

3. Initiatives to Expand FDI into Japan Entering a New Phase

The Japanese Government revised upward the target for the FDI stock from 100 trillion yen to 120 trillion yen in 2030, further have its policy to aim for 150 trillion yen as early as possible in the early 2030s. As part of its growth strategy, the Japanese Government will be committed to pursuing the expansion of FDI in Japan more vigorously than ever before.

Section 1: Relevant Policies of the Japanese Government

1. Basic Policy on Economic and Fiscal Management and Reform 2025

■ Aiming to realize a growth-oriented economy driven by wage increases while responding to U.S. tariff measures, rising prices, and geopolitical risks

Amid growing uncertainty in the global economy, the public and private sectors in Japan are working together to address challenges toward ensuring sustained economic growth, even under the condition of declining population. At present, Japan's nominal GDP has exceeded 600 trillion yen, and wage increases have surpassed 5% for two consecutive years, indicating that a virtuous cycle in the economy has begun to take shape.

Against this backdrop, the Basic Policy on Economic and Fiscal Management and Reform 2025, commonly referred to as the Basic (Honebuto) Policy 2025 was approved by the Cabinet in June 2025. In this policy, the government sets out its aim to realize "a new Japan and an enjoyable Japan," where sustainable economic growth and the well-being of people's lives are promoted, enabling citizens to truly feel that "Tomorrow will be better than today" and foster a stronger sense of attachment to their local communities. At the same time, the policy calls for thorough preparations and responses to immediate risks, such as U.S. tariff measures and rising prices, as well as efforts to realize a growth-oriented economy driven by wage increases. To this end, it has identified four key policy initiatives: (1) Spreading and keeping wage increases above price hikes, (2) Promoting Regional Revitalization 2.0 and addressing regional social issues, (3) Increasing future wages and income through "Stimulating Japan's Investment

Power" and "Promoting Japan as a Leading Asset Management Center," and (4) Ensuring the safety and security of the people.

Of these, item (2) outlines initiatives consisting of five pillars, including the Local Innovation and Creation Initiative, and states that they will be promoted as part of "the Reiwa Era remodeling of the Japanese archipelago." Item (3) reaffirms the continued promotion of GX (green transformation) and DX (digital transformation), the development of new frontiers, support for startups, incorporation of overseas vitality, and realization of Japan as a "Leading Asset Management Center." As one of the measures to attract overseas vitality, the government indicated its policy to raise the target for inward foreign direct investment (FDI) stock in Japan in 2030 from 100 trillion yen to 120 trillion yen, and further to aim for 150 trillion yen as early as possible in the first half of the 2030s (Chart 3-1).

In addition, the Basic Policy 2025 sets out measures aimed at realizing a sustainable economic and social system over the medium to long term. These include promoting the Economic and Fiscal Revitalization Plan; identifying key issues and policy directions for major fields such as social security, measures to address the declining birthrate, education reform, infrastructure development, and the strengthening of local fiscal foundations; and reviewing and revising public systems in line with rising prices.

Chart 3-1: Increasing future wages and income through "Stimulating Japan's Investment Power" and "Promoting Japan as a Leading Asset Management Center"

