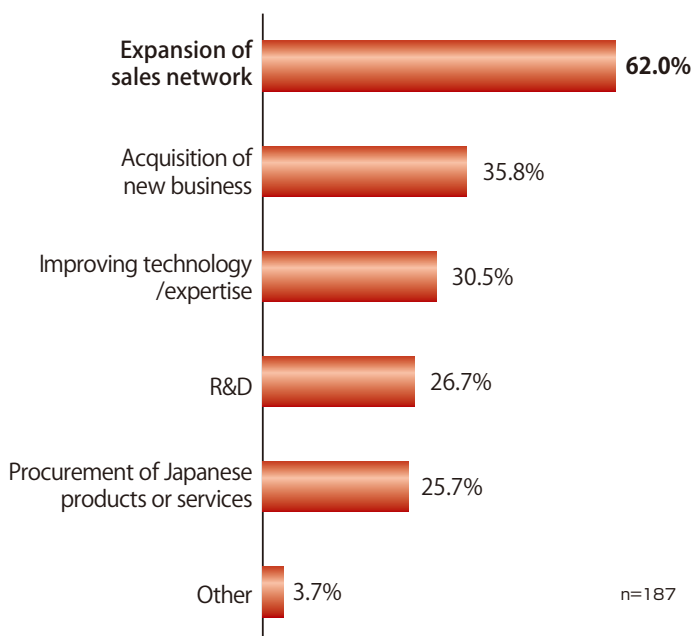


Chart 4-11 Have you ever partnering with Japanese companies for your business?

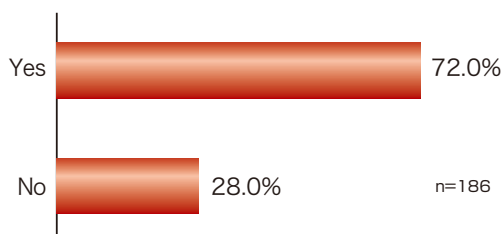
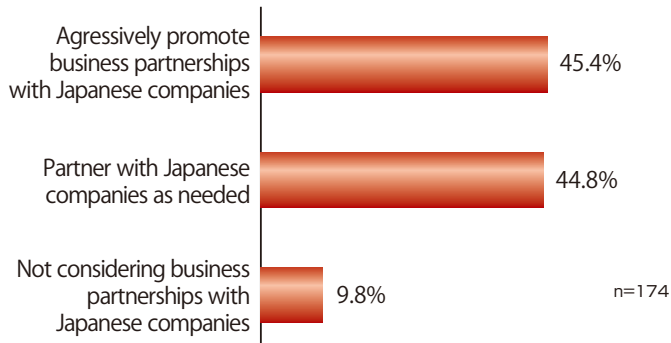


Chart 4-12 Interest in partnering with Japanese companies in the future



5. Obstacles to doing business in Japan - Finding human resources is a challenge -

As obstacles to doing business in Japan, 48.2% of the companies, slightly higher than the 2015 survey, chose "difficulty in finding human resources" followed by "difficulty in communication in non-Japanese languages (in business)" that was chosen by over 40% of respondents (Chart 4-13). Answers choosing "complicated administrative procedures and regulations" that was the No.1 obstacle in the 2015 survey decreased nearly 9 points and moved down to No.4.

Underlying the moving down of "complicated administrative procedures and regulations" as obstacles, it is viewed that the

Japanese government's initiatives toward "the greatest ease of doing business in the whole world" is producing effects little by little. Actually, over 40% of the companies responding to the survey answered positively about the Japanese business climate by choosing "becoming significantly better" or "becoming somewhat better." They chose "corporate tax reduction (38.9%)," "regulatory reform (37.2%)," "immigration rules reform (33.6%)" and "administrative procedures reform (20.4%)" as the most effective measures.

On the other hand, "difficulty in finding human resources (48.2%: 1st in this survey and 2nd in the previous survey)" and "difficulty in communicating in non-Japanese languages (in business) (42.3%: 2nd in this survey and 3rd in the previous survey)" were chosen by many foreign-affiliated companies as challenges.

Chart 4-13 Top five obstacles – Comparison of the 2013, 2014 and 2015 Surveys

Rank	2013 Survey	2015 Survey	%	2016 Survey	%
1	High business costs	Complicated administrative procedures	46.3%	Difficulty in finding human resources	48.2%
2	Particularities of Japanese market	Difficulty in finding human resources	44.9%	Difficulty in communicating in non-Japanese languages (in business)	42.3%
3	Difficulty in communicating in non-Japanese languages	Difficulty in communicating in non-Japanese languages	44.2%	High business costs	38.2%
4	Complicated administrative procedures	Particularities of Japanese market	35.4%	Complicated administrative procedures	37.5%
5	Difficulty in finding human resources	High business costs	34.2%	Particularities of Japanese market	37.0%

*The percentage of the 2013 survey is not included above because the research method was different from that of the 2015 and 2016 surveys. The percentage in the 2015 and 2016 surveys indicates those who chose the top two options among the available four options.

* The four options available were: "It's a very large obstacle," "It's an obstacle," "It's a small obstacle," and "It's not an obstacle."

Chart 4-14 The largest obstacles in "difficulty in finding human resources" (top two options)

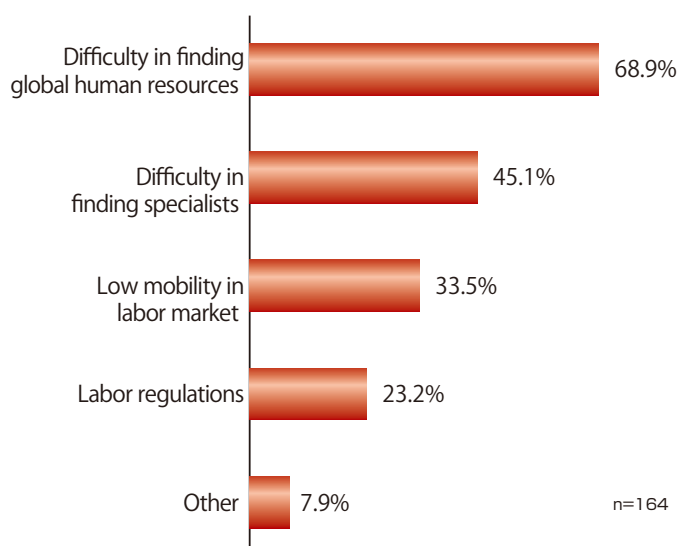
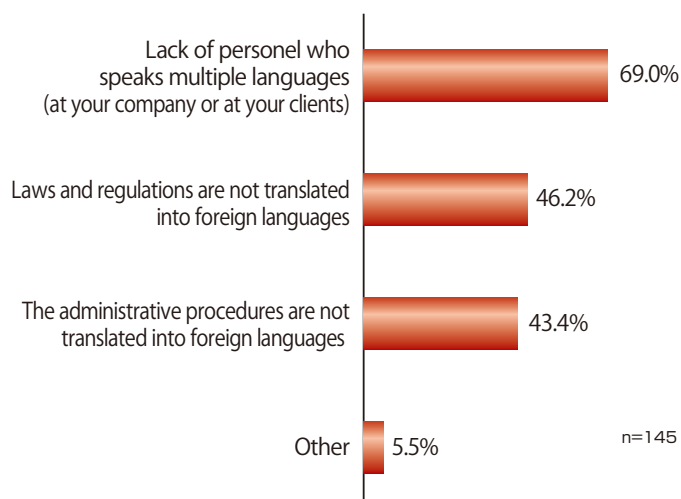


Chart 4-15 The largest obstacles in "difficulty in communicating in non-Japanese languages (in business)" (top two options)



IV Conception of the Business Environment in Japan among Foreign-affiliated Companies

In the breakdown of “difficulty in finding human resources,” “difficulty in finding global human resources” is recognized as an obstacle by 68.9% of the companies, followed by “difficulty in finding specialists” at 45.1% and “low mobility in labor market” at 33.5% (Chart 4-14). Also, some companies mentioned “it is difficult to find human resources who have high ability, can communicate in English and directly talk with the head office,” “it is difficult to speedily find human resources who are good at English and can work in a global environment,” or “workers prefer major corporations and do not want to work in a foreign enterprise.”

In the breakdown of “difficulty in communicating in non-Japanese languages (in business),” “lack of personnel who speak multiple languages (at your company or at your clients)” ranks first at 69% followed by “laws and regulations are not translated into foreign languages” at 46.2% and “the administrative procedures are not translated into foreign languages” at 43.4% (Chart 4-15).

“High business costs” somewhat moved up from 5th (34.2%) in the 2015 survey to 3rd (38.2%) but still remains under 40%. As the yen was stronger compared with the previous year, many foreign-affiliated companies felt that “payroll” and “hiring cost” were high in connection with “difficulty in finding human resources” (Chart 4-16).

“Complicated administrative procedures and regulations” moved down as obstacles thanks to the success of the government initiatives as described above, but there is persistent demand for improvement of “complicated administrative procedures,” “too many legal restrictions, rigid business permit/licenses,” “internationally unharmonized and incompatible business permit/licenses” and “inconvenience caused by the lack of online procedures” (Chart 4-17). As specific procedures and regulations needing reform, “procedures for acquiring visas,” “procedures for tax matters (corporate tax, inhabitant tax etc.)” and “procedures about safety standards/regulations of products” ranked high (Chart 4-18).

Chart 4-16 The largest obstacles in “high business costs” (top two options)

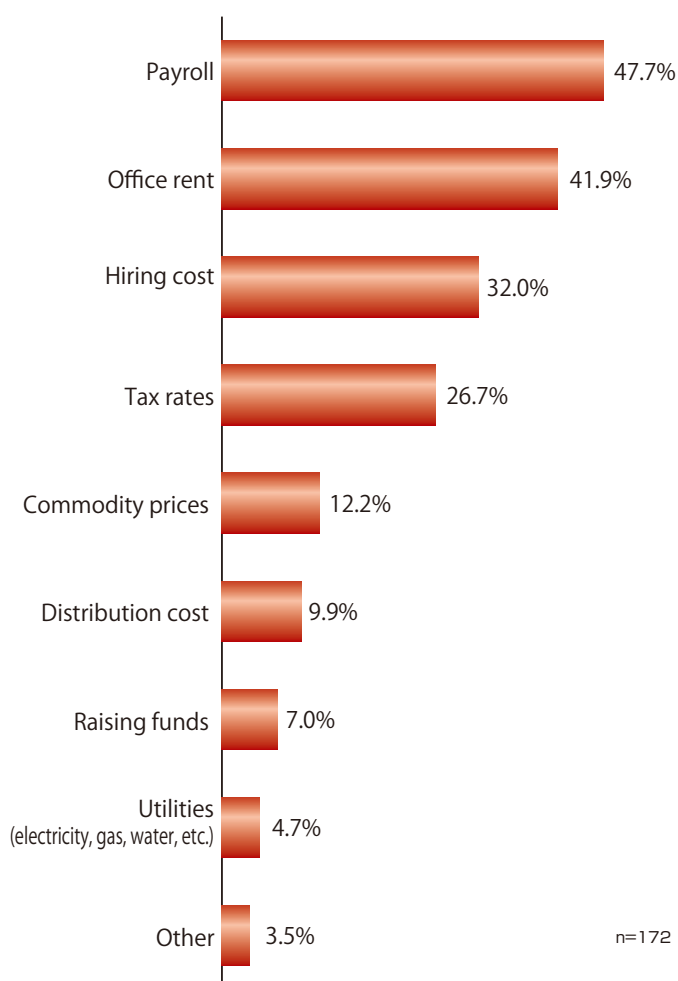


Chart 4-17 The largest obstacles in “complicated administrative procedures and regulations” (top three options)

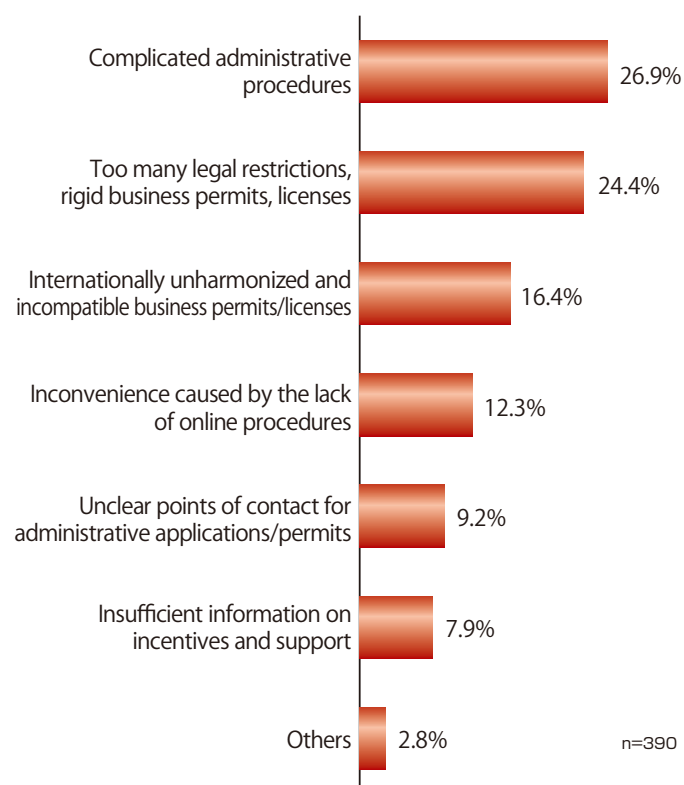
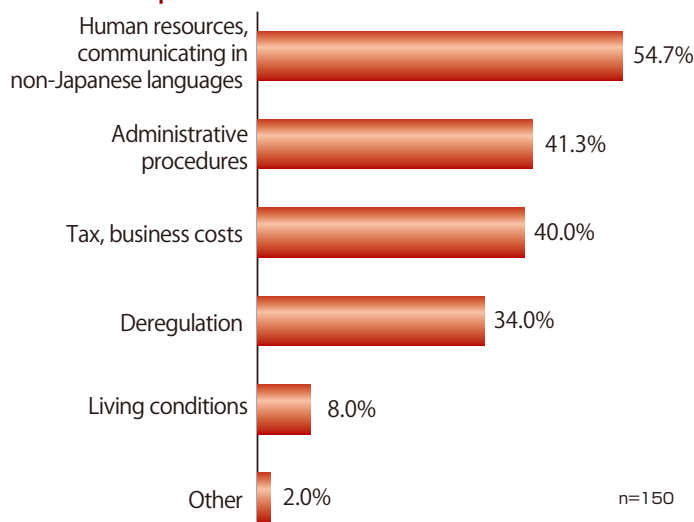


Chart 4-18 Procedure/regulations related to each obstacle above (Chart 4-17) (top three options)



Chart 4-19 Regulations or permits relating to your business or industry for which you would like to see improvement/reform



Survey of Experts and Private Business Operators Supporting Setting up of Business by Foreign Companies

column

In July 2016, JETRO conducted the “Survey on obstacles to business development by foreign companies in Japan” also for judicial and administrative scriveners, private consulting firms and others who provide various services including support for setting up of business by foreign companies. The main purpose of the survey was hearing about “regulations and administrative procedures” where obstacles to entry by foreign companies might be expected.

