

WHY JAPAN?

“5 Reasons to Invest in JAPAN”



As of November 2021

JETRO

Japan External Trade Organization (JETRO)
www.investjapan.org
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Reason1. World's third largest economy

GDP

World

No. 3

Domestic Competition

(Market competitiveness evaluated on the extent of market dominance, competition in services etc.)

World

No. 5

The Global Competitiveness Report 2019(World Economic Forum)

(in billion US dollars)

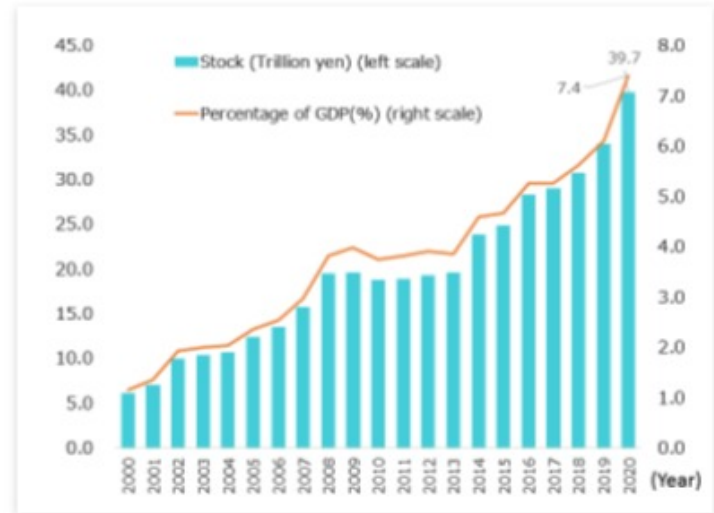
Rank	Country	Nominal GDP
1	United States	20,937
2	China	14,723
3	Japan	4,975
4	Germany	3,846
5	United Kingdom	2,708

Rank	Country	Nominal GDP
6	France	2,630
7	India	2,623
8	Italy	1,886
9	Canada	1,644
10	Korea, Rep.	1,631

[Source] "GDP (Current US\$)" (World Bank)

Inward FDI Stock

39.7 trillion yen



[Source] Ministry of Finance and Bank of Japan "International Investment Position", Cabinet Office "National Accounts of Japan"

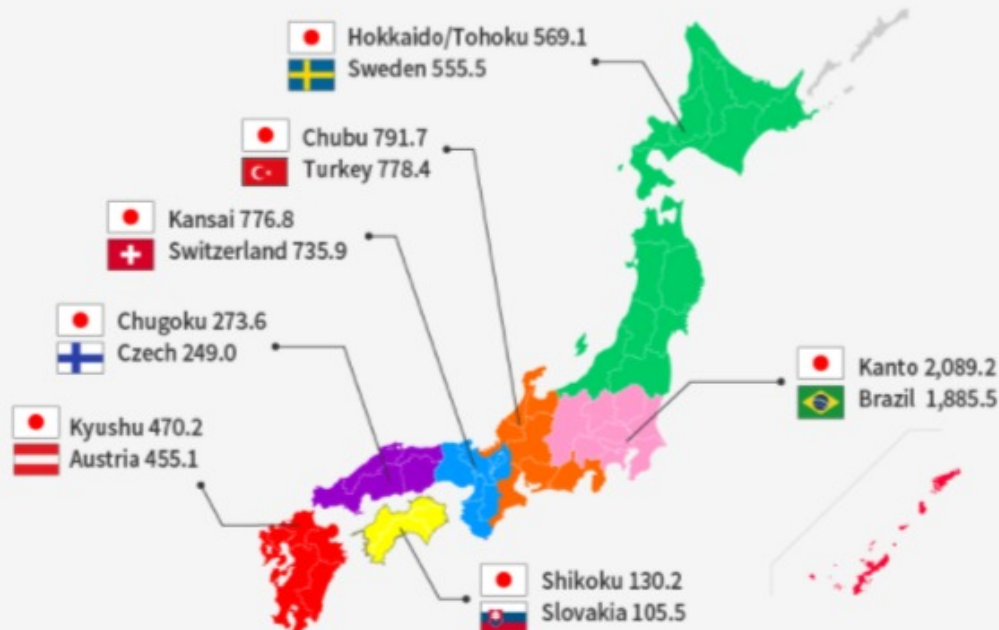
Japan's regional economies have GDPs as big as those of other countries



Japan's economic power is not limited to Tokyo.

Japan's regional economies have GDPs as big as those of European and Asian countries.

(in billion US\$)

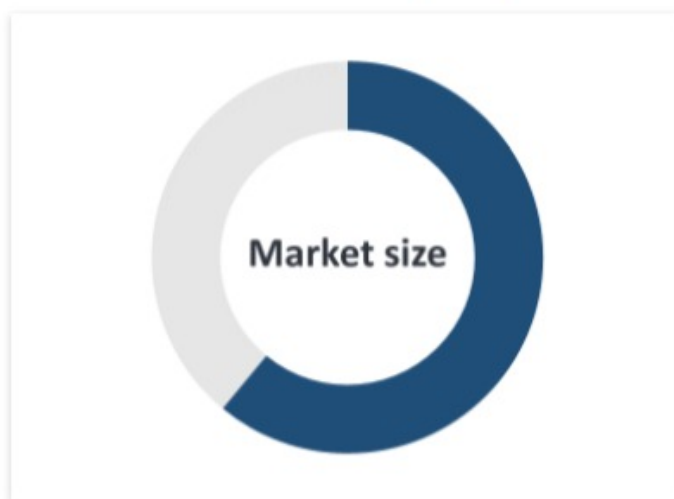


[Source] Cabinet Office, Fiscal 2018 Prefectural Accounts, August 2021.

Evaluation by Foreign Affiliates: The Greatest Attractiveness of Japan is its market



The attractiveness of investing in Japan for companies is "the large market size" and "the potentiality to verify new products and services' competitiveness."