No.	Measures	Outline
1	Promotion of Green Transformation (GX)	<ul style="list-style-type: none"> Over 150 trillion yen in GX-related investments over 10 years through public-private collaboration Reactivation of nuclear reactors with the understanding of local communities Consideration of proper systems for waste disposal, recycling, and resource recovery in relation to the circular economy
2	Promotion of Digital Transformation (DX)	<ul style="list-style-type: none"> Social implementation of digital technologies Research & development and utilization of AI Mass production of next-generation semiconductors and development of digital talent Digital administrative and fiscal reform, digital government DX in healthcare, long-term care, education, logistics, disaster management, etc.
3	Developing Frontiers	<ul style="list-style-type: none"> Support through the Space Strategy Fund Support for technological development of AUVs (Autonomous Underwater Vehicles) and other technologies
4	Promoting Advanced Science and Technology	<ul style="list-style-type: none"> Establishment of international talent mobility and circulation and strengthening of the development of human resources in science and technology Promotion of research and development in quantum technology, fusion energy, materials, etc.
5	Support for Startups	<ul style="list-style-type: none"> Promotion of the Startup Development Five-year Plan
6	Leveraging Overseas Vitality	<ul style="list-style-type: none"> Request the U.S. to reconsider its tariff measures, enhancing economic connectivity with like-minded countries through cooperation Expanding trade and investment by promoting trade digital transformation, promoting the overseas expansion of digital-related services, and strengthening trade insurance risk response capabilities Support for exports and overseas expansion by SMEs, and the Support Program for 10,000 New Exporters Overseas expansion of the content industry through the Creator Support Fund Promotion of FDI in Japan, pursue the targets to increase Japan's inward FDI stock to 120 trillion yen in 2030 and to 150 trillion yen at the earliest possible time in the early 2030s Provision of opportunities for technology demonstration and dissemination, international exchange, and business matching at the Expo 2025 Osaka, Kansai, Japan
7	Promoting Japan as a Leading Asset Management Center	<ul style="list-style-type: none"> Further enhancement of the NISA system, improvements in the management for corporate DC (corporate-type defined contribution pension plans) and iDeCo (individual defined contribution pension plans), and corporate governance reform

Source: Based on "Basic Policy on Economic and Fiscal Management and Reform 2025" by the Cabinet Office

2. Program for Promotion of Foreign Direct Investment in Japan 2025

■ Presenting a concrete plan with 5 pillars and 32 measures

To encourage inward foreign direct investment (FDI), the Government of Japan regularly convenes meetings such as the Council for the Promotion of Foreign Direct Investment in Japan with experts to discuss and propose necessary improvements to the business environment and policy measures.

In April 2023, the Council compiled 100 measures to promote inward FDI as part of the Action Plan for Attracting Human and Financial Resources from Overseas (hereinafter referred to as the "Action Plan"). And the Task Force for Attracting Human Resources and Capital from Overseas (hereinafter referred to as the "Task Force"), established to advance the Action Plan, has been following up on each measure, while also discussing issues that require accelerated and deepened efforts. In parallel, the Cabinet Office has conducted hearings with relevant organizations. Based on these discussions and findings, the Council compiled the Priority Program for Attracting Foreign Direct Investment (hereinafter referred to as the "Priority Program") in May 2024, which outlines the key issues requiring focus efforts—selected from the 100 measures of the Action Plan as well as additional challenges that had been identified—and specific policies in response to these issues.

As of the end of 2024, Japan's inward FDI stock reached 53.3 trillion yen, more than doubling over the decade from 23.7 trillion yen at the end of 2014. To further accelerate this

momentum, the Task Force has engaged in ongoing discussions on policies to enhance and strengthen the measures, while conducting follow-up reviews of the items set out in the Priority Program (Chart 3-2).

Based on these discussions, the 13th Meeting of the Council for the Promotion of Foreign Direct Investment in Japan was convened in June 2025. At the meeting, the Government set targets to increase Japan's inward FDI stock to 120 trillion yen by 2030 and to 150 trillion yen at the earliest possible time in the early 2030s and announced the Program for Promotion of Foreign Direct Investment in Japan 2025 (hereinafter referred to as the "Promotion Program"), which consists of 5 pillars and 32 measures (Chart 3-3). The Promotion Program outlines priority issues to be addressed going forward, as well as specific measures to be taken, based on discussions held within the Task Force and the results of hearings conducted with relevant organizations, primarily by the Cabinet Office.

In addition, in April 2025, a group of like-minded Liberal Democratic Party (LDP) lawmakers launched the Parliamentary League for the Expansion of Investment in Japan. The group has been examining the current status of inward investment in Japan and related institutional challenges from multiple perspectives, with the aim of advancing policy recommendations. The league's recommendations are reflected in the Promotion Program.