As a result, the largest number of respondents answered that there were obstacles in “procedures for incorporation/company registration,” followed by “regulation and procedures for immigration” and “procedures for tax matters.” Among specific procedures perceived as obstacles to incorporation/company registration, “bank account opening” was chosen by the largest number of respondents. Many of them pointed out that it is difficult for a foreign corporation to open a bank account in spite of the need to have a bank account in Japan for payment of capital. Other comments include “it is difficult to make a lease contract of an office necessary for company registration” and “lack of online procedure.”

In respect to the second obstacle, “regulation and procedures for immigration,” there were demands for softening of conditions and simplification of issuance of working visas for foreign workers (managers, engineers, etc.) and complaints that the visa requirements are too strict and take time. In case of the third obstacle, “procedures for tax matters,” respondents pointed out overlapping contents of documents to submit to tax offices, prefectural tax offices, city offices and others, and the shorter due date for filing tax statements compared with other countries.

Actually, to the question “any regulations or permits relating to your business or industry for which you would like to see improvement/reform,” over half of the companies chose “human resources, communicating in non-Japanese languages” followed by “administrative procedures (41.3%),” “tax, business costs (40%)” and “deregulation (34%)” (Chart 4-19).

In order to address these challenges, the Council for Promotion of Foreign Direct Investment in Japan compiled the “Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub” in May 2016. The package includes: The residence period requirement for highly-skilled foreign professionals to apply for permanent residence permission will be significantly shortened from the current five years. (One of the world’s most quickly obtainable “Japanese-version green card” system for highly-skilled foreign professionals); Residence status applications will be accepted online; Acceptance of foreign housekeeping support workers will be promoted in the National Strategic Special Zones; The proportion of international students employed in Japan after graduation will be raised from approximately 30% to 50% by fiscal 2020; A total of 20,000 or more external human resources including assistant language teachers (ALTs) will be deployed at all elementary schools by fiscal 2019; and an additional 500 laws and regulations at minimum will be translated into foreign languages by fiscal 2020 (See page16 of Chapter 2).

These measures are expected to improve the obstacles such as “difficulty in finding human resources” and “difficulty in communicating in non-Japanese languages” chosen by foreign-affiliated companies as obstacles to doing business in Japan, but continued human resource development will remain an important issue.

Rankings in “Doing Business” Reports of the World Bank Group

column

“Doing Business” issued by the World Bank Group every year is widely known as a ranking comparing the business climates of countries around the world.

In the Japan Revitalization Strategy (Cabinet Decision on June 14, 2013), the government set a goal to be ranked among the top three developed countries in the World Bank’s “Ease of Doing Business Ranking” by 2020. However, Japan was ranked 34th out of 189 countries in the world (24th among developed countries) in the 2016 reports.

Indicators used to evaluate in “Doing Business 2016” are: Starting a business, Dealing with construction permits, Getting electricity, Registering property, Getting credit, Protecting minority investors, Paying taxes, Trading across borders, Enforcing contracts and Resolving insolvency. Ranks are determined based on surveys of professionals (administrative scriveners, tax attorneys, etc.) and other relevant persons in the respective countries, using a method where the indices (e.g., number, time and cost of procedures) set for individual topics are quantified, and countries are ranked based on their distance to the best practice of the top country for each topic. The relatively low ranking of Japan for “Paying taxes (121st),” “Starting a business (81st),” “Getting credit (79th)” and “Dealing with construction permits (68th)” may be the factors that pushed down the overall rank (34th).

According to the “Doing Business 2016,” it takes time for “Paying taxes,” “Starting a business” and “Dealing with construction permits” in Japan (it estimates that these procedures take time about 1.3 to 1.9 times more than the average of OECD countries excluding Japan). The costs of “Paying taxes” and “Starting a business” in Japan are estimated at about 1.2 times and 1.9 times more than the average of OECD countries excluding Japan, respectively.

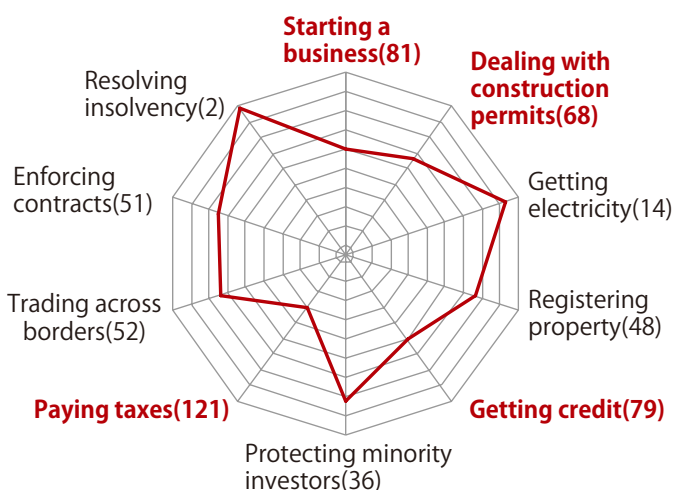
The government of Japan produced results in improving the business environment by reform of the bedrock regulations, lowering of the effective corporate tax rate, corporate governance reform and development of National Strategic Special Zones. In May 2016, the government put together the “Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub” and established the Working Group for Revising Regulations and Administrative Procedures to address obstacles to entry by foreign companies (See P17 of Chapter 2).

According to a survey for foreign-affiliated companies conducted by JETRO in 2016, over 40% of the respondents are feeling the improvement of the business environment in Japan. Continued efforts for improvement of the business environment will remain important for “Japan as an investment destination” also in the future.

Japan’s rank in “Doing Business” from 2014 to 2016

2014		2015		2016	
1	Singapore	1	Singapore	1	Singapore
2	Hong Kong	2	New Zealand	2	New Zealand
3	New Zealand	3	Hong Kong	3	Denmark
4	USA	4	Denmark	4	Korea
5	Denmark	5	Korea	5	Hong Kong
6	Malaysia	6	Norway	6	UK
23	UAE	23	Latvia	23	Portugal
24	Latvia	24	Lithuania	24	Georgia
25	Macedonia	25	Portugal	25	Poland
26	Saudi Arabia	26	Thailand	26	Switzerland
27	Japan	27	Netherlands	27	France
28	Netherlands	28	Mauritius	28	Netherlands
29	Switzerland	29	Japan	29	Slovak Republic
30	Austria	30	Macedonia	30	Slovenia
31	Portugal	31	France	31	UAE
32	Rwanda	32	Poland	32	Mauritius
33	Slovenia	33	Spain	33	Spain
34	Chile	34	Colombia	34	Japan

Indicator sets in “Doing Business 2016”



*Numbers in () indicate the rankings out of 189 countries
[Source] World Bank’s “Doing Business 2016”



Investment Promotion Projects of JETRO

1. Achievements of JETRO

Between the time when it started to promote inward FDI in 2003 and to March 2016, JETRO as the central organization for attraction of inward investment has provided support to more than 14,000 overseas companies interested in investment in Japan, of which over

1,400 have successfully established operations in Japan (Chart 5-1). By region, each of North America, Europe and Asia accounts for one-third of them. By industry, ICT, telecommunications and electric/electronic and precision devices constitute more than 40% of them (Chart 5-4).

Chart 5-1 Investment projects supported by JETRO
(FY 2003-2015)

Chart 5-2 Investment projects supported by JETRO
(by prefecture)

Supported

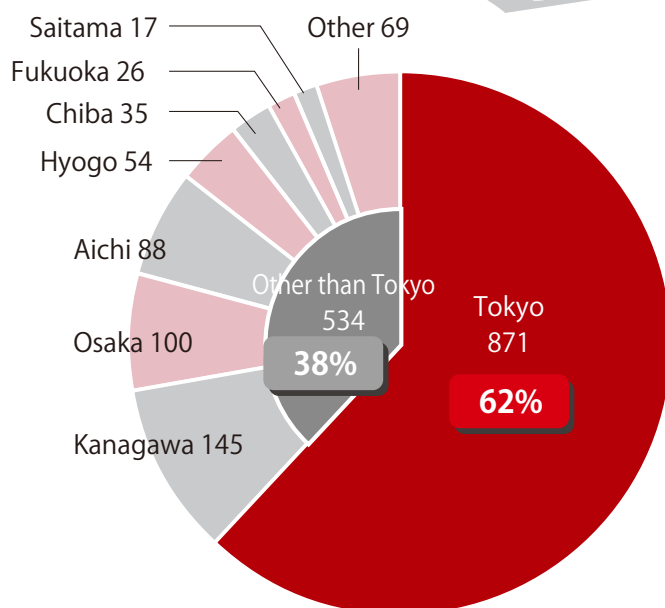
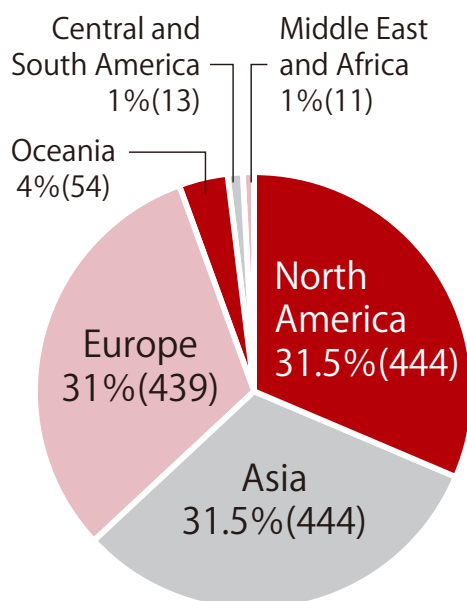
Total **14,197** projects

FY2015 **1,617** projects

Foreign companies' startups

Total **1,405** projects

FY2015 **160** projects



**Chart 5-3 Investment projects supported by JETRO
(by country) (FY2003-2015)**

Total: 1,405 companies		
North America: 444		Europe: 439
Asia: 444		Other regions: 78
Rank	Nations	Number of cases
1	US	411
2	China	151
3	Germany	120
4	Korea	96
5	UK	85
6	France	75
7	Australia	46
8	Singapore	45
9	Taiwan	43
10	Hong Kong	41

**Chart 5-4 Investment projects supported by JETRO
(by industry)**

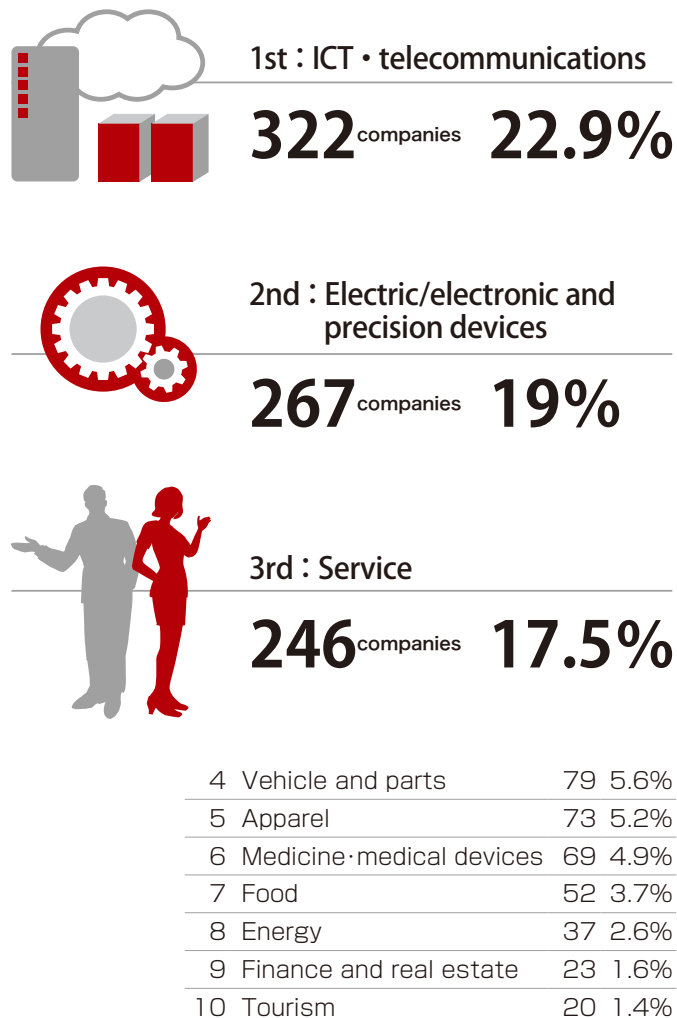
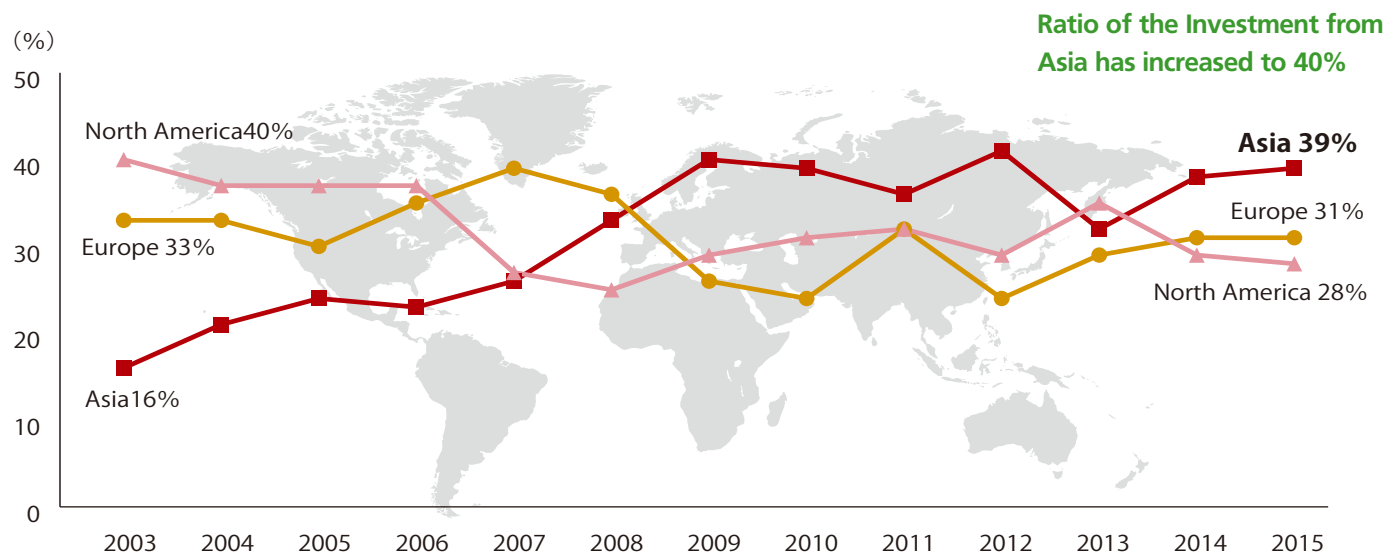