High income levels and large customer base for products and services
(Large market size)

61.0 %



Sensitive to the added value and trends of products and services and can verify new products' and services' competitiveness.

47.3 %

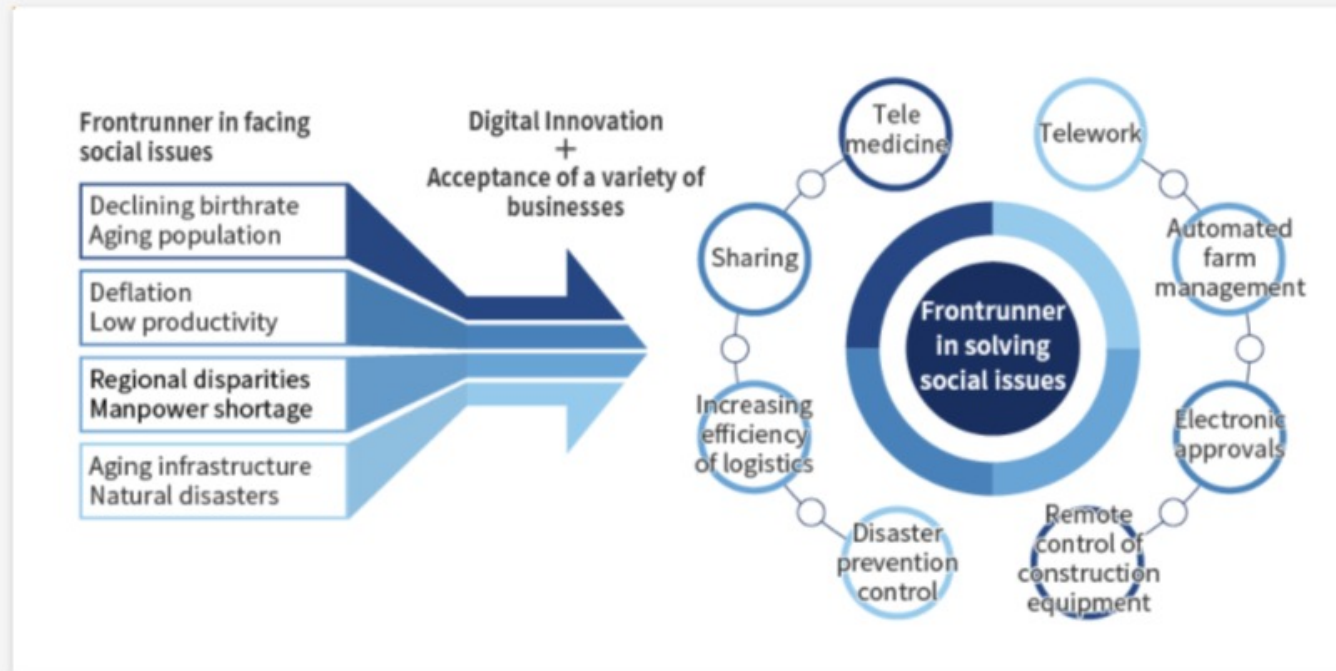
[N.B.] A total of 2,488 companies responded. Respondents selected up to five "attractiveness in business development in Japan" in the questionnaire.

[Source] Compiled from "54th Survey of Trends in Business Activities of Foreign Affiliates (conducted in connection with business for FY2019)" (METI)

Japan aims to be the "frontrunner in solving social challenges"



As Japan faces various social issues such as the declining birthrate and aging population and regional disparities, there is a strong need for digital innovation and diverse businesses.



[Source]"Global Structural Changes and Japanese Responses (May 2018)" (METI)



Reason2. Japan is open as an Innovation Hub

Industrial Cluster

(Tokyo-Yokohama)

World

No. 1

"The GII Top Science and Technology Clusters" in The
Global Innovation Index 2021 (p.35)

Research&Development

(Evaluated on R&D expenditures as a
percentage of GDP, the number of scientific
publications and citations, etc.)

World

No. 1

The Global Competitiveness Report 2019
(World Economic Forum)

Patent applications

(per million population)

World

No. 1

The Global Competitiveness Report 2019
(World Economic Forum)

R&D expenditures as a
percentage of GDP

No.1
among G7 countries

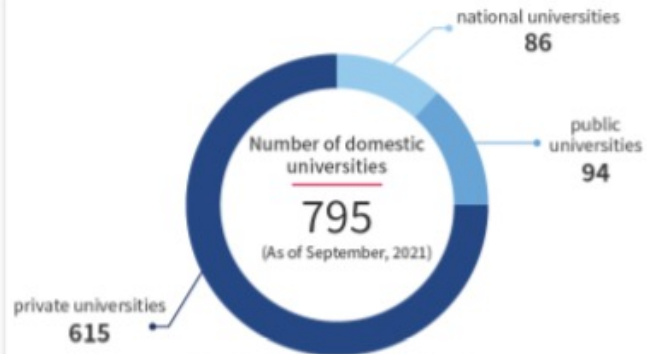
Ranking Country	R&D expenditures as a percentage of GDP
1. Japan 	3.2%
2. Germany 	3.2%
3. U.S. 	3.1%
4. France 	2.2%
5. U.K. 	1.8%
6. Canada 	1.5%
7. Italy 	1.4%

[Source] "Global Innovation Index2021"(World Intellectual Property Organization)

Number of Researchers per million population



[Source] "Global Innovation Index2021"(World Intellectual Property Organization)



[Source] "Ministry of Education, Culture, Sports, Science and Technology Statistical Directory (2021 Edition)"
(Ministry of Education, Culture, Sports, Science and Technology)

Digital Transformation (DX) Investment Promotion Tax Incentive



Digital Transformation (DX) Investment Promotion Tax Incentive has been established. For digital-related investments using cloud technology necessary to realize digital transformation, companies can select either a tax credit of 3% of the acquisition price (5% for data linkage with businesses outside the group) or a special depreciation of 30%.