Chart 3-2(1): Initiatives and Issues Based on "Priority Program for Attracting Foreign Direct Investment" (2024)

No.	4 Pillars of the Priority Program	10 Policy Measures	Past Initiatives	Issues
1	Expanding Investment Opportunities in Japan	<p>1) Ensuring implementation of "Comprehensive Economic Measures to End Deflation Completely," and its PR</p> <p>2) Identifying the challenges for foreign companies in making follow-on investments in Japan</p> <p>3) Promoting activities abroad to attract FDIs in Japan by the FDI Task Forces established in five diplomatic missions (U.S., U.K., France, Germany, and Australia)</p>	<ul style="list-style-type: none"> Conducted a total of seven follow-ups on the economic measures for FY2023 and FY2024 to promptly implement the measures. Provided briefings on the content and progress of the economic measures to 34 embassies and organizations in Tokyo (December, 2024). Identified issues through the meetings of "Follow-up Council for Regional Investment Promotion"* and other councils. Note *: In FY2024, meetings were held nationwide, including Kinki, Chubu, Hokkaido, Kobe, and Hiroshima regions, with participation from more than 80 municipalities and organizations. Expanded the number of FDI Task Force locations from 5 to 11*. Note*: In addition to New York, London, Paris, Düsseldorf, Sydney, newly established Los Angeles, Toronto, Singapore, Amsterdam, New Delhi, Dubai sites. Conducted a total of 35 promotional activities, including seminars mainly focused on startups and finance. Facilitated the visit of a U.K. business delegation to Japan in conjunction with the Expo. Created a new leaflet to support activities for attracting FDI and provided it to overseas diplomatic missions, including the FDI Task Force. In addition, with the cooperation of relevant ministries and agencies, conducted online capacity-building training for officers in charge of investment promotion. 	<ul style="list-style-type: none"> It is expected that, beyond economic measures, regular information sharing and exchanges of views will be conducted with embassies in Tokyo and other relevant parties to raise awareness of Japan's economic trends and initiatives to support FDI in Japan. Foreign companies have limited opportunities to connect with new business partners in Japan after entering the market. Local governments are expected to implement strategic public relations leveraging their unique characteristics. It is expected that FDI Task Force offices will be provided with information tools necessary for their conducting investment promotion activities.

Source: Based on "The Follow-up on Priority Program for Attracting Foreign Direct Investment" (April 1, 2025) by the Cabinet Office

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Chart 3-2(2): Initiatives and Issues Based on "Priority Program for Attracting Foreign Direct Investment" (2024)