Chart 5-5 Ratio of JETRO's investment projects by region



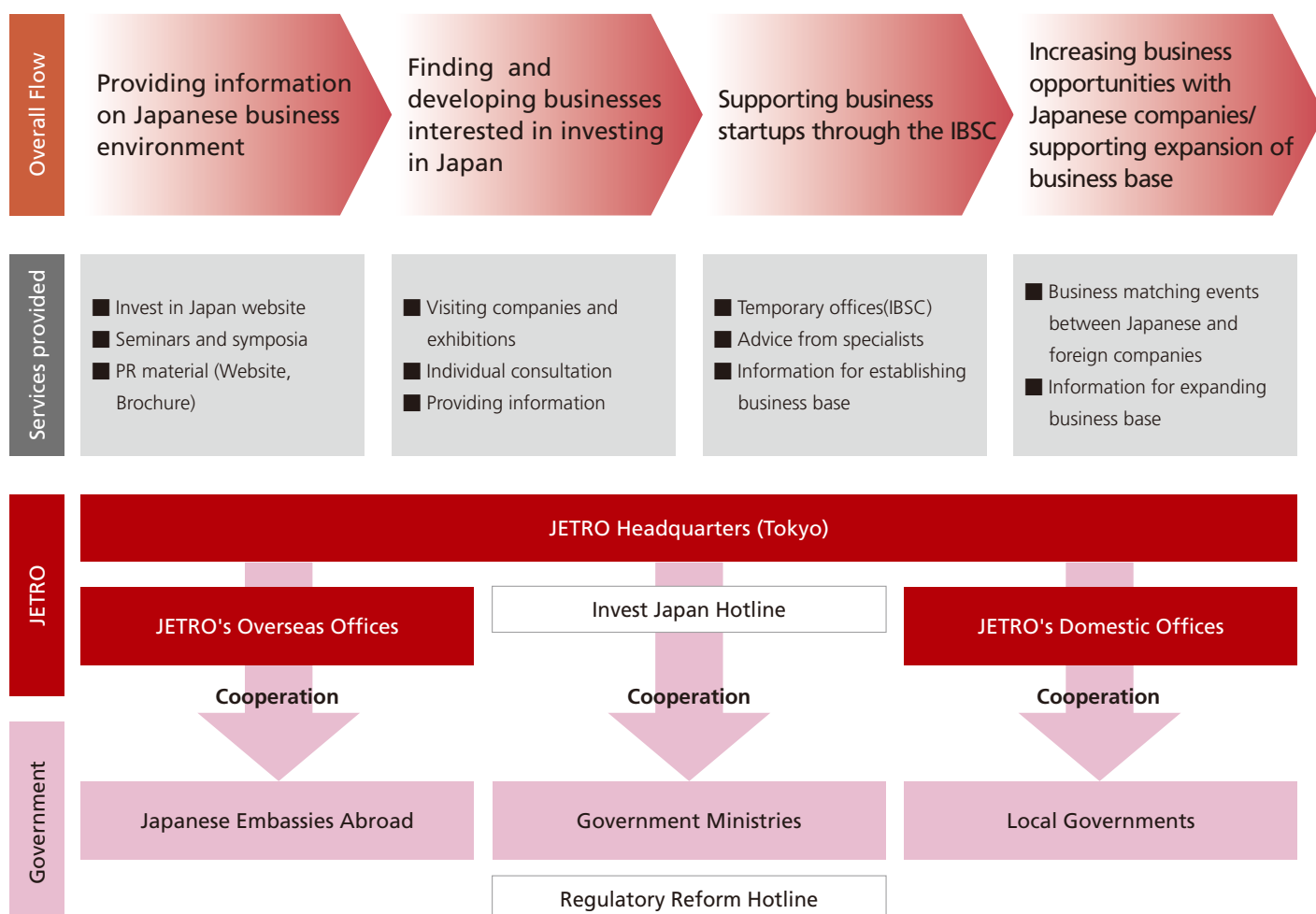
2. Focus of JETRO's activities

Under the government's plan to double inward FDI in Japan, JETRO is conducting various publicity projects and activities to attract foreign companies including identification of companies interested in investment in Japan using a network of 74 overseas offices in 55 countries worldwide, as well as the Tokyo and Osaka headquarters and 43 regional offices in the country (as of April 1, 2016: Chart 5-6).

In recent years, in addition to the existing initiatives, JETRO is strengthening its efforts in the three areas: approach to foreign-affiliated companies in Japan; support for R&D activities and attraction of R&D centers to stimulate innovation; and attraction of

Asian enterprises. Specifically, the Foreign Affiliate Support Division was set up in April 2015, to promote subsequent investment by foreign-affiliated companies that already have presence in Japan. JETRO also started a subsidy program to support R&D activities and stepped up its promotions in Asia. Furthermore, in order to contribute to realization of the "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub" (decision of the Council for Promotion of Foreign Direct Investment in Japan on May 20, 2016) (see p16 of Chapter 2) and other policies, JETRO is carrying out various initiatives with focus on (1) improvement of business environment, (2) strengthening dispatch of information, (3) enhancement of supports for individual projects, and (4) contribution to regional revitalization.

Chart 5-6 JETRO's activities to promote inward FDI



3. Outline of JETRO's projects

(1) Dispatching information contributing to promotion of inward FDI

• Top-level sales and overseas seminars

JETRO has been putting effort into PR activities by introducing the attractiveness of Japan as investment destination and its excellent business environment to overseas enterprises and government officials, and by setting up forums for the government and heads of local governments to call for investments.

In 2014, JETRO started top-level sales by the Prime Minister in an effort to strengthen inward investment promotion activities. Since then, JETRO has held six inward investment symposiums and Prime Minister encouraged overseas enterprises to invest in Japan. In May 2015, the Japan-US Economic Forum was held in Los Angeles, inviting Prime Minister Abe, US Secretary of Commerce Pritzker and US Ambassador to Japan Kennedy. The forum was joined by approximately 500 attendees from the US and Japanese business communities. In September 2015, another seminar was held in New York for top-level sales by Prime Minister Abe, governor of Mie and mayor of Yokohama.

In May 2016, the first high-profile seminar on investment in Japan was held in Brussels, Belgium. At the seminar, Prime Minister Abe and Belgian Deputy Prime Minister Kris Peeters took the platform,

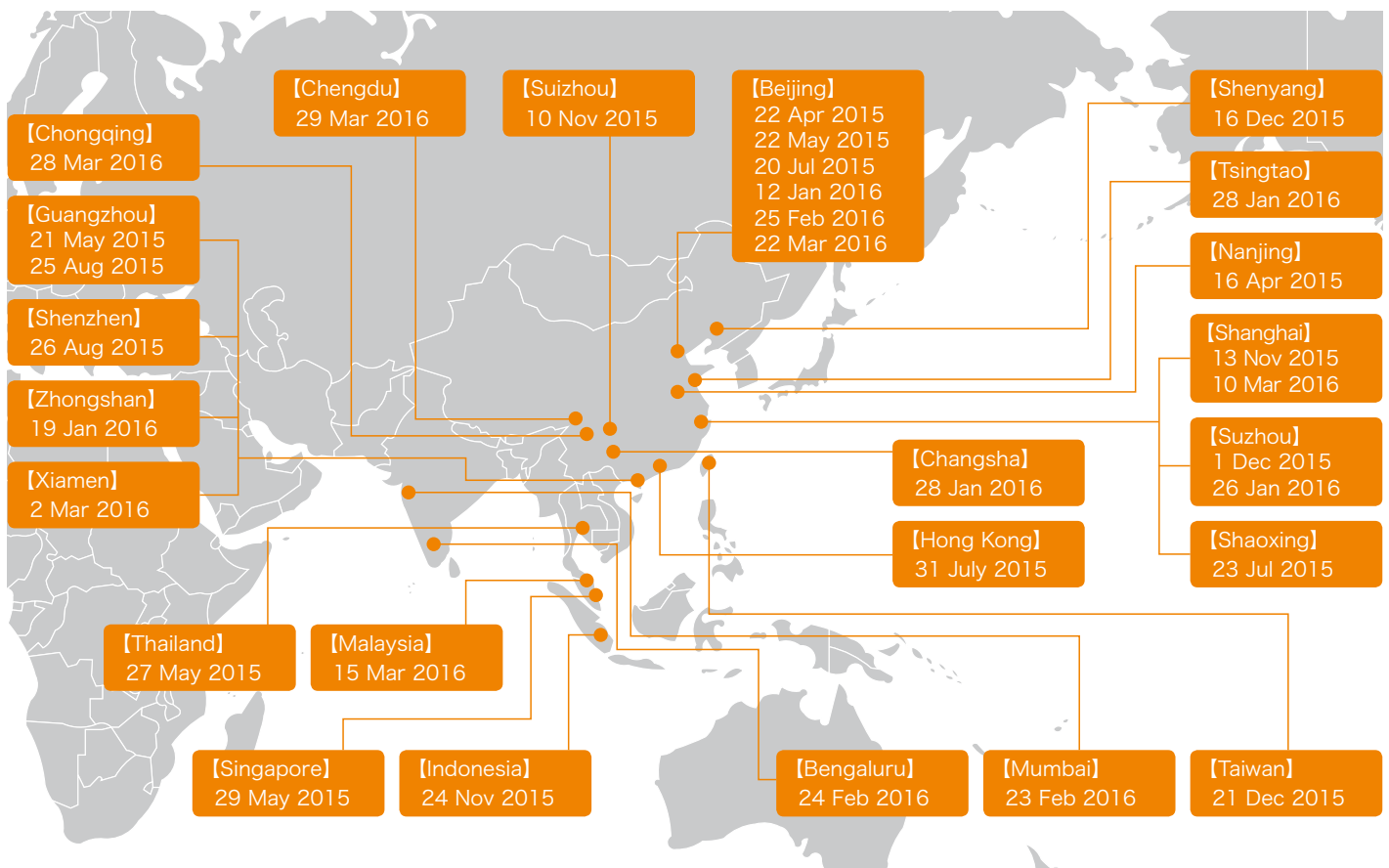
dispatched information on the advantage of doing business in Japan and opportunities in local regions, and encouraged Belgian companies to further invest in Japan.



Besides top-level sales in Europe and America, JETRO held over 30 seminars on investment in Japan in Asia and succeeded to attract 62 projects from the region in fiscal 2015 (about 1.5 times of the result in fiscal 2014) (Chart5-7).

For fiscal 2016, about 40 seminars on investment in Japan are scheduled across Asia. In Europe and North America, JETRO plans to hold seminars selecting right themes based on the interests of local companies in the country where the seminar is held, to enable focused approach to companies highly interested in investment in Japan.

Chart 5-7 Seminars on investment in Japan held in Asia in fiscal 2015



• Websites and other PR media for investment in Japan

In addition to top-level sales, JETRO is sending out information regularly through a variety of media including websites, email newsletters and pamphlets.

Through its website JETRO introduces the attractiveness of the Japanese market, incentive information and success stories of foreign companies investing in Japan, and trying to enrich their content so that visitors can obtain all information on investment in Japan they need including information on procedures for setting up business and various support programs of JETRO (Chart 5-8). "Regional Information" enables search for local investment environment and industry information of the regions of 77 local governments across Japan, incentives and supports by local governments, logistics infrastructure, living conditions for foreigners by prefecture and their target industry. You can also view comparison of data of local regions.

Support for investing in regions :

<https://www.jetro.go.jp/en/invest/region.html>

"Laws & Regulations on Setting up Business in Japan" compiles information on procedures for company registration, visas, tax, personnel/labor and IPR related to company establishment in Japan. Since there is a strong need for such information, the site has been very popular. The total number of accesses to "How to Set up Business in Japan/Initial Cost Estimation" carrying the materials above in Japanese and English exceeded 500,000 in fiscal 2015 (the materials are compiled in Japanese, English, French, German, Chinese (simplified and traditional) and Korean).