[Applicable] until March 31, 2023

Name of Tax Incentive	Requirements	Eligible Facilities	Details of Measures
Digital Transformation (DX) Investment Promotion Tax Incentive	<p>Digital (D) requirements</p> <ul style="list-style-type: none"> Linking and sharing of data (linkage of data owned by other entities or data newly obtained by business operators using sensors with existing internal data) Utilization of cloud technology Acquiring of the certification graded by the Information-technology Promotion Agency, Japan (DX certification) 	<p>Software</p> <p>Deferred assets</p> <p>Machinery and equipment</p> <p>Furniture and fixtures</p>	<p>Tax credit of 3% (5% for data linkage with external parties) or, Special depreciation of 30%</p>
	<p>Corporate transformation (X) requirements</p> <ul style="list-style-type: none"> Reduction of product manufacturing costs by 8.8% or more, etc. Setting of targets for productivity improvement and sales growth <ul style="list-style-type: none"> Within the plan's effective period, an ROA increase by 1.5 percentage points compared to the base ROA (which equals the average ROA from 2014 to 2018). Within the plan's effective period, sales growth rate that exceeds the growth rate of the industry over the past five fiscal years by 5 percentage points or more. Total investment must be 0.1% or more of sales. 		

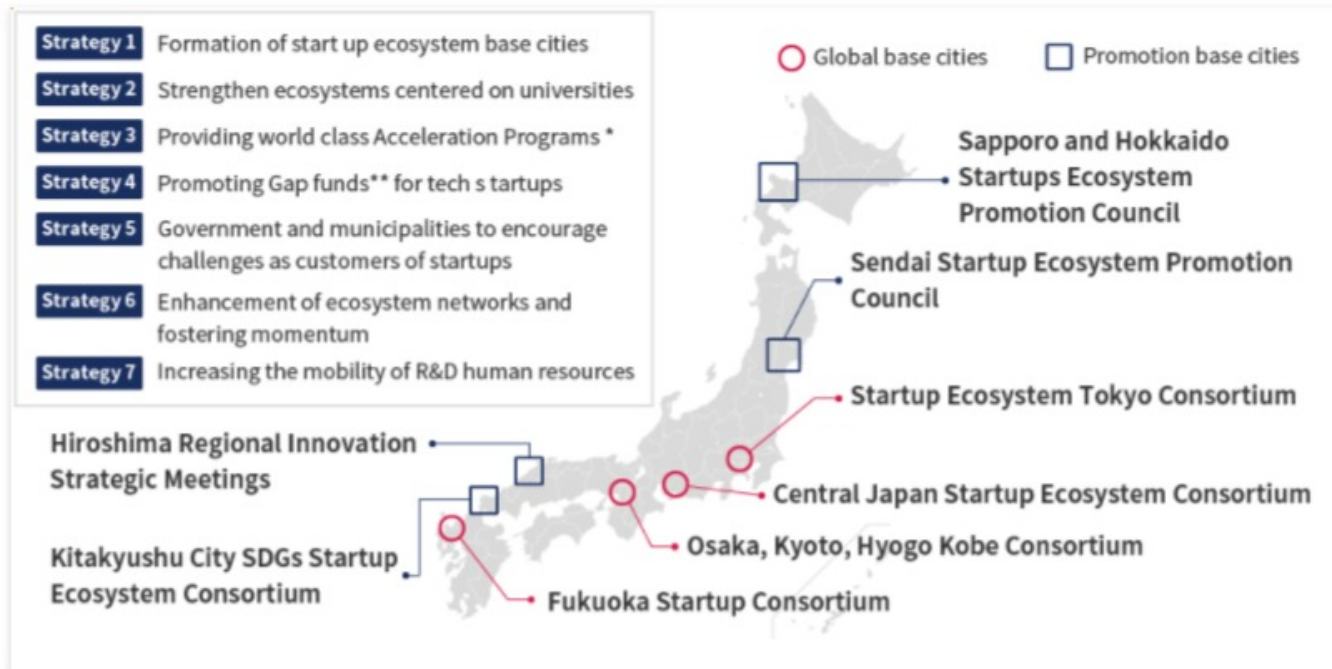
[N.B.] 1. The maximum amount of capital investment under the Digital Transformation (DX) Investment Promotion Tax Incentive is 30 billion yen. 2. The maximum tax credit applicable is 20% of the corporate tax amount in total of the investment promotion tax incentives for carbon neutrality and digital transformation.

[Source] Prepared based on "FY 2021 Tax Reform" (Ministry of Finance), and materials from the Agency for Natural Resources and Energy, METI

Startup Ecosystem



Japan will support startup ecosystems  in eight cities under seven strategies over the next three years.



* Acceleration Programs : Programs to support refining startups' business models and accelerate growth.

** Funds to fill the gap between basic research and commercialization, such as prototype development costs

[Source] Prepared from materials from the Integrated Innovation Strategic Meetings (7th) and the Comprehensive Science, Technology and Innovation Event (50th)

Smartizing the whole city



Japan aims to provide highly convenient and efficient services by revising The National Strategic Special Zones Law and introducing advanced services such as drone delivery, tele medicine and nursing care, and autonomous driving.



[Source] Prepared from the "Supercity" concept (September 2020) of the Cabinet Office Regional Revitalization Promotion Secretariat

JETRO's support for collaboration between Japanese and overseas companies



JETRO launched a DX portal to support companies seeking to collaborate with overseas companies that utilize digital technologies.

DX platform-based support

We aim to develop cooperation and collaboration projects through online webinars ,
matching, hackathons, and other

Global Acceleration Hub

We have established the JETRO Global Acceleration Hub to support the global expansion
of Japanese startups in collaboration with leading local accelerators and other partners in
advanced startup ecosystems around the world.

Support for demonstration projects (pilot projects)

By promoting demonstration projects between ASEAN and Japanese companies, we
support companies in implementing digital technologies in their fields.

Open Innovation related events

We support cooperation and collaboration (open innovation) between promising startups
around the world and Japanese companies.

DX Related News & Related Measures

This section provides information on DX related businesses and related measures.