No.	4 Pillars of the Priority Program	10 Policy Measures	Past Initiatives	Issues
2	Securing Highly Skilled Foreign Human Resources from Asia and Other Regions	4) Conducting comparative study with overseas on securing human resources in the semiconductors and other key fields	<ul style="list-style-type: none"> Completed surveys on four regions (Hokkaido, Gunma Prefecture, Hiroshima Prefecture, and Kobe City) (March 25). Conducted a comparative study of industrial hubs in countries such as the United States and Taiwan* that could compete with Japan, and presented measures to be taken by each of the four regions. <p>Note *: Hokkaido: U.S., Taiwan, Germany; Gunma Prefecture: Thailand, Vietnam, U.S.; Hiroshima Prefecture: Taiwan; Kobe City: South Korea, among others.</p>	<ul style="list-style-type: none"> Support for implementing initiatives aimed at attracting investment in the four regions Addressing the needs of local governments outside the four regions
		5) Conducting needs survey on residential status and exploring possible measures based on the result of the survey	<ul style="list-style-type: none"> Conducted a questionnaire survey targeting highly skilled foreign professionals residing in Japan (10,000 individuals) and companies (10,000 firms) regarding the current residence status system and support programs. 	
		6) ① Attracting world-class researchers ② Expanding the acceptance of highly educated foreign students from Southeast Asia, India, and other economies, and supporting their employment in Japan	<ul style="list-style-type: none"> ① In order to attract world-class researchers to WPI centers*1,*2, conducted a survey targeting approximately 600–700 young researchers in Japan and abroad regarding their choice of research institutions (November 2024). Organized and identified issues related to the promotion of the entire WPI initiatives (March 2025). <p>Note*1: WPI centers are primarily formed by universities and other institutions through the World Premier International Research Center Initiative (WPI). Currently, there are currently 18 centers in Japan. Note*2: The goal is to increase the proportion of foreign researchers at each center to at least 30% by FY2030.</p> <ul style="list-style-type: none"> ② Implemented initiatives such as strengthening local recruitment functions through the establishment of new international student recruitment bases (Indonesia in September 2024, Malaysia in December 2024) and enhancement of staffing (India in October 2024), expanding scholarship quotas, and promoting inter-university collaboration with quality assurance measures such as mutual credit recognition. Support initiatives to promote employment of international students, such as internships and career education conducted by universities in collaboration with local governments and industry, to encourage their retention in Japan (three universities). 	<ul style="list-style-type: none"> ① Percentage of foreign researchers at WPI centers (as of the end of FY2023): 37.4% Among the 18 centers, four have a ratio of less than 30%. It is necessary to further increase the number of foreign researchers, focusing on these centers. ② Since the acceptance of students from India is limited, it is necessary to strengthen inter-university exchanges as a main measure to increase the number of Indian students. Further retention of international students in Japan is anticipated.

Source: Based on "The Follow-up on Priority Program for Attracting Foreign Direct Investment" (April 1, 2025) by the Cabinet Office

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Chart 3-2(3): Initiatives and Issues Based on "Priority Program for Attracting Foreign Direct Investment" (2024)

No.	4 Pillars of the Priority Program	10 Policy Measures	Past Initiatives	Issues
3	Promoting Collaborations between Domestic and Foreign Companies	7) Supporting business matching between Japanese and foreign companies, and disseminating case studies for collaboration and considering necessary measures	<ul style="list-style-type: none"> A total of 104 pitch events were held by JETRO and other organizations, with approximately 5,100 participants, achieving 24 collaboration and partnership projects (target: 17) (as of the end of February 2025). Compiled the "Case Studies relating to Collaborations and Joint Ventures between Japanese and Foreign Companies in Japan" (April 2024), and promoted awareness through seminars and other channels (11 sessions conducted against a target of 6). 	<ul style="list-style-type: none"> In addition to matching between companies, matching among regional ecosystem stakeholders (such as local governments, venture capital firms, incubators, and research institutions) is also beneficial. It is necessary for Japanese companies to deepen their understanding of collaboration and cooperation with foreign companies and the utilization of overseas capital as one of the options in business strategy, focusing on how to proceed them and what points to note.
		8) ① Complying with international standards on performance evaluation of VC funds made by investors ② Promoting disclosure of indicators that are important for corporate management"	<ul style="list-style-type: none"> ① On March 11, 2025, the Accounting Standards Board of Japan (ASBJ) issued the ""Revised Practical Guidelines on Accounting for Financial Instruments,"" which allows fair value measurement of investment interests in partnerships held by companies (including unlisted shares contained in the assets of such partnerships). The revised guideline is applicable for fiscal years beginning on or after April 2026 (early adoption permitted for the fiscal year beginning on or after April 2025). ② In November 2024, the Financial Services Agency (FSA) published the FY2024 edition of the "Reference Casebook of Good Practices on the Disclosure of Narrative Information," and has updated as needed by theme. At the study session on the casebook of good practices in narrative information disclosure held in February 2025, examples of disclosures of important indicators for corporate management were presented. In March 2025, the casebook of good practices in disclosure of key management Indicators was published. 	<ul style="list-style-type: none"> ①② Effective communication and outreach to companies are necessary.
4	Improving Business and Living Environments	9) Promoting English-language documentation and one-stop procedures for establishing corporations	<ul style="list-style-type: none"> Based on the ""Policy Package to Achieve Special Zones for Financial and Asset Management Businesses"" (June 4, 2024), the following initiatives were implemented in the Special Zones for Financial and Asset Management Businesses (Hokkaido and Sapporo City, Tokyo, Osaka Prefecture and Osaka City, Fukuoka Prefecture and Fukuoka City). - Notification related to health insurance and related filings at the time of corporate establishment (October 2024): At one-stop centers established by local governments, with support from municipal interpreters, documents prepared in English by foreign companies are converted into Japanese by national administrative agencies and then accepted. - Commercial registration and certification of the articles of incorporation (February 2025): At one-stop centers established by local governments, with support from municipal interpreters, application support tools provided by the Ministry of Justice (with input and selection in English, allowing users to generate Japanese application forms and related documents) are utilized. Regarding the documents to be submitted for application for certificate of eligibility for the ""Business Manager"" status of residence, the Immigration Services Agency clarified on its website in FY2024 that Japanese translations were not required for certain standardized documents. 	<ul style="list-style-type: none"> Expanding target municipalities based on needs of local governments outside the "Special Zones for Financial and Asset Management Businesses" Supporting the establishment of support systems in the target municipalities
		10) Streamlining and expediting bank account opening procedures	<ul style="list-style-type: none"> Based on the example of support provided to foreign nationals applying for account opening in Fukuoka City, a framework was developed and operations commenced (March 2025) at one-stop centers established by local governments in the Special Zones for Financial and Asset Management Businesses (Hokkaido and Sapporo City, Tokyo, Osaka Prefecture and Osaka City, Fukuoka Prefecture and Fukuoka City). 	<ul style="list-style-type: none"> Expanding target municipalities based on needs of local governments outside the "Special Zones for Financial and Asset Management Businesses" Supporting the establishment of support systems in the target municipalities