How to Set up Business in Japan/Initial Cost Estimation:

https://www.jetro.go.jp/en/invest/setting_up.html

"Talk to JETRO First" pamphlet, which compactly compiles the appeal of Japan's business environment, is translated into 17 languages to enable introduction to overseas companies in their native language. A PR pamphlet "Attractive Sectors" is released and it conveys the appeal of the electricity/renewable energy, life science and ICT markets through market overview of the respective industry, and its contents were renewed in 2016. In order to promote investment in local regions, JETRO newly created "Why Invest in Japan's Local Regions? -Unlimited Business Opportunities Await-" introducing the attractiveness of investing across Japan (Chart 5-9).

The following information is provided on the website "Invest in Japan":

- 5 reasons to invest in JAPAN
- Why Invest in Japan's Local Regions?
- Speeches by the Chairman
- How to Set up Business in Japan/Initial Cost Estimation
- Regional Information
- Incentive Programs
- Invest Japan Business Support Center (IBSC)
- Support for foreign-affiliated companies
- Success Stories
- Industry Information/Report
- Email Newsletter "Success in Region"
- JETRO's Support
- Invest Japan Hotline

Chart 5-8 JETRO Invest Japan Website <https://www.jetro.go.jp/en/invest/>

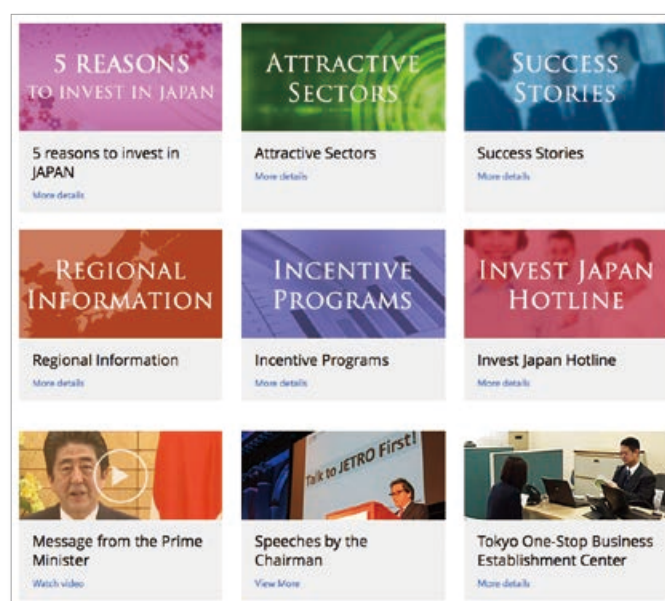


Chart 5-9 Invest Japan PR pamphlets



Talk to JETRO First
(in 17 languages)

Attractive Sectors



"Success Stories"– stories of foreign companies successfully entering the Japanese market



(2) Finding and supporting companies interested in investing in Japan and in subsequent investment

• Reinforcing the platform to find overseas projects to invest in Japan

Outside Japan, persons in charge of attracting investment at JETRO overseas offices and external specialists grasp information on promising companies and encourage them to start business in Japan. JETRO overseas offices and external specialists cooperate with diplomatic missions abroad and trade/investment promotion organizations of other countries by holding seminars and jointly visiting industry groups to provide information on the investment environment in Japan, identify prospective companies and provide support including information.

In order to enhance the platform to find possible projects abroad, JETRO started proactive attraction activities in 2015 by adding about 50 persons in charge of attracting investment at JETRO overseas offices while deploying about 30 Industrial Specialists for individual approach and follow-up of promising companies with a prospect of large-scale investment in Japan. Because investment from Asia is increasing in recent years, JETRO is increasing the number of staffs to reinforce activities to identify Asian companies interested in investment in Japan.

• Scaling up supports for foreign-affiliated companies in Japan

In April 2015, JETRO set up a new section, the Foreign Affiliate Support Division, to support subsequent investment by foreign-affiliated companies that already have presence in Japan. The division provides finely-tuned supports tailored to individual needs of foreign-affiliated companies considering business expansion including additional investment/employment and business development into local regions. The service includes provision of market and incentive information, introduction to local governments and PR supports.

[Networking events to support business expansion in Japan]

JETRO provides opportunities for business matching to help Japanese companies utilize sales channels and technologies of overseas companies, while at the same time helping overseas companies enter the Japanese market and expand investments in Japan by increasing business with Japanese companies.

In December 2015, a business networking event for the tourism sector in Fukuoka was held inviting five global tourism companies including Yelp Japan, Global Tax Free, Koraku Japan, Ctrip Japan and Square. A broad range of Japanese companies including hotels, hot spring resorts, travel agencies, food service, retail and transportation businesses participated in the event not only from Kyushu but from all over Japan.

In February 2016, the International Symposium on Medical Appliances in Osaka was held to facilitate the formation of business alliances and joint R&D by Japanese medical appliances manufacturers with four foreign-affiliated companies in the medical equipment field (GE Healthcare Japan, 3M Japan Limited, Philips Electronics Japan, Ltd., Medtronic Japan Co., Ltd.).

On April 12, 2016, JETRO held the first JETRO Invest Japan Networking Event, inviting foreign-affiliated companies located in Japan. This event was the first attempt to provide a networking opportunity for the foreign-affiliated companies which have already established a presence. The event received many participants: 190 people from international firms and a large number of people from foreign embassies in Japan, foreign governmental organizations,

Chart 5-10 The first JETRO Invest Japan Networking Event

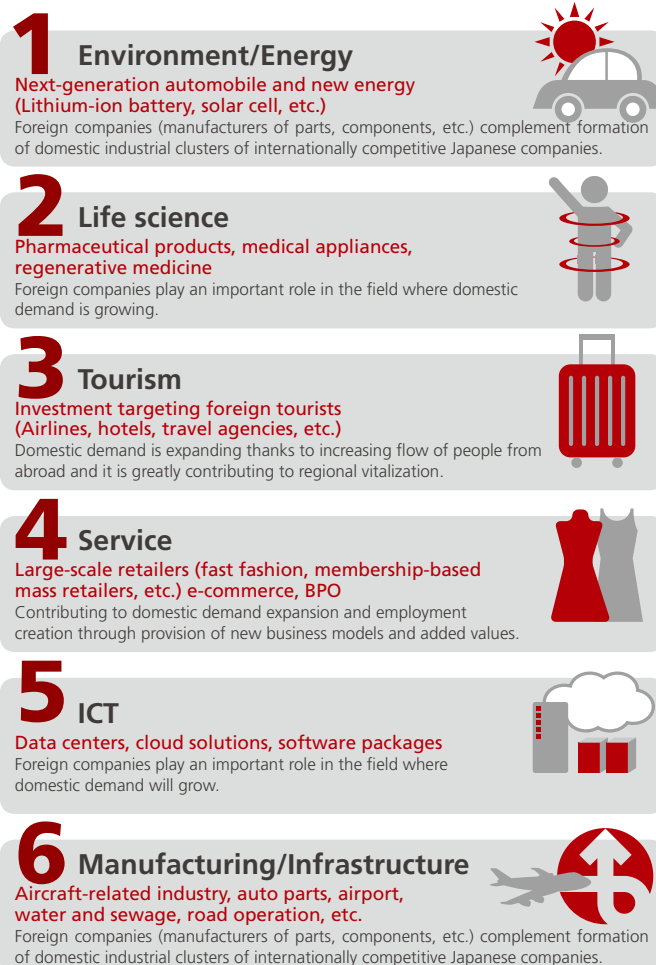


Japanese government ministries and agencies as well as local governments, who actively exchanged information (Chart 5-10). The event also served for these companies as an opportunity to deepen their understanding of the Invest Japan promotion initiatives conducted by the Japanese government and JETRO.

[Supporting "Investment Advisor Assignment System"]

"Investment Advisor Assignment System" through which State Ministers etc. will act as advisors to companies that have made important investments in Japan was established in order to prepare an environment in which these companies can easily consult with

Chart 5-11 JETRO's strategic fields in FDI



the Japanese government. JETRO is present at meetings of nine foreign companies solicited and selected by Cabinet Office with the responsible State Minister, etc. and supports response to their requests (See P16 of Chapter 2).

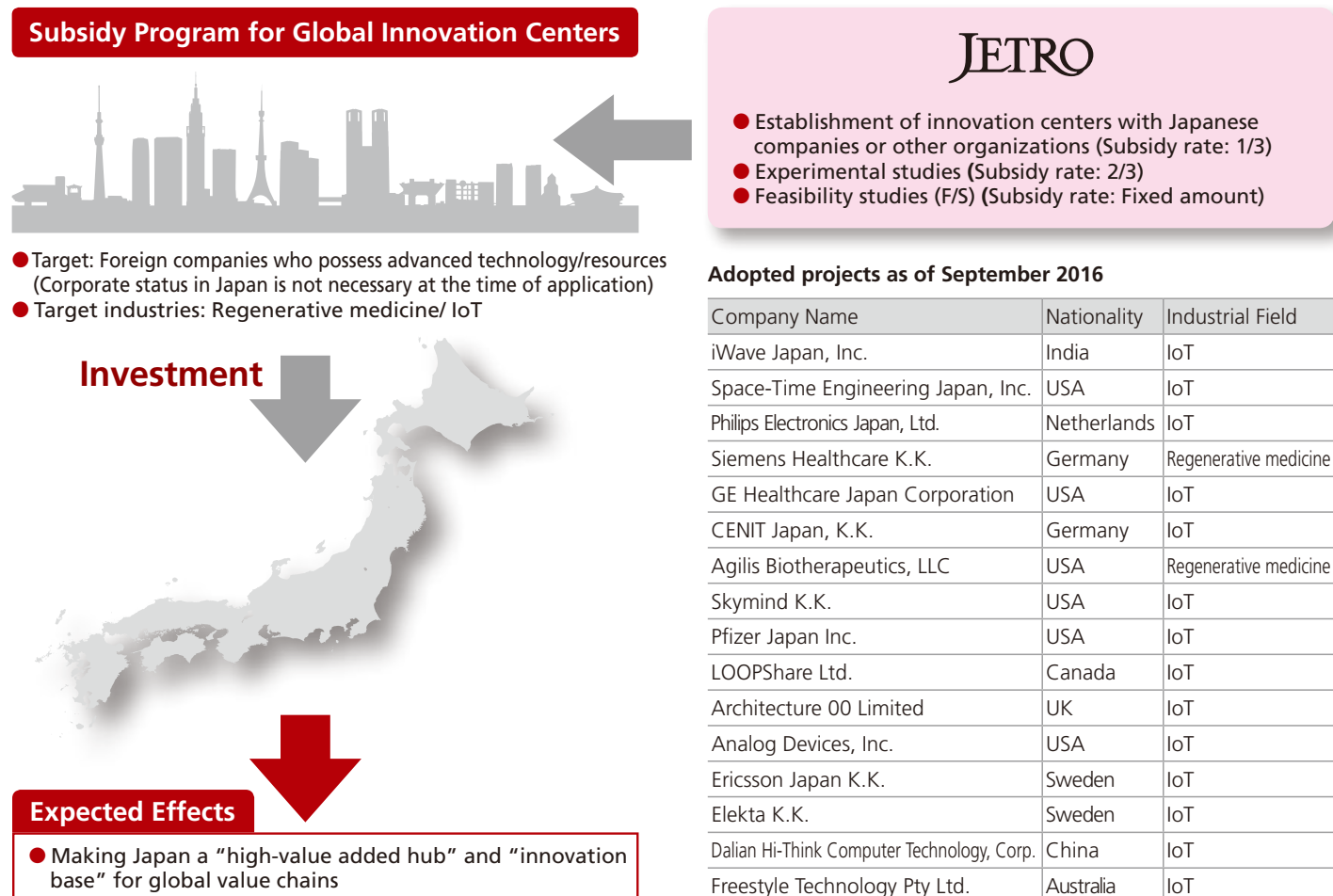
(3) Attraction of R&D centers and other high-value added sites

Positioning (1) Environment and Energy, (2) Life Science, (3) Tourism, (4) Service, (5) ICT and (6) Manufacturing and Infrastructure as target fields where foreign companies have a strong interest and growth is expected, JETRO is stepping up its efforts to attract R&D sites by calling attention to the large pool of researchers, technological strength and favorable business environment complying with rules for intellectual property rights in Japan (Chart 5-11).

[Subsidy Program for Global Innovation Centers]

The government launched the program that subsidizes the cost of setting up innovation centers, experimental studies and feasibility studies (F/S) by companies from overseas in collaboration with Japanese companies and other organizations in Japan. Public announcement started in February 2016. The aim of the program is to draw investments and excellent management resources from overseas by promoting location of high value-added sections of

Chart 5-12 Overview of the Subsidy Program for Global Innovation Centers



overseas companies such as R&D facilities, and making Japan a high value-added hub and innovation center in the global value chains.

This subsidy is offered to projects for establishment of R&D centers, experimental studies, or the like in Japan with respect to regenerative medicine or IoT (=Internet of Things) that is expected to grow in the future. Specifically, costs of the following three types of projects are eligible for the subsidy:

- ① **Establishment of global innovation centers** refers to establishment of R&D sites including the accompanied facilities such as manufacturing, sales or administration.
- ② **Experimental studies** refer to experiments being conducted by a foreign company in collaboration with Japanese companies or organizations, such as research and data collection in order to achieve practical application of technologies, products and services in Japan, which are already being put to practical use, or are expected to have practical application in foreign countries, such as the country where the foreign company's headquarters is located.
- ③ **Feasibility studies (F/S)** refer to activities such as market research conducted by a foreign company in collaboration with Japanese companies or organizations, in order to achieve practical application of technologies, products and services in Japan, which are already being put to practical use, or are expected to have practical application, in foreign countries, such as the country where the foreign company's headquarters is located.