"J-Startup" public private intensive support program for startups

To boost the global expansion of Japanese startups utilizing overseas funding, human
resources, and technology, we will establish J-Startup pavilions at five leading overseas
startup-related events to support Japanese startups' participation.



Reason 3. Excellent business environment

Adequacy of regulatory and
administrative systems

World

No. 2

Transparency and efficiency in import and
export

World

No. 3

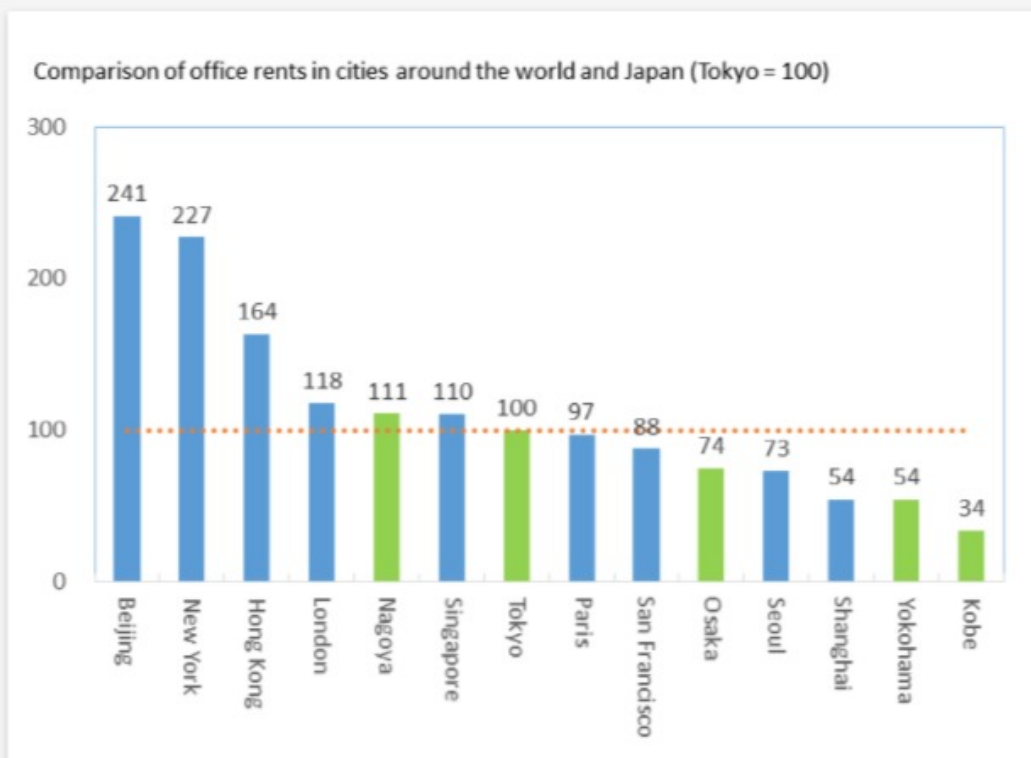
The Global Competitiveness Report 2019 (World Economic Forum)

Office rent in Tokyo is about one-third of Beijing



Office rent in Nagoya and Yokohama is cheaper than that of Shanghai.

Comparison of office rents in each cities when the cost in Tokyo is 100



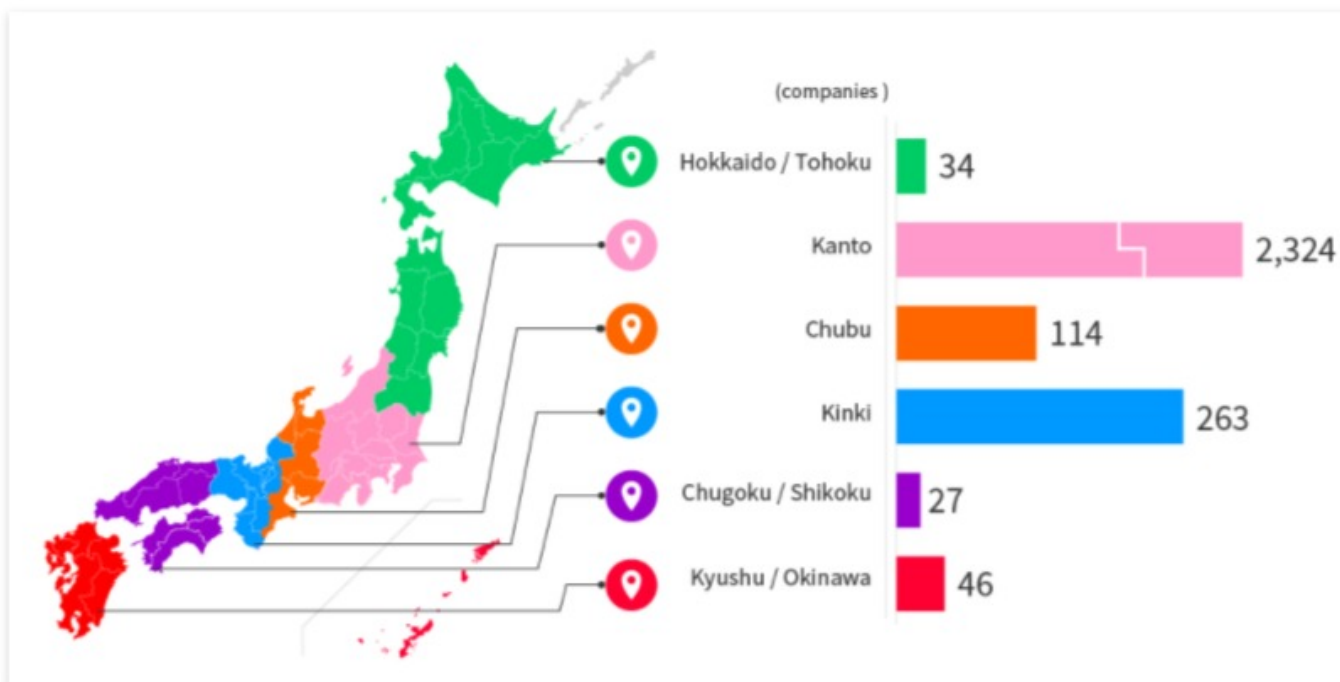
(NOTE) For Tokyo, the rent in Minato Ward is used. For San Francisco, the average rent in the city is used. And for other cities with variance in rents, the mid-point value (of the highest and lowest) is used.