Source: Based on "The Follow-up on Priority Program for Attracting Foreign Direct Investment" (April 1, 2025) by the Cabinet Office

Chart 3-3: Program for Promotion of Foreign Direct Investment in Japan 2025: 5 Pillars and 32 Measures

No.	Program for Promotion of Foreign Direct Investment in Japan 2025: 5 Pillars	32 Measures
1	Promoting New and Follow-On Investments	(1) Support for capital investment in the strategic areas (Green Transformation (GX), Digital Transformation (DX), Life Sciences, etc.) (2) Support for both hardware and software initiatives by local governments (3) Securing land for industrial use <ul style="list-style-type: none"> • Supporting development of related infrastructure in industrial parks that local governments undertake for strategic fields • Considering necessary legal amendment in order to strengthen support for the development of industrial land • Examining the soil contamination countermeasure legislation • Considering necessary measures to facilitate the utilization of land with unknown ownership (4) Utilization and development of systems to attract foreign companies <ul style="list-style-type: none"> • Considering regulatory and institutional reforms and financial support regarding local governments • Considering support and institutional measures necessary for GX and DX industrial location and business attraction (5)-1 Establishment of a new attraction system through collaboration among the national government, local governments, and the private sector (5)-2 Strengthening attraction system in JETRO
2	Improving Investment Environment	(1) Establishment of a startup ecosystem to collaborate with foreign companies and investors <ul style="list-style-type: none"> • Selecting new second-phase startup ecosystem cities • Providing support for increasing foreign investment in startups (2) Consideration of measures to encourage investment from foreign LPs (limited partners) (3) Support for matching and collaboration between foreign and domestic companies <ul style="list-style-type: none"> • Supporting business matching, collaboration, and partnerships between foreign and domestic companies through JETRO • Identifying issues related to collaboration and partnerships between foreign and Japanese companies (4) Consideration of amendment of the companies act, including the promotion of dialogue between companies and shareholders (investors). (5) Improvement of accounting standards and disclosure as an environment conducive to investment by foreign investors <ul style="list-style-type: none"> • Changing VC fund's performance evaluation by investors in compliance with the international standard • Promoting disclosure of key management indicators
3	Improving Business and Living Environments	(1) Providing English-language and one-stop services for incorporation procedures (2) Expediting and facilitating procedures for opening bank accounts (3) Promotion of English translation of Japanese laws and regulations (4) Improvement of the educational environment for the children of highly skilled foreign professionals (5) Multilingual support in medical institutions (6) Facilitating housing acquisition for highly skilled foreign professionals
4	Securing High Skilled Human Resources from Asia and Other Regions Who Support FDI Business in Japan	(1) Consideration of reviewing the status of residence (2) Expanding acceptance of excellent foreign students from Southeast Asia, India, etc. and providing employment support (3) Attracting world-class researchers (4) Measures to secure human resources in key sectors, including semiconductors, at the regional level
5	Strengthening Public Relations and Promotional Activities	(1) Publicization of macroeconomic trends, support for FDI in Japan, and other priority economic policies <ul style="list-style-type: none"> • Providing regular briefings to embassies and institutions in Tokyo on the government's key economic policies and related matters • Holding regular meetings with the G7 Members' Chambers of Commerce in Japan to exchange opinions (2) Attraction activities of FDI Task Force at 11 established sites (3) Support for strategic regional initiatives