JETRO

- Establishment of innovation centers with Japanese companies or other organizations (Subsidy rate: 1/3)
- Experimental studies (Subsidy rate: 2/3)
- Feasibility studies (F/S) (Subsidy rate: Fixed amount)

Adopted projects as of September 2016

Company Name	Nationality	Industrial Field
iWave Japan, Inc.	India	IoT
Space-Time Engineering Japan, Inc.	USA	IoT
Philips Electronics Japan, Ltd.	Netherlands	IoT
Siemens Healthcare K.K.	Germany	Regenerative medicine
GE Healthcare Japan Corporation	USA	IoT
CENIT Japan, K.K.	Germany	IoT
Agilis Biotherapeutics, LLC	USA	Regenerative medicine
Skymind K.K.	USA	IoT
Pfizer Japan Inc.	USA	IoT
LOOPShare Ltd.	Canada	IoT
Architecture 00 Limited	UK	IoT
Analog Devices, Inc.	USA	IoT
Ericsson Japan K.K.	Sweden	IoT
Elekta K.K.	Sweden	IoT
Dalian Hi-Think Computer Technology, Corp.	China	IoT
Freestyle Technology Pty Ltd.	Australia	IoT

As the implementing body of the Subsidy Program for Global Innovation Centers (Chart5-12) established in FY2015, JETRO performs acceptance, examination and selection of applications, delivery of subsidies and other services. Posting was made four times from February to September 2016, selecting 16 companies (2 projects in the area of regenerative medicine and 14 projects in the area of IoT).

Philips, the Netherlands (IoT)

The global leading manufacturer of electric equipment will develop a tele-medicine system incorporating big data in partnership with Showa University. The system is expected to derive effective approaches based on the analysis of the big data of over 3 million cases in combination with the patient's information fed through sensors and video cameras. This way, a system will be developed to enable a doctor in a control center to monitor patients who are in ICU beds of hospitals at remote location. The project cost is approximately 500 million yen, about half of which is paid by the subsidy.

Pfizer, US (IoT)

Leading pharmaceutical company Pfizer in cooperation with Kyoto and Okayama Universities will launch a project for early detection of diseases using IoT technology. Pfizer's data on drug discovery and clinical trials are combined with sensor technologies of the universities to analyze the tendency of initial symptoms using the vast amounts of data, which will enable diagnosis based on scant symptoms for prevention of serious conditions of the patients. Services using big data for disease detection have spread overseas and it is expected that similar services will be introduced also to Japan.

(4) Collaboration with local governments to attract foreign investment to local regions

With contribution to regional vitalization in mind, JETRO is working together with local governments actively attracting overseas and foreign-affiliated companies including subsequent investments. For example, JETRO proposed to include overseas companies in the local governments' industrial development strategy, provided support for formulation of strategies for attracting global enterprises, proposed effective approaches to target companies and suggested incentive programs for overseas companies. JETRO cooperates with local governments in top-level sales, seminars for subsequent investment, analysis of the attractiveness of each region, development of bases for regional support and other initiatives.

In fiscal 2016, JETRO in cooperation with regional Bureaus of Economy, Trade and Industry started a working-level training program (basics, application and practice) for local officials in charge of attraction of foreign companies, including officials of local governments and Chambers of Commerce and Industry, to gain better understanding of their job and learn skills and knowledge necessary for attracting investments.

(5) Support for foreign companies establishing business base in Japan

In Japan, JETRO provides overseas companies interested in doing business Japan with information on the market, industries and regulations through individual consultation by dedicated staff of JETRO and market specialists. JETRO also holds networking events for companies. In addition, six foreign staff members, most of them with experience working in JETRO's overseas offices, are continuously assigned to desks at JETRO headquarters dedicated to the US, China, South Korea, Singapore, Taiwan and India so that they can respond to inquiries from companies of these countries in their respective languages and based on the understanding of the business and culture of the country.

In fiscal 2016, JETRO newly set up the Invest Japan Division at JETRO Osaka, and deployed Invest Japan Coordinators at Kyoto, Osaka, Sendai, Yokohama and Nagoya. They work exclusively for attraction of enterprises to local regions and build a network with foreign-affiliated companies. JETRO plans to deploy Invest Japan Coordinators also at Hiroshima and Fukuoka.

[Invest Japan Business Support Center (IBSC)]

JETRO has set up Invest Japan Business Support Centers in six major cities (Tokyo, Yokohama, Nagoya, Osaka, Kobe and Fukuoka). There, experienced and dedicated staff and specialists provide one-stop service for investment in Japan, including providing information through a broad network covering the public and private sectors and free consultations on legal, labor, tax and other affairs and procedures for incorporation, which are tailored to individual companies. The centers also provide office space for preparation for establishing a company in Japan (free of charge for 50 business days) (Chart5-13, 5-14).

Chart 5-13 Invest Japan Business Support Center (IBSC)

Consulting Consultation for each company for free of charge

- Legal consulting
- Tax consulting
- Cost estimates
- Information on relevant legal systems
- Consultation on business customs
- Finding human resources
- Finding office and factory spaces
- Support on the application for subsidy programs

Facilities Temporary office space for free of charge

- Office space available for free for up to 50 business days
- Offices in 6 major cities in Japan
- Equipped desks, chairs, telephone and broadband
- Common reception available
- PC room equipped with printer and scanner
- Meeting rooms and conference hall available

Information Providing information that is necessary for business

- Market reports
- Business advisors
- Online database
- Information on service providers
- Supporting access to government agencies
- Accepting request for regulation reforms

Chart 5-14 Locations of Invest Japan Business Support Centers (IBSCs)



[Invest Japan Hotline]

JETRO has set up Invest Japan Hotline (Chart 5-15) to receive requests for regulatory reform and consultations from overseas companies, make recommendations to the government and arrange interviews, so that the requests and consultations are communicated to the government. The staff provides comprehensive support including language support for the process from arrangement of and presence at meetings with relevant ministries/agencies according to the content of the consultation, and follow-up on the request of regulatory reform and reporting back on the results.

Through the process, JETRO realized the abolishment of the requirement that at least one representative needs to be resident in Japan for registration of subsidiaries in Japan by foreigners.

[Investment support through Global Alliance Scheme]

The Global Alliance Scheme was launched in fiscal 2015 under the leadership of the Ministry of Economy, Trade and Industry (METI), with JETRO serving as a coordinator and in cooperation of JETRO, the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN ("SME Support, JAPAN"), the Central Bank for Commercial and Industrial Co-operatives ("Shoko Chukin Bank"), and the Small and Medium Business Investment & Consultation CO., LTD. ("SBIC"). The scheme is designed to promote expansion of sales channels and open innovation by Japanese mid-ranking companies and SMEs by encouraging foreign companies' investment in them, participation in their management and business tie-up with them. Direct/indirect investment by foreign companies as expansion of direct investment in Japan can contribute to the creation of domestic employment and the revitalization of regional economies. In order to expand the effect of the promotion of direct investment in Japan, JETRO will support matching of Japanese mid-ranking companies and SMEs with foreign companies in cooperation with local financial institutions, SME Support, Japan, and other relevant organizations.

Chart 5-15 Invest Japan Hotline

<https://www.jetro.go.jp/en/invest/hotline.html>

JETRO supports foreign companies by

- Giving consultation regarding administrative procedures required for FDI into Japan.
- Arranging meetings with officials of regulatory agencies if needed.
- Relaying requests for regulatory reforms to the Japanese government.

Consultation regarding investing in Japan and regulatory reform requests from foreign companies



Consultation regarding and investing in Japan
(Administrative procedures and information on regulations and systems)
Requests for regulatory reforms
Service available in languages other than Japanese

One stop service provided by JETRO

Invest Japan Hotline

Hours: 9:00 12:00/13:00 17:00

Days: Monday to Friday Closed on Saturday and Sunday, national holidays

03-3582-4684



Accepting inquiries
Collating content of inquiries
(translating into Japanese when necessary)
if able to answer the matter, JETRO will answer questions directly.

Consultation regarding investing in Japan
(within the same day)

JETRO will arrange meetings with the relevant authorities.

Requests for regulatory reforms
(when necessary)

when necessary, JETRO will submit requests for regulatory reforms to the Cabinet Office and METI

JETRO will arrange meetings with the relevant authorities and provide comprehensive support including language support

1. After the relevant authorities receive the request, they will coordinate with JETRO on a date and time for consultation. within the same day
2. In principal, a Jetro staff will escort the foreign company, representative and provide language support during the consultation with the relevant authorities. within one week (excluding weekends and public holidays)



Official in charge

JETRO will follow up on each case from the time the request is received to the time the result is reported

1. After examining the request, the Cabinet Office will ask the relevant authorities to consider possibilities of reform.
2. Certain answers from the relevant authorities may be reported to the Regulatory Reform Council for discussion. As a general rule, the Cabinet Office report the result of the deliberation at the Council to JETRO prior to the official announcement.
3. The result of the deliberation at the Council will be reported to the foreign company through JETRO if it is to be released to the public.



VI Regional Revitalization: Regional Invigoration by Foreign-affiliated Companies

1. Regional initiatives to attract foreign-affiliated companies

Nearly 70% of foreign-affiliated companies in Japan are headquartered in Tokyo, continuing their overconcentration in the Japanese capital (Chart 6-1). A survey of foreign-affiliated companies by JETRO in Chapter 4 indicates that factors to which these companies give priority in selecting investment destinations in Japan include “distance from customers,” “well-developed infrastructure (transportation, logistics, information and communication, energy and other infrastructure),” “market size (market characteristics),” “costs (including land and personnel costs),” and “access to or distance from other business bases in Japan.” Given the survey result, it is natural for foreign-affiliated companies to expand into megacities, particularly the Tokyo metropolitan region. Some foreign-affiliated companies establish multiple business bases in Japan, paying attention to geographical business coverage, establishment of closer relations with customers, logistics networks, knowledge accumulation or regional resources. Thus, foreign-affiliated companies are expanding production, research and development, logistics, sales and other functions into other prefectures than Tokyo.

Chart 6-1 Top 10 prefectures where foreign-affiliated companies are based

Rank	Prefecture	No. of Companies	Ratio (%)
1	Tokyo	2,284	68.5
2	Kanagawa	319	9.6
3	Osaka	164	4.9
4	Hyogo	85	2.6
5	Aichi	70	2.1
6	Saitama	63	1.9
7	Chiba	61	1.8
8	Shizuoka	28	0.8
9	Fukuoka	25	0.8
10	Ibaraki	18	0.5

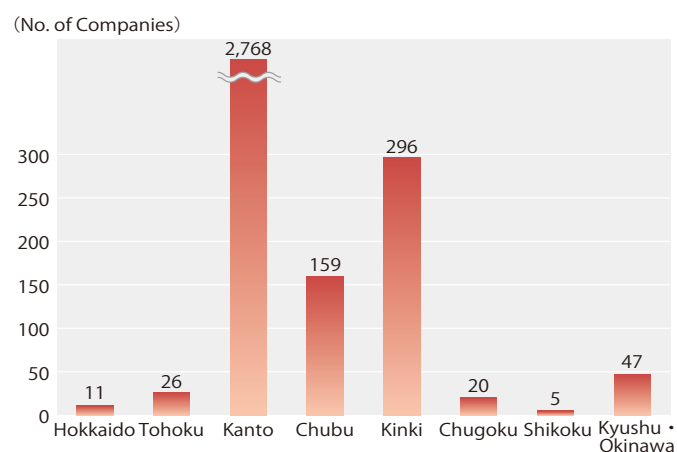
[Note] 3,332 companies responded.

According to the abovementioned JETRO survey, about 80% of responding foreign-affiliated companies in Japan are planning to expand investment in Japan within five years. More than 60% of them are considering investing in regions other than Tokyo.

Since attracting foreign-affiliated companies is viewed as a regional economic revitalization measure contributing to creating jobs and introducing cutting-edge technologies and innovative business management know-how, local governments have started making full-fledged efforts to attract these companies. In the first step for attracting foreign-affiliated companies, local governments must grasp regional potential and possibility and identify industry sectors that could view regional characteristics as business chances, competitors in value chains in these sectors and companies that these governments’ regions lack or want to attract. Attracting foreign-affiliated or domestic companies in either case has close relations with regional industrial policies, in other words, how these local governments want to develop their own regions.

This chapter introduces local governments that have taken advanced initiatives to attract foreign-affiliated companies belonging to industry sectors they want to introduce.

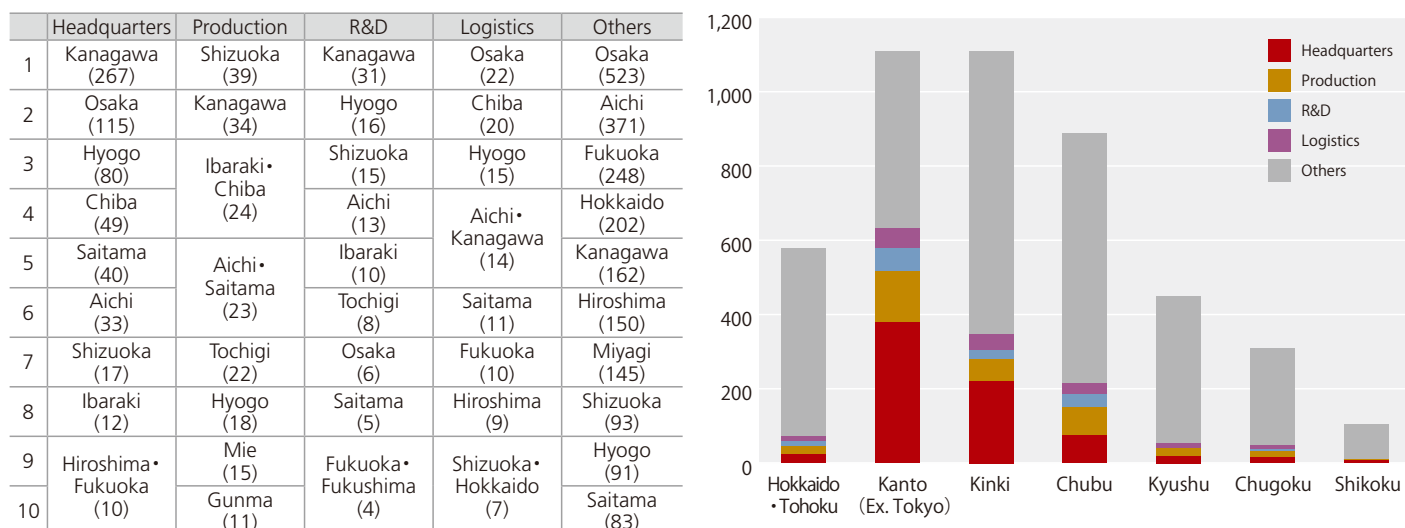
Number of foreign-affiliated companies by region



[Source] “49th Survey of Trends in Business Activities of Foreign Affiliates (2015)” (Ministry of Economy, Trade and Industry)

*The survey treated subsidiaries and affiliates, rather than consolidated groups, as individual companies. However, it did not cover business sales offices, branches or representative offices.