[Source] Comparison of investment costs (JETRO).

Foreign affiliated companies operating in each region (2808 companies that responded to the survey)



Based on the business opportunities and the business environment, many overseas companies are expanding their business in areas beside Tokyo.



[N.B.] The number of foreign affiliates by region and prefecture responding to the following survey (n=2808). It does not cover all foreign affiliates with bases in Japan.

[Source] Survey of Trends in Business Activities of Foreign Affiliates (conducted in connection with business for FY2019)* (METI)

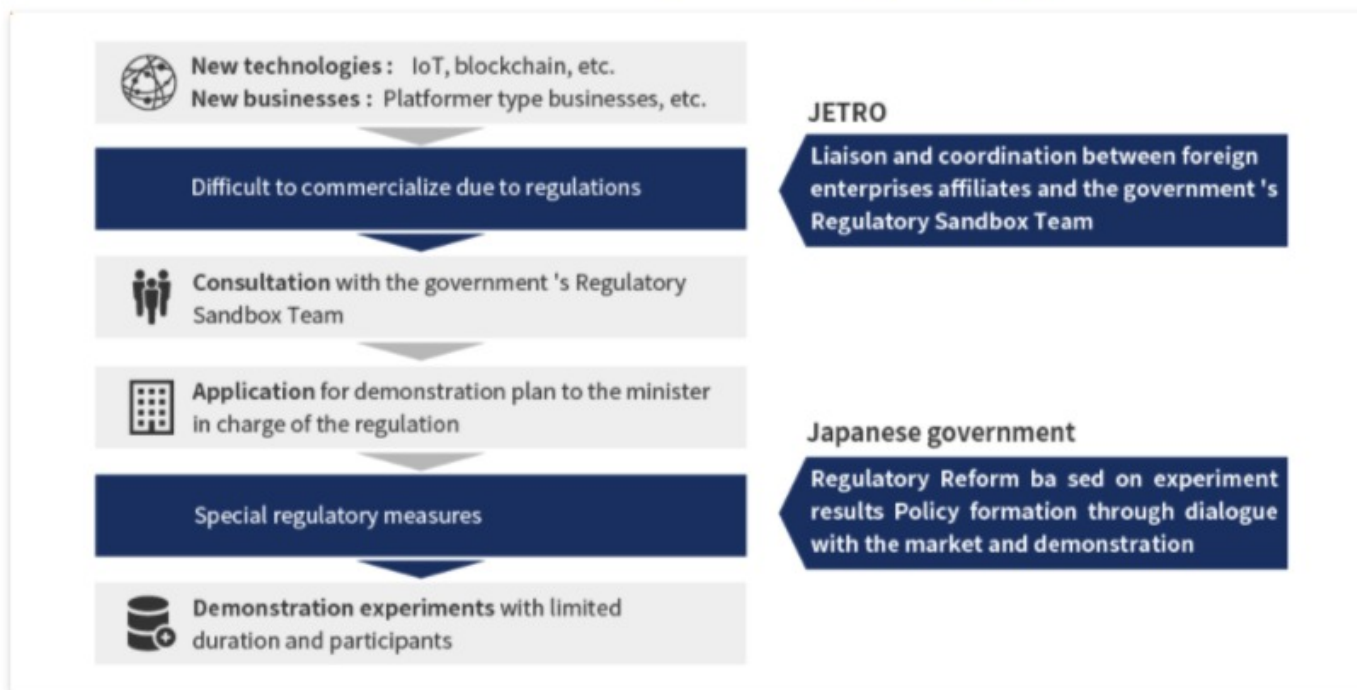
Well-developed incentive system >



Project-based "Regulatory Sandbox" system



By limiting the number of participants and the period, the participant can demonstrate new technologies and business models without being constrained by existing regulations.



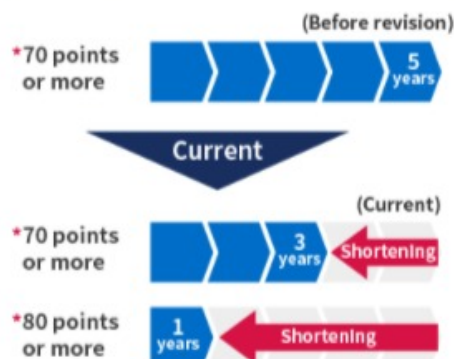
[Source] Prepared from "Regulatory Sandbox System (Project-type Sandbox)" (Regulatory Sandbox Team)

“Japanese Green Card for Highly Skilled Foreign Professionals” system



Foreign professionals who score 70 points or more on the scoring sheet are recognized as “highly skilled foreign professionals” and eligible for preferential immigration treatment.

Image of the Japanese version
of Green Card for highly skilled
foreign professionals



For
engineers
(age33)

*Example of scoring

Reference item	Score
• 34 years of age or younger	10 points
• Annual income 6 million yen	20 points
• Master's degree	20 points
• Three year career	5 points
• Inventions of patents	15 points
• Graduated from a high ranked university*	10 points
Total	80 points

Compiled from news reports.