Source: Based on "Program for Promotion of Foreign Direct Investment in Japan 2025" (June 2025) by the Cabinet Office

3. Amendment of the Cabinet Order on Inward Direct Investment

■ Tightening screening on foreign investors deemed to undermining Japan's security and other national interests

Amid increasing complexity in the international situation and structural changes in socio-economic conditions, the security issues are expanding into the economic sphere. In the context of inward foreign direct investment (FDI) and similar activities, concerns related to economic security—such as the risk of technology and information leakage—have been growing.

To respond to these developments, in April 2025, the Cabinet approved the "Cabinet Order Partially Amending the Cabinet Order on Inward Direct Investment" under the Foreign Exchange and Foreign Trade Act (FEFTA), introducing new criteria to the inward FDI screening system.

Overview of the FDI Screening System

- When a foreign investor makes an inward FDI in a company that operates in designated business sectors specified from the perspective of Japan's national security and other considerations (including cases where a subsidiary of the company engages in such a designated business sector), a prior-notification subject to screening is required.
- If a foreign investor complies with certain criteria, such as not being involved in the management of the target company, prior-notification is exempted, except in the case of investments by foreign governments, etc. (the prior-notification exemption system).

Additional category

Added in this revision	Definition	Prior-notification Exemption
Specified Foreign Investors (Type-A Investors)	Foreign investors falling under either of the following categories (Information Collection Obligated Entity, etc.) (1) Organizations or individuals who have obligations to cooperate with foreign governments or other equivalent entities in collecting information related to Japan's national security through inward direct investment and disclosing such information to them based on agreements with the foreign government/equivalent authority, or foreign laws and regulations. (2) Organizations or individuals that bear the above obligation and the foreign governments or other equivalent entities that impose such obligation on those organizations or individuals, which fall under any of the following categories: <ul style="list-style-type: none"> • An organization holding 50 percent or more of voting rights, shares, or capital • An organization in which one-third or more of the officers are occupied, etc. 	Not applicable
Quasi-Specified Foreign Investors (Type-B Investors)	Investors who do not formally meet the requirements of a Type-A Investor but fall under any of the following categories <ul style="list-style-type: none"> • Those recognized as being under the substantial control of decision-making by an Information Collection Obligated Entity (as defined in (1) above) • Those whose substantive headquarters are located in a country or region other than the country of incorporation and are subject to the laws and regulations of such country concerning information-gathering activities • Those who, by virtue of a contract with an Information Collection Obligated Entity, etc. (as defined in (1) and (2) above), or a contract with a party that has entered into such contract (including each agreement when having chains of similar agreements), bear an obligation to disclose information for the purpose of cooperating with the information-gathering activities of a foreign government or other equivalent entities 	Applicable within a specified scope
Designated Core Business Entities	Businesses designated as the "Specified Essential Infrastructure Service Providers"* under the Economic Security Promotion Act, of which conduct business activities in the core sectors Note*: Businesses subject to regulations to prevent critical facilities of essential infrastructures from being misused from outside Japan as a means of disrupting the stable provision of services.	Applicable within a specified scope