Chart 6-2 Foreign-affiliated companies' investment in prefectures by function (excluding Tokyo)



[Source] Prepared by JETRO based on "List of Foreign-affiliated Companies in Japan 2015" (Toyo Keizai Inc.)

(1) Fukuoka City -- Using National Strategic Special Zone deregulation to support foreign entrepreneurs with Startup Visa and other incentives

On December 9, 2015, Fukuoka City became the first Japanese local government to initiate the "Startup Visa (Entrepreneurial Incentives for Foreigners)" through deregulation under the National Strategic Special Zone program. Usually, any foreigner willing to acquire the "Business Manager" residential status in Japan is required to open a business office, and to hire two or more permanent employees, or have capital/investment exceeding 5 million yen when submitting an application for the status to the Immigration Bureau. These requirements represent a high hurdle.

Under the "Startup Visa" initiative, any foreigner, without fulfilling the aforementioned prerequisites, can obtain the six-month "Business Manager" visa by submitting a New Business Implementation Plan to Fukuoka City, which would confirm the plan before the Immigration Bureau evaluates the foreigner's application for the visa based on the confirmation. If approved, foreign entrepreneurs are provided with six-months to fulfill the prerequisites and complete procedures while developing their business. New businesses must be started up in Fukuoka City for cutting-edge industries as designated by the city.

Furthermore, Fukuoka City created the **Office and Residential Rent Subsidy Program for Foreign Startups** in fiscal 2016 to provide subsidies covering part of residential or office rents for foreigners starting up businesses in Fukuoka City.

Under the fiscal 2016 tax reform outline, a measure is expected to be created to reduce corporate tax on startups in the Fukuoka City National Strategic Special Zone ("Tax Reduction for Startups").

Although details haven't been announced yet, the measure to help entrepreneurs start up new businesses in Fukuoka City will reduce taxable income by 20% for five years from the founding of new businesses. As a result, an effective corporate tax rate covering national and local taxes for corporations subject to the tax reduction will fall to a 24-25% range close to Chinese and South Korean levels. Those subject to the tax reduction will be limited to startup companies whose main office would have to be located in the Special Zone for innovative businesses in the IoT (Internet of Things), international, healthcare or agriculture area.

Fukuoka City issued the "Startup City Declaration" in 2012 in a bid to enhance the international competitiveness of local industries and expand employment, and has been developing a "startup-friendly" environment and creating venture business clusters. The various support programs for foreign entrepreneurs are extensions of this policy.

Due to its geographical proximity to other Asian countries, Fukuoka City frequently receives residential status applications from people from these countries. Direct flights are operated between Fukuoka Airport and some 20 international cities. Taking advantage its geographical strengths Fukuoka City is expected to have more foreigners starting up new businesses in the city, invigorate exchanges among foreign and Japanese ventures and eventually lead to the foundations of internationally competitive companies.

Fukuoka City has continued to see a net population inflow and hit an all-time high in tax revenue in fiscal 2015 for the third straight year. It is ranked seventh among "the top 25 most livable cities in the world" for 2016 as released by the U.K. information magazine "Monocle." The development of a "startup-friendly" environment and comfortable living environment for foreigners is expected to lead more foreign-affiliated companies to expand into Fukuoka City.

<Startup Visa (Entrepreneurial Incentives for Foreigners)>

http://www.city.fukuoka.lg.jp/keizai/r-support/business/startupviza_english.html

<Office and Residential Rent Subsidy Program for Foreign Startups>

http://www.city.fukuoka.lg.jp/keizai/r-support/business/rent_subsidy_english.html

<Tax Reduction for Startups>

http://www.city.fukuoka.lg.jp/soki/kikaku/business/startuphoujingenzei_en.html

(2) Kanagawa Prefecture -- Supporting industrialization of regenerative medicine and cell therapy in a special zone neighboring Haneda Airport

On August 25, 2016, Kanagawa Prefecture held a ceremony to open the Life Innovation Center (LIC) as the base for industrializing regenerative medicine and cell therapy at the “KING SKYFRONT,” International Strategic Zone for life science and environment fields in Kawasaki City’s Tonomachi district.

Kawasaki City has developed KING SKYFRONT since 2008 to attract companies and R&D laboratories. KING SKYFRONT was designated as an International Strategic Zone in 2011 and as a National Strategic Special Zone in 2014, qualifying for tax cuts, fiscal and financial incentives and various deregulation measures. By 2020, a direct access road (bridge) will be developed between KING SKYFRONT and Haneda Airport, which is located on the opposite shore of Tama River. When the road is opened, the 24-hour operating international airport will be a 15-minute walk from KING SKYFRONT.

Facilities operating in the district include the CIEA (Central Institute for Experimental Animals) Regenerative Medicine and New Drug Development Research Center, famous for the research and development of humanized mice, the Life Science & Environment Research Center (LiSE), a multiplex facility accommodating research institutes and private corporations with cutting-edge technologies, and the Innovation Center for NanoMedicine (iCONM) for research on the industrialization of nanomedicine. Governmental and industrial research institutes and private corporations have decided to expand into the district. A major US pharmaceutical company, Johnson & Johnson, has opened a research and training center in the district for healthcare professionals to learn operation of advanced medical devices developed by the company, attracting about 10,000 visitors from Japan and other countries annually.

The LIC in a four-story building with a total floor space of 16,000 square meters has the space and equipment to serve as a one-stop center for the commercialization or industrialization of regenerative medicine and cell therapy covering from research and development to cell cultivation, processing, quality control and shipments. It has small and large rooms for venture businesses and universities and a production space for mass cell cultivation requiring large amounts of electricity. By August 2016, 20 companies decided to become tenants at the LIC, accounting for 90% of the total floor space.

Kanagawa Prefecture has adopted a “Healthcare New Frontier Policy” to combine pursuing cutting-edge medical technologies with the curing of “ME-BYO” (presymptomatic state/ conditions between being healthy and sick) for making mental and physical conditions healthier to create new healthcare markets and industries for Japan facing a super-aging society. The LIC serves as the core of the policy, focusing on the commercialization or industrialization of regenerative medicine and cell therapy.

The LIC has attracted tenants with its proximity to Haneda Airport. The proximity to the international airport will allow them to immediately export products while maintaining cell quality and saving transportation costs. For the future, tenants can expect healthcare tourism in which foreign patients will visit the LIC for healthcare using regenerative medicine and cell therapy.

An open laboratory the LIC provides is another major incentive. It is difficult for individual companies to introduce high-priced experimental equipment required for research and development for the commercialization of regenerative medicine and cell therapy. Kanagawa

prefecture makes such equipment available at the open laboratory for free joint use by tenants lasting until March 2017.

However, the biggest attraction of the LIC for tenant companies is the network of promising companies, researchers and industry people gathering at the LIC. Kanagawa prefecture promotes accumulating companies that may constitute the value chain of the industrialization of regenerative medicine and cell therapy inside the LIC and provides support for data analyses for clinical trials and research to help LIC tenants develop efficient clinical trial plans.

Kanagawa prefecture hopes to create new research projects and businesses by promoting interactions among LIC tenants. People operating in the LIC would be assets. LIC tenants would be able to meet key persons for commercializing regenerative medicine and cell therapy. Such opportunities would produce new technologies. Those leaving the LIC would still be connected to the LIC network. The prefectural government plans to support the LIC to achieve such virtuous cycle.

<Life Innovation Center>

<http://www.pref.kanagawa.jp/mlt/f531223/p906486.html>

(3) Mie Prefecture -- Attracting foreign-affiliated companies with abundant incentives suitable for target industries

Mie Prefecture is located in central Japan known for the concentration of Japanese automobile and aircraft industries. In the northern part of the prefecture, particularly, Japan’s leading companies and plants in transportation machinery, electrical machinery, oil and chemical, healthcare and food, and other industries are accumulated. On the strength of a major electronics plants (related to electronic components and devices) and other factors, Mie boasts the highest real economic growth among Japanese prefectures. Over recent years, the prefecture has given priority to the aircraft industry as well.

In Mie Prefecture where manufacturers are accumulated, foreign-affiliated companies have also located manufacturing and R&D bases. In the semiconductor area, a Japanese subsidiary of Cabot Microelectronics in the United States has established a manufacturing and R&D base in Mie Prefecture. Recently, a consortium between Toshiba and US-based Western Digital (WD) has decided to invest an additional 1.5 trillion yen in Yokkaichi City for mass production of three-dimensional memory. In 2015, Taiwan-based United Microelectronics Corporation (UMC) invested some 10 billion yen in a semiconductor wafer plant of Fujitsu Semiconductor in Kuwana City, acquiring a stake of about 16% in the plant.

Mie Prefecture has been offering various incentives to lead companies to locate manufacturing bases and R&D bases in the prefecture. Its “Subsidy for Foreign Affiliated Enterprises Planning to Establish an Asian Base in Mie” has set a subsidization rate at 20% of invested depreciable assets for foreign-affiliated manufacturers (maximum 500 million yen), double the rate for Japanese companies, and also covers 50% of annual office rents. The prefecture also has a **subsidy for R&D facility** covering 10% of investment for constructing R&D facilities and a **mother plant location subsidy** for manufacturers covering 15% of investment leading to mother manufacturing plants(*) in Mie Prefecture.

(Note*: A mother plant has accumulated a high level of technological know-how, engineering abilities, management skills and investment decisions to support projects for setting up overseas plants.)

Mie Prefecture also offers unique incentives for attracting businesses that are not seen in any other Japanese prefecture. Among them is a **mileage system** regarding subsidy qualification requirements. Even if one-time investment slips below a required level for subsidies, a company can accumulate investment points based on the total amounts

or number of employees for multiple projects for five years to the required level and apply for subsidies.

Furthermore, the prefecture has been providing a **subsidy for promoting head office function transfer** to encourage companies to relocate their headquarters functions to Mie since April 2015. The subsidy is flexibly applied to companies that transfer head office “functions” to the prefecture even without transferring their company registration to the prefecture on a document basis.

With the advantage of the accumulation of leading industries for the next generation and various incentives for prioritized industries, Mie Prefecture hopes to continuously encourage foreign-affiliated companies to locate R&D bases in the prefecture and lead to various business developments such as joint development with local firms.

Mie Prefecture has also given priority to attracting the services industry. The prefecture boasts rich tourism resources including such signature agricultural products as Matsusaka beef and Iseebi lobsters, sightseeing spots like Ise Shrine, Kumano Kodo pilgrimage routes on the World Heritage list, Iga known as a hometown of ninjas and the Suzuka Circuit. In March 2016, Aman Resorts based in Singapore opened the “Amanemu” hot spring resort hotel in the Ise-Shima National Park. It is the second hotel in Japan managed by Aman that runs resort hotels in the world. In May 2016, the Group of Seven major countries held the Ise-Shima Summit in the prefecture, attracting attention from throughout the world and contributing to increasing awareness of the prefecture in the world.

Mie Prefecture has established subsidies for the services industry from early on in a bid to attract foreign capital hotels to the prefecture. In fiscal 2013, it created a **services industry location subsidy** to cover 10% of invested depreciable assets, the first subsidy for the services industry in Japan. The prefecture hopes that the location of foreign capital hotels in the prefecture would contribute to increasing new visitors including foreign wealthy people and give back foreign firms’ networks, know-how and brands to the local communities. For foreign-affiliated companies planning investment in tourism industry in the prefecture like hotels, Mie Prefecture provides briefings on local tourism market, guided trips to tourism resources and referral service to real estate and other local business providers.

<Mie Prefecture subsidy systems>

<http://www.pref.mie.lg.jp/KIGYORI/HP/p0013000007.htm> (Japanese)

<http://www.pref.mie.lg.jp/KIGYORI/HP/000183749.htm> (English)

*partially translated

(4) Karatsu City (Saga Prefecture)-- Taking advantage of inter-region exchange to attract French cosmetic firms

Karatsu City is Saga Prefecture’s second largest city after Saga City, having strong economic relations with neighboring Fukuoka Prefecture. Karatsu has historically prospered as a key port for trade with the Asian continent including China.

Karatsu City has taken advantage of the geographical advantage of its proximity to the Asian market and its potential as an area for producing medicinal plants for cosmetics to launch the Karatsu Cosmetic Valley Initiative to attract cosmetics-related companies.

In preparation for attracting foreign companies, Karatsu City created the Japan Cosmetic Center (JCC), an industry-academia-government organization, in November 2013, starting collaboration with Cosmetic Valley in France. The Cosmetic Valley is within 150 kilometers from its center of Chartres in central France, boasting an accumulation of some 800 cosmetics-related companies including leading global brands L’Oreal,

Chanel and Yves Saint Laurent. Karatsu City has used JETRO’s Regional Industry Tie-up Program for promoting business exchanges with overseas business clusters to step up the JCC’s networking and business matching with Cosmetic Valley companies.