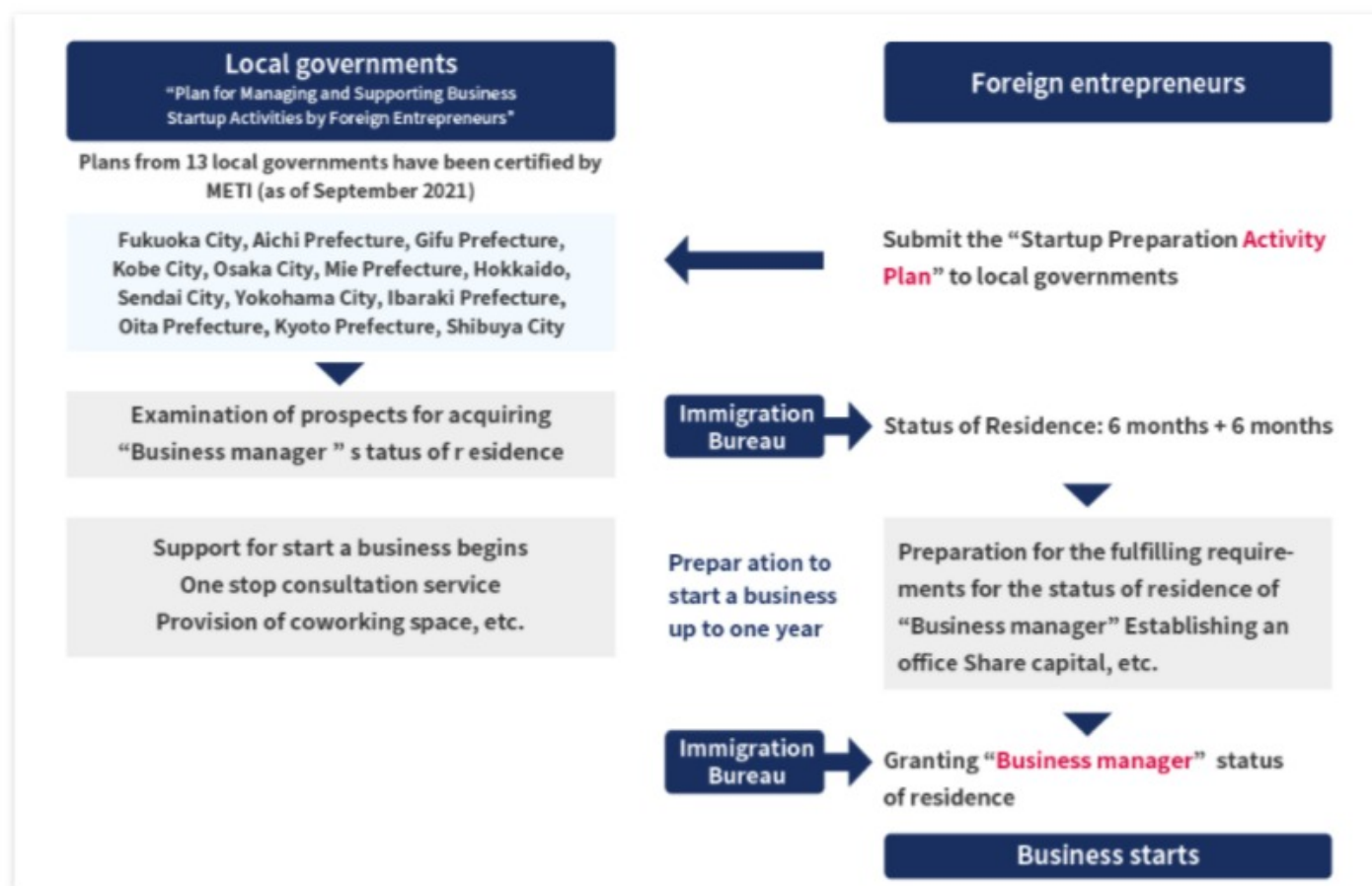
* high-ranked university

[Source] [A system of preferential immigration control based on the point system for advanced personnel](#)

“Projects for Encouraging Foreign Entrepreneurs to Start Business ” (so-called “start-up visa”)



A foreign national starting a business in Japan needs to obtain the status of residence of “Business manager” as a general rule. However, the system enables the applicant to obtain the status of residence without satisfying the requirements. Foreign entrepreneurs supported by local governments will be granted the status of residence of “designated activities” to set up a business for up to one year.



[Source] Compiled from “System Outline for Projects for Encouraging Foreign Entrepreneurs to Start Business” (METI)



**Efficiency of public
transport services**

World

No. 1

Access to electricity

World

No. 2

Airport connectivity

World

No. 3

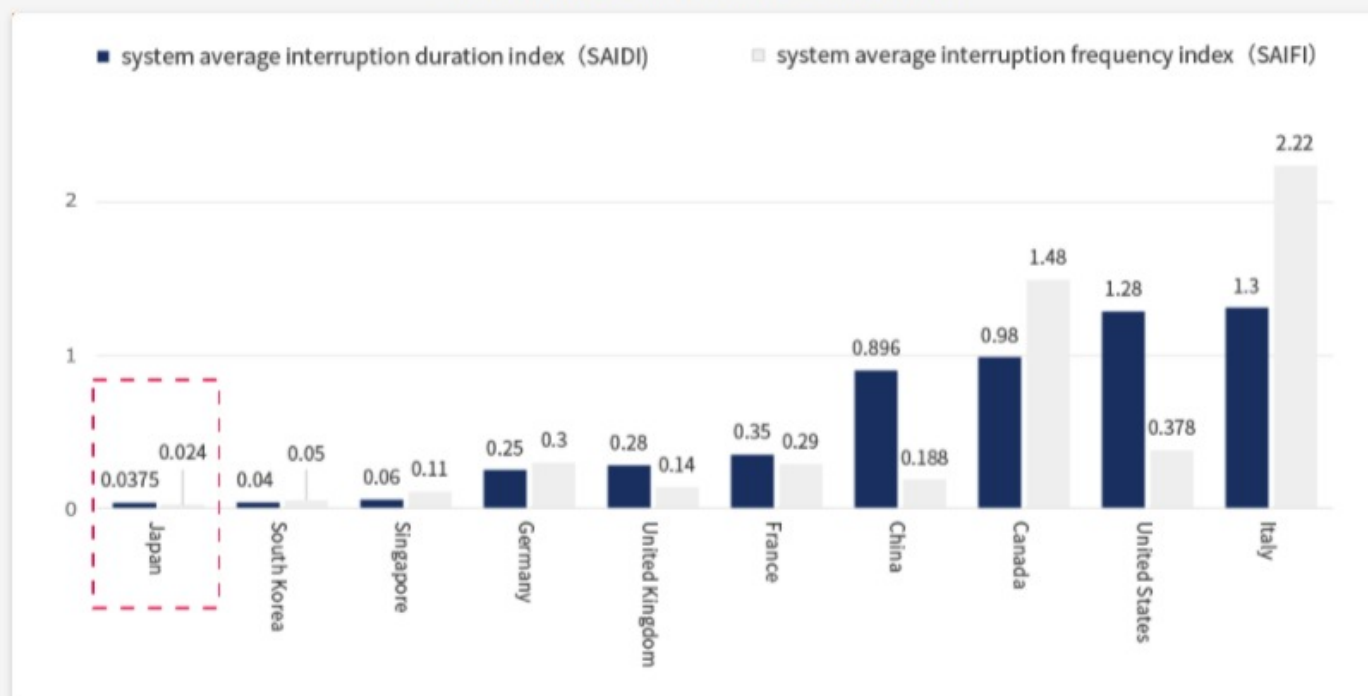
The Global Competitiveness Report 2019 (World Economic Forum)