Through the exchanges, Mr. Alban Muller, honorary president of Cosmetic Valley and President of the Alban Muller International Group, a cosmetic material company known as a pioneer in French natural cosmetics, has recognized high business potentials in Karatsu City and decided to expand into Karatsu. To this end, the Alban Muller International Group reached a broad agreement with Japanese cosmetic material distributor, Matsumoto Trading Co. in June 2015 to set up French-Japanese joint venture Alban Muller International Asia.

At present, the JCC has 177 member companies related to cosmetics, beauty care and cosmetic materials (as of August 2016). The JCC has hired cosmetic industry experts to promote diverse projects including business-academia cooperation in developing cosmetic materials and products, initiatives for accumulating companies, and international business expansion. The JCC has tied up with Italian and Spanish cosmetic industry associations as well as France’s Cosmetic Valley. In August 2016, it concluded a cooperation agreement with Taiwan Beauty Valley (TBV), a cosmetic industry association in Taiwan. The JCC and TBV will cooperate in bilateral trade, contract production, and research and development for business development in the Asian market including China.

While attracting foreign-affiliated companies, the JCC proactively encourages domestic companies to locate business bases in Karatsu and builds networks among them in order to establish a sustainable system as a cosmetic industry cluster. As Karatsu City produces camellia oil, mandarin oranges, white cloud ears, tea seeds, dong quai and other material plants for beauty and health products represented by natural cosmetics, the JCC intends to make the city a cosmetic material supply base. As functions of inspection, certification, import and export agent and international distribution are required to explore overseas markets after manufacturing cosmetics, Karatsu City has tried to expand these functions and resolve structural problems with the industry cluster by involving domestic companies in the JCC. Forming an eco-system for the cosmetic industry in the region will result in the development of sustainable economy in the region and also keeping foreign-affiliated companies settle there.

The forward-thinking initiative of Karatsu City has just started and has had some challenges. However, it has various implications as a regional initiative for attracting foreign-affiliated companies. The Japanese cosmetics market has matured and features keen competition. Average annual market growth is 4% so that no one can expect much for the domestic market. However, the growing Asian market is expected to grow about 220% in 10 years. Furthermore, safe, secure “Made-in-Japan” products are popular in the Asian market, as indicated by foreign tourists’ massive cosmetics purchases in Japan. Therefore, it is crucial to sell cosmetic materials and products manufactured in Karatsu in the rapidly expanding Asian market as well as the domestic market. If the Karatsu business model is successfully established, Karatsu may be positioned as a gateway to the Asian market. This will be a key point for attracting foreign companies including European and American firms.

Karatsu City has accurately grasped its regional characteristics, identified a target industry and tried to attract foreign companies required for developing an industry cluster. The business model to take advantage of Japan’s excellent manufacturing technologies, product development capabilities and quality control to add values to foreign-brand products for sales in the Asian market will serve as a reference for other Japanese regions planning to attract foreign companies.

2. Local government incentives specialized for foreign/foreign-affiliated companies

Local governments have prepared various incentives to attract foreign/foreign-affiliated companies, including subsidies for

office rent, personnel, company registration, and research and development costs. The table below is a list of local government incentives specialized for foreign/foreign-affiliated companies.

<see the JETRO website for details>

https://www.jetro.go.jp/en/invest/incentive_programs.html

Chart 6-3 Local government incentives specialized for foreign/foreign-affiliated companies

As of August 2016

Prefecture/ city	Name	Summary
Fukushima Pref.	Subsidy for Investment Support Project for Foreign Corporations Entering into Fukushima Prefecture for Business	Subsidizing portion of rent expenses, consultant commissioning fees, expenses required for incorporation (registration of corporation, acquisition of resident status, etc.) Eligible companies are those establishing facilities for manufacturing, R&D and/or sales in Fukushima Prefecture for the first time in the fields of pharmaceuticals, medical equipment, renewable energy and/or robotics (Subsidy rate of 3/4, with up to 28m yen per company)
Chiba Pref.	Office Lease Subsidies for Foreign-Affiliated Companies in Chiba Prefecture	Subsidizing portion of rent for offices or other facilities (1/3 of annual rent x 1 year, maximum 600,000 yen for companies with a number of employees between 1- 5 and 1.8m yen for more than 5)
Chiba City	Facility Rent Subsidy for Foreign-Affiliated Companies	Subsidizing portion of rent (1/2 of rent x 3 years, cumulative total limit of 3m yen), reduction of corporate inhabitant tax (municipal tax) (1/2 x 3 years)
Tokyo Metropolis	Special Zone for Asian Headquarters Establishment Subsidy	Subsidizing portion of expenses related to the establishment of a new Asian regional headquarters or R&D center (up to 1/2 of actual expenses paid to experts such as administrative scriveners and recruitment agencies, maximum 5m yen per company)
	Program to Increase Foreign Entrepreneurs	Deregulation of a "business manager" visa requirement for foreign nationals wishing to start business in Tokyo (period of residence is 6 months)
Kanagawa Pref.	Rent Subsidy	Subsidizing portion of rent for factories, R&D centers or offices (1/3, maximum 6m yen)
	Foreign Firm Setup Support Program	Subsidizing half of the cost required for procedures for setting up a company (maximum 2m yen)
Shizuoka Pref.	Office Rent Subsidy for Foreign-Affiliated or Foreign Companies	Subsidizing portion of office rent (1/2 of monthly rent x 1 year, maximum 500,000 yen in total)
Niigata Pref.	Subsidy for Office Rent for Foreign-Affiliated Companies	Subsidizing portion of rent (1/2 x 3 years, maximum 3m yen [up to 1m yen per year for 3 years])
Niigata City	Foreign Company Business Promotion Subsidy	Subsidizing registration fees (maximum 150,000 yen per company) and rent (1/2 of monthly rent x 2 years, maximum 50,000 yen per month)
	Niigata City National Strategic Special Zone - Entrepreneurial Incentives for Foreigners	Deregulation of a "business manager" visa requirement for foreign nationals wishing to start business in Niigata City (period of residence is 6 months)
Aichi Pref.	GNI Business Start-up Support Program	Subsidizing expenses for location and commencement of operations of foreign-affiliated companies in Greater Nagoya Area (1. Consultation fees and expenses paid for specialists for company registration and visa applications 2. Expenses for personnel recruitment 3. Expenses for brokerage costs of an office). Total amount of incentives (1, 2, 3 above) is as follows: (I) Foreign company whose prospective investment amount is more than 10 million yen : up to 500,000 yen; (II) more than 5 million yen and less than 10 million yen : up to 300,000 yen; and (III) less than 5 million yen : up to 200,000 yen.
Gifu Pref.		
Mie Pref.		
Nagoya City		

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Mie Pref.	Subsidy for Foreign Affiliated Enterprises Planning to Establish an Asian Base in Mie	Subsidizing 20% of depreciable assets invested by foreign-affiliated companies when establishing manufacturing bases (factories) (maximum 500m yen), subsidizing portion of office rent (1/2 x 3 years, maximum 5m yen per year)
Osaka Pref.	Osaka Prefecture's Subsidies for Investment Promotion (Subsidy for Foreign-affiliated Companies)	Subsidizing portion of investment of foreign-affiliated companies establishing new corporate headquarters or Asian regional headquarters in Osaka Prefecture (5% of investment on building and capital goods or 1/3 of office rent, with limitation depending on number of full-time employees)
	O-BIC Support Program for Foreign Companies	Subsidizing expenses for registration (up to 100,000 yen per company) and acquisition of resident status (up to 50,000 yen per company)
Hyogo Pref.	Tax Incentives	Reduction of corporate enterprise tax (1/3x5 years)
	Subsidies for Office Rent	Subsidizing portion of office rent (up to 1/2 x 3 years, maximum 1,500 yen/square meter per month and 2m yen per year)
	Subsidies for New Employment	Subsidies for new employment : 300,000 yen/person (In designated areas, 600,000 yen/person for new employment, 300,000 yen/person for new non-regular employment) (maximum 300m yen)
	Subsidies for the Costs of Establishing a Japanese Headquarters	Subsidizing 1/2 of cost (cost for corporate registration: maximum 1m yen, costs for market research: 200,000 yen)
Kobe City	Rental Assistance for Overseas Corporations and Foreign-Affiliated Firms	[Hyogo Prefecture and Kobe city in partnership] Subsidizing portion of office rent (up to 1/2 x 3 years, maximum 1,500 yen/square meter per month and maximum 2m yen per year) [Kobe city/additional subsidies] Subsidizing portion of office rent (up to 1/4 x 3 years, maximum 750 yen/square meter per month and maximum 9m yen per year)
Fukuoka Pref.	Subsidy for Visit to Fukuoka	Subsidizing portion of travel expenses by foreign-affiliated companies to or within Japan (eligible companies are those in fields of automobiles, IT, semiconductors, biotechnology, environment and robots, which are considering entry into Fukuoka Prefecture). 1. Travel from regions in Japan other than Fukuoka Prefecture: up to 100,000 yen per company 2. Travel from foreign countries other than Europe/America: 150,000 yen per company 3. Travel from Europe/America: up to 200,000 yen per company
	Incentives to Encourage Establishment of its Subsidiary in Japan	Subsidizing portion of registration fee (foreign-affiliated companies in fields of automobiles, IT, semiconductors, biotechnology, environment and robots; 1/2 of registration fee, maximum 150,000 yen)
Fukuoka City	Business Establishment Support Programs in Fukuoka City (for Foreign and Foreign Affiliated Enterprises)	① Subsidizing portion of office rent [Basic type] (1/4 x 1 year, maximum 15m yen), [Large-scale type] (1/4 x 2 years, maximum 25m yen) ② Subsidies for new employment [Regular employment] 500,000 yen/person for citizens of Fukuoka City, 1m yen/person for researchers who are citizens of Fukuoka City [Other type of permanent employment] 150,000 yen/person for citizens of Fukuoka City, 50,000 yen for non-citizens of Fukuoka City (Maximum 50m yen) ③ Subsidizing 1/2 of cost (cost for marketing research, interpretation fees, obtaining approvals and registering for licenses, or cost of recruiting employees) (Maximum 3m yen)
	Office and Residential Rent Subsidy Program for Foreign Startups (FY2016)	Subsidizing portion of rent (1/2 x 1 year, maximum 70,000 yen per month for residence, maximum 50,000 yen per month for office space)
	Startup Visa (Entrepreneurial Incentives for Foreigners)	Deregulation of a "business manager" visa requirement for foreign nationals wishing to start business in Fukuoka City (period of residence is 6 months)

[Note] Only listing the local government incentives that are limited to foreign/foreign-affiliated companies.

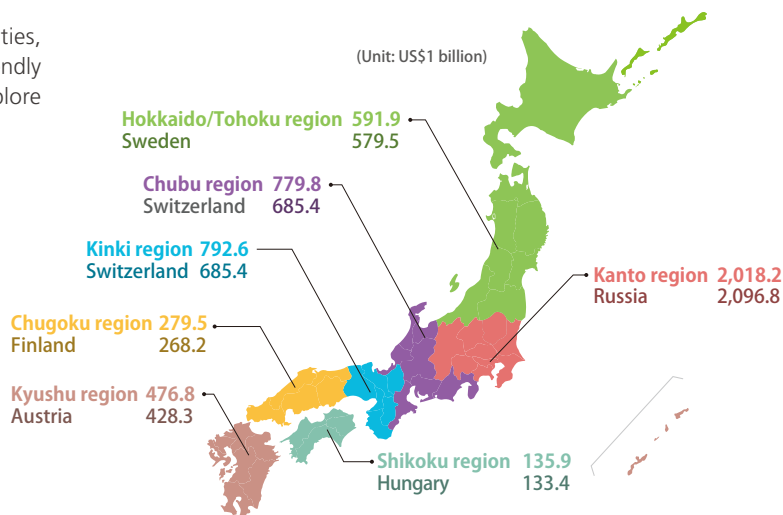
[Source] Website of each local government

3. Attractiveness of Japan's local regions: unlimited business opportunities await

Japanese local regions provide abundant business opportunities, many potential partners capable of innovations and business-friendly climates. Local regions in Japan are places where you can explore new possibilities for your business.

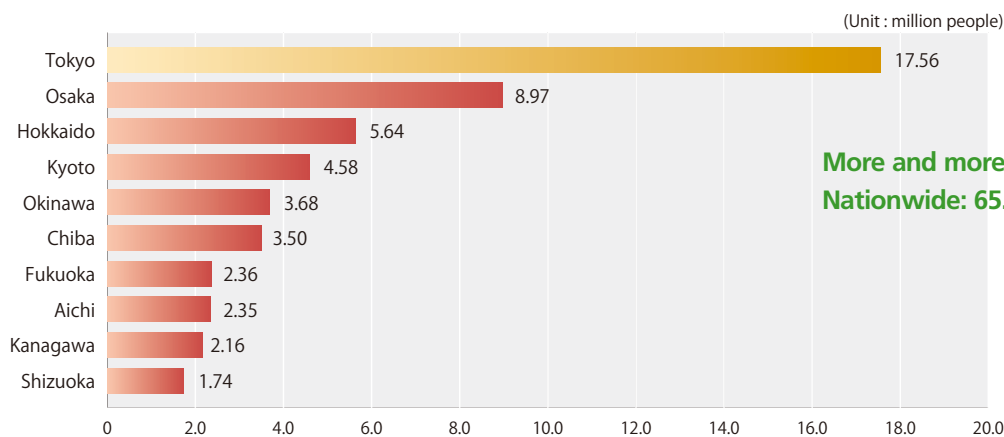
Japan's local regions offer enormous and attractive markets. Even one region has national-level GDP.