Power outage duration and frequency are extremely small in Japan



The stable and safe electricity supply allows companies to conduct business activities with peace of mind.

International Comparison of Average Power Failure Duration Index and Average Power Failure Count Index



[N.B.] 2020 figures. System Average Interruption Duration Index (SAIDI) shows the power outages duration per year, and System Average Interruption Frequency Index (SAIFI) tracks the number of power outages per year. Lower figures indicate better performance.

[Source] "Getting electricity: System average interruption duration index (SAIDI) (DB16 20 methodology)," "Getting electricity: System average interruption frequency index (SAIFI) (DB16 20 methodology)." (World Bank)

Internet utilization rate

(as a percentage of the population)

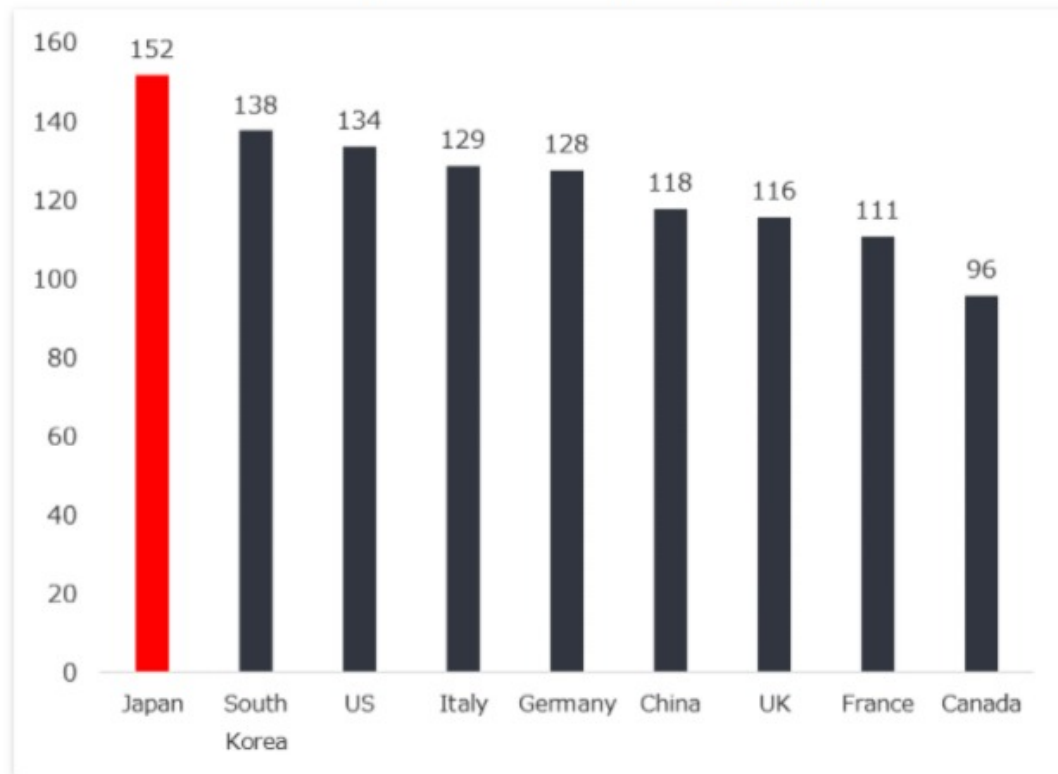
93%

The number of mobile phone users

Per 100

152 people

Mobile phone subscribers (per 100 people)



[N.B.] In terms of mobile phone subscribers, 2019 figures for the U.S. and 2020 figures for other countries are used.

[Source] "Individuals using the internet (% of population)," "Secure Internet servers (per 1 million people)," "Mobile Cellular subscriptions (per 100 people)." (World Bank)

Convenient access to major business hubs in Asia



Excellent nationwide transport network



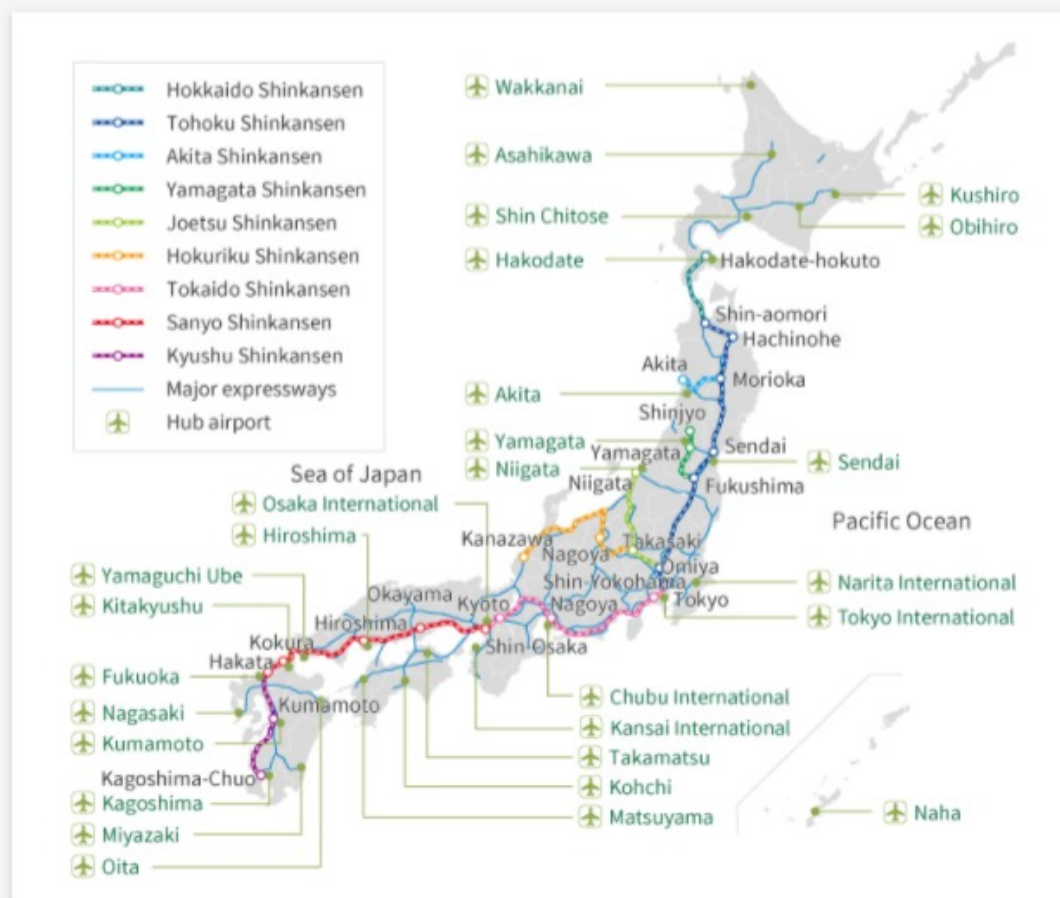
Travel time on the Shinkansen

Sendai-Tokyo 1 hour 33 minutes, Tokyo-Shin Osaka 2 hours 23 minutes

Shin Osaka-Hakata 2 hours 25 minutes

Travel time on an airplane

Tokyo-Fukuoka 2 hours, Tokyo-Sapporo 1 hours 30 minutes, Sapporo-Fukuoka 2 hours 35 minutes



Reason5. Livable society



City Safety
"Health Security" Pillar

Tokyo

World No.1

「Safe Cities Index 2021」
(The Economist Intelligence Unit)

City you want to live in

Osaka

Tokyo

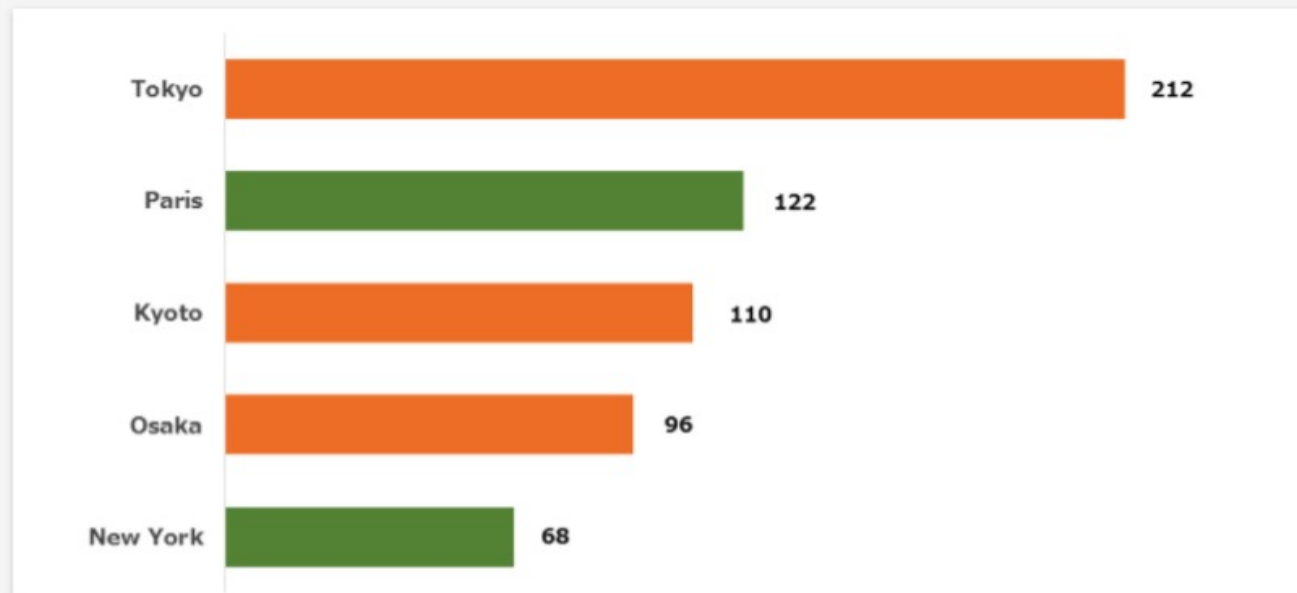
World 2nd World 4th

「The Global Liveability Index 2021」
(The Economist Intelligence Unit)

Cities for Foodies



Total number of Michelin stars



[Source] Compiled based on Michelin Guide Tokyo 2021,
Michelin Guide Kyoto, Osaka + Okayama 2021, and various press materials.

Comfortable Living Environment



English speaking

Expanding medical institutions that can accept foreign tourists to Japan. Assigning medical interpreters and starting the examination of foreign patients by foreign doctors.



Wi-fi

Promoting the development of a free public Wi-Fi network.



International schools

Relaxation of the criteria for approving the establishment of international schools.