Chart 6-4 International comparison of regional GDP in Japan (nominal, FY 2013)



[Source] "Annual Report on Prefectural Accounts for FY 2013" issued in FY 2016, Cabinet Office

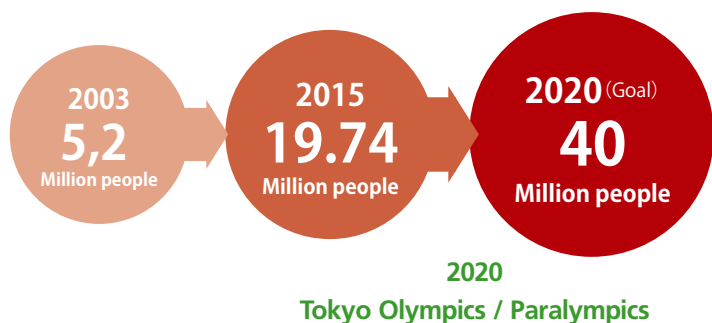
Chart 6-5 Total number of foreign tourists who are staying in accommodations in local cities (by prefecture)



**More and more foreign tourists visit local regions
Nationwide: 65.6 million people overnight stays**

[Source] "Statistics of Overnight Trips (2015)," Japan Tourism Agency

Chart 6-6 Surging foreign travelers to Japan



[Source] Japan National Tourism Organization (JNTO)

Chart 6-7 Market size of the living assistance industries

2020 10 trillion yen

Healthcare business in local regions in Japan is drawing attention from the world.

[Source] "Japan Revitalization Strategy - Japan is Back -", cabinet decision on June 14, 2013, Prime Minister of Japan and His Cabinet

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Chart 6-8 Top global niche companies spread throughout Japan

Innovative companies exist throughout Japan. Collaboration between foreign companies and local companies/universities in Japan is a gateway to the global market.

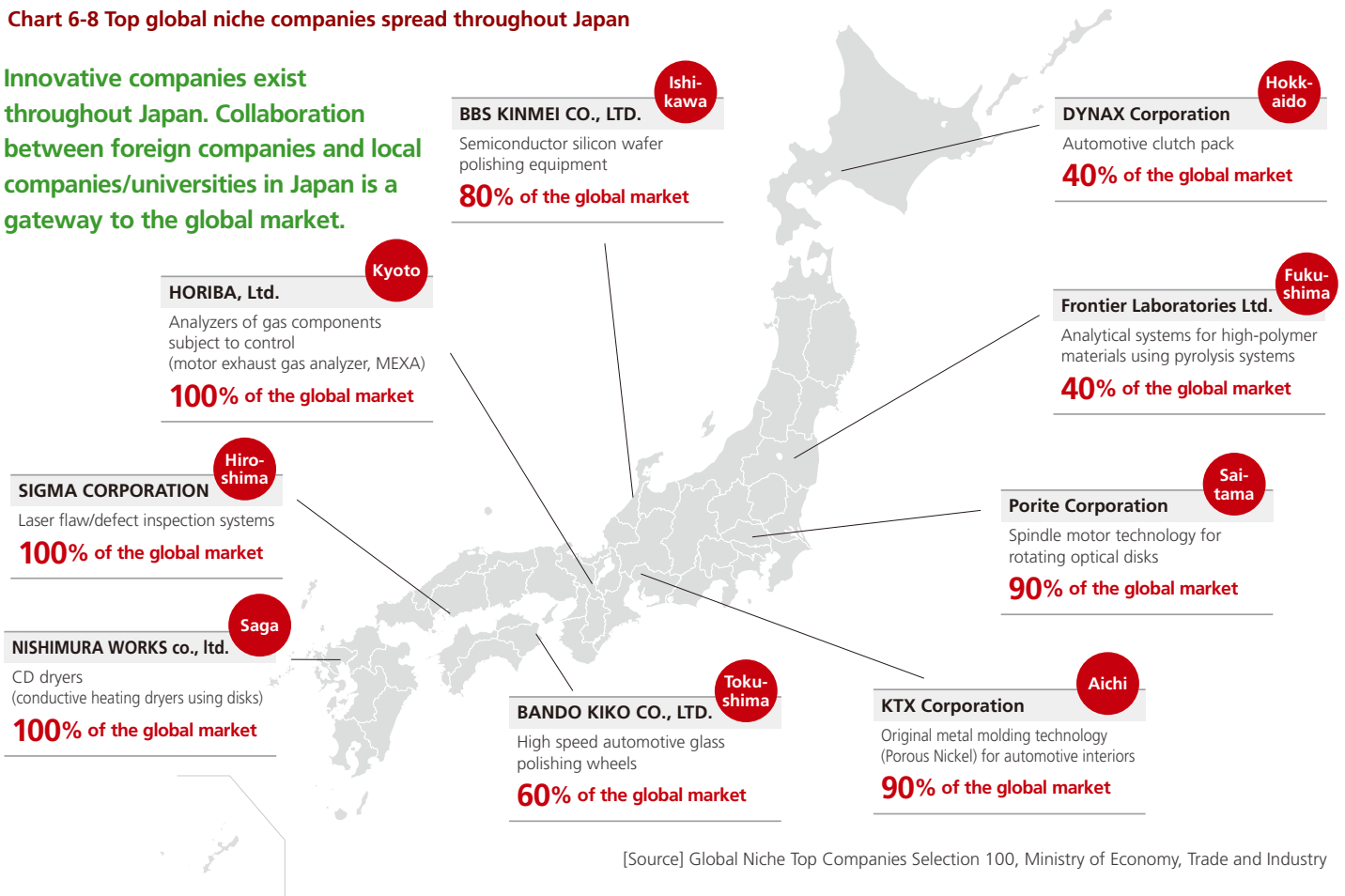


Chart 6-9 Easy access to major business hubs in Asia from Kansai International Airport



Chart 6-10 Lower business cost in local regions than in capital regions

**Inexpensive office and house rent in local regions in Japan in comparison to major Asian cities
(Shanghai, Hong Kong, Taipei, Seoul, Singapore) (Unit US\$)**

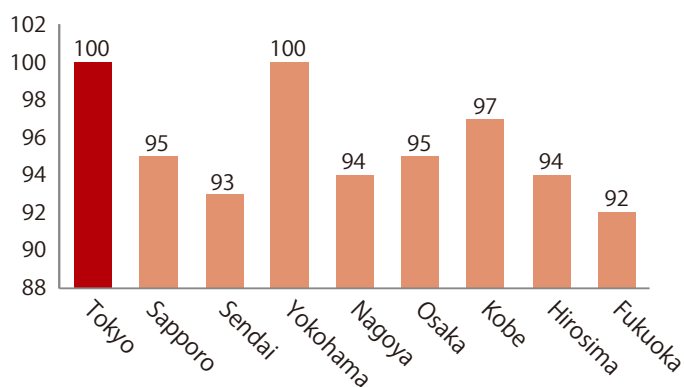
	Tokyo	Sendai	Nagoya	Yokohama	Osaka	Hiroshima	Fukuoka	Shanghai	Hong Kong	Taipei	Seoul	Singapore
Monthly office rent (per m ²)	25	29	36	33	29	25	23	51	156	12	51	76
Monthly shop/show room rent (per m ²)	49	43	38	59	30	24	37	145	389	43	21	239
Housing rent for resident representatives	2,532	958	1,676	2,971	2,539	1,215	786	1,688	3,161	1,864	1,936	5,193

[Source] Created from JETRO "26th Investment-Related Cost Comparison of Major Cities/Areas in Asia and Oceania (June 2016)"
<https://www.jetro.go.jp/world/reports/2016/01/42952cecdce53c3.html>

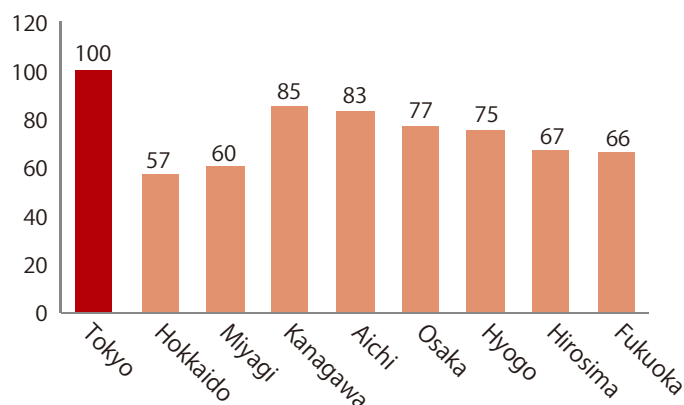
*The rent was calculated based on slightly different conditions for each city. For details, please refer to the website.

Chart 6-11 Price comparison with that of Tokyo (100)

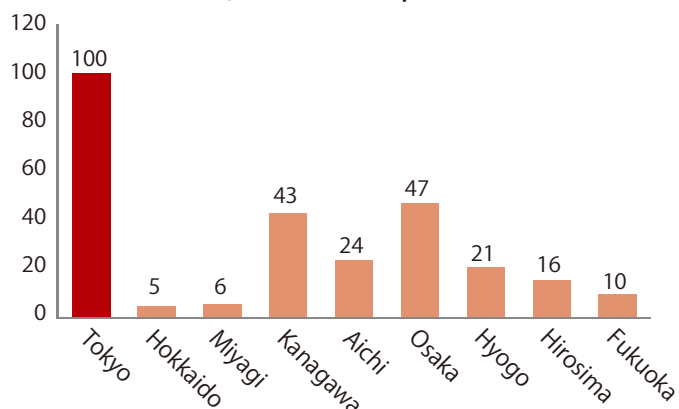
1) Consumer price regional difference index



2) Annual salary (manufacturing sector)



3) Industrial land prices



[Source] Created from:

- 1) The 2013 Average Consumer Price Regional Difference Index, Portal Site of Official Statistics of Japan (e-Stat)
- 2) The Basic Survey on Wage Structure in 2014, Ministry of Health, Labor and Welfare
- 3) Land Price Research by Prefectural Government, Ministry of Land, Infrastructure, Transport and Tourism

The government's efforts and JETRO's inward investment promotion activities The transition in 14 years

2003	January	The government decided on the target to "double the inward FDI stock compared to the value as of the end of 2001, in 5 years"
	May	The government held up "Invest Japan" as slogan and set up "Invest Japan Offices" in the relevant ministries. The "Invest Japan Business Support Center (IBSC)", a one-stop center for information about investing in Japan, was set up in JETRO.
2006	March	The government set up a new goal to "double the inward FDI stock as percentage of GDP (to about 5%) by the end of 2010"
2007	May	The regulation on "flexible merger consideration (triangular merger)" in the Companies Act was enforced
2010	June	"New Growth Strategy" was approved by the cabinet (it's goal was to "double the flow of people, things and money into Japan")
2011	January	"Subsidy Program for Projects Promoting Asian Site Location in Japan" was created (the secretariat was placed in JETRO)
	August	The "Comprehensive Special Zone Law" was enforced (creating industrial clusters in regions through taking preferential measures such as tax and regulation reforms)
	December	The "Great East Japan Earthquake Reconstruction Special Zone Law" was enforced (providing incentives such as tax and regulation reforms regarding investment in the affected areas)
	December	"Program for Promoting Japan as an Asian Business Center and Direct Investment into Japan" was approved. Goals were set to increase the numbers of high added-value business bases and doubling the number of employees at foreign-affiliated companies
2012	April	The corporate tax rate was lowered (40.69% → 38.01%)
	May	The Points-based Preferential Immigration Treatment for Highly Skilled Foreign Professionals was started
2013	June	The "Japan Revitalization Strategy" was approved by the cabinet (it set up clear goal to increase the inward FDI stock to 35 trillion yen by 2020, and included the strengthening of industrial specialist program and Invest Japan Hotline in JETRO)
2014	March	The reconstruction special tax was abolished. (corporate tax: 38.01% → 35.64%)
	April	The Council for Promotion of FDI in Japan was founded
	June	The "Japan Revitalization Strategy (Revised in 2014)" was announced (it clearly stated the role of JETRO to cooperate with Japanese embassies and local governments to attract FDI into Japan)
2015	March	The second meeting of the Council for Promotion of FDI in Japan was held, and Prime Minister Abe announced the "Five Commitments for Attracting Foreign Businesses to Japan"
	April	The "Tokyo One-Stop Business Establishment Center (TOSBEC)" was opened in the Tokyo Area of the National Strategic Special Zones (in JETRO Tokyo HQ)
	June	The "Japan Revitalization Strategy (Revised in 2015)" was approved by the Cabinet (it stated that the role of JETRO is to enhance PR & dispatch of information and to work on promotion of target fields by cooperating with Japanese embassies and local governments)
	September	The "New Three Arrows" of Abenomics was announced, aiming to create a strong economy, more support for childcare and social security
2016	Feb	The Subsidy Program for Global Innovation Centers was established (JETRO serves as the secretariat)
	Apr	Effective corporate tax rates were lowered (32.11 → 29.97) The third meeting of the Council for Promotion of FDI in Japan was held The "Investment Advisor Assignment System" was established. In the system, State Ministers act as advisors to companies that have made significant investments in Japan
	May	The fourth meeting of the Council for Promotion of FDI in Japan was held. The "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub" and establishment of the Working Group for Revising Regulations and Administrative Procedures were approved by the Council
	Jun	The "Japan Revitalization Strategy 2016" was approved by the Cabinet (it states that the promotion activities and support for individual companies will be increased through the strengthening of JETRO's structure)
	Aug	The first meeting of the Working Group for Revising Regulations and Administrative Procedures was held



JETRO HQ(Akasaka,Tokyo)



JETRO Invest Japan Business Support Center(IBSC)

[JETRO's Global Network]



JETRO

Invest Japan Department
Japan External Trade Organization (JETRO)
 1-12-32, Akasaka, Minato-ku, Tokyo
 107-6006 Japan
 Tel. +81 3 3582 5234

Contact (Inquiry form)

<https://www.jetro.go.jp/en/invest/>

Contact (Telephone)

For establishing business base:
 Invest Japan Support Division
 Tel. +81 3 3582 4684

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