Source: Based on "The Cabinet approved the Amendment of Cabinet Order on Inward Direct Investment." in the Ministry of Finance's website

Revised Exemption Scheme for Prior-notification Requirement

(In red: Added in this revision)

<In case of acquisition of listed shares>

As for the shares of a listed company, prior-notification is required for acquisition of 1% or more of shares

	Foreign financial institutions	• General investors • Certified SWFs and similar entities	Quasi-Specified Foreign Investors (Type-B investors) (New category)	• Entities penalized for violation of FEFTA • SOEs and Foreign governments • Specified foreign investors (Type-A investors)
Non-designated Business Sectors	Not subject to regulation			
Other Designated Business Sectors	Exemption of prior-notification applicable only when complying with exemption conditions			Prior-notification required ※ Exemption NOT applicable
Core Sectors (※)	Designated Core Business Entities (New category)	(Less than 10%) Exemption conditions + additional conditions on Core Sectors' Business Activities	(10% or more) Prior-notification required ※ Exemption NOT applicable	
			(Less than 10%) Exemption applicable only when complying with exemption conditions + additional exemption conditions on Core Sectors' Business Activities + New Additional Conditions for Type-B investors	
			Prior-notification required ※ Exemption NOT applicable	

<For unlisted stocks>

With regard to the acquisition of shares in core sectors, prior notification has always been required for all foreign investors. For the acquisition of shares in other designated sectors, as with listed shares, this amendment adds Specified Foreign Investors to the category of entities obligated to submit prior notification.

(*) "Core Sectors" means Manufacturing and repair industries related to weapons, aircraft, space development, and nuclear power; software industry; manufacturing industry for general-purpose products with potential military applications; manufacturing industry for pharmaceuticals for infectious diseases; manufacturing industry for highly controlled medical devices; metal mining and smelting industries related to critical mineral resources; construction industry for development of designated remote island port facilities and related infrastructure; import industry for fertilizers (such as potassium chloride); manufacturing industry for permanent magnets and related materials; manufacturing industry for machine tools and industrial robots; manufacturing industry for semiconductor production equipment; manufacturing industry for storage batteries and related materials; manufacturing industry for ship components (such as engines); manufacturing industry for metal 3D printers and metal powders; cybersecurity-related industries; infrastructure-related industries, and other related sectors.

Source: Based on "The Amendment of Cabinet Order on Inward Direct Investment." in the Ministry of Finance's website



Section 2

Interview

Professor, Waseda University
Yasuyuki Todo

Director-General, Innovation
Department, JETRO
Takeo Nakajima

Spillover Effects of Inward Foreign Direct Investment Promoted by "Collaboration Facilitation Support"

The entry of foreign companies into the Japanese market brings about multifaceted benefits, including job creation, promotion of innovation through international joint research and technology exchange, and the resulting improvement in productivity and competitiveness of Japanese companies. In this context, JETRO conducted a dialogue with Professor Yasuyuki Todo of Waseda University's Faculty of Political Science and Economics, an international economics expert who researches the economic impact of inward foreign direct investment (FDI). We discussed the significance, challenges, countermeasures, and future direction of inward FDI, aimed at strengthening Japan's economy.

Date: October 28, 2025

Participants:

- Yasuyuki Todo, Professor, Waseda University

- Takeo Nakajima, Director-General, Innovation Department, JETRO

Moderator: Taku Miyazaki, Director, Strategic Planning Division, Innovation Department, JETRO

An Era of Creating Innovation Leveraging Global Partnerships

(Titles omitted below)

Miyazaki(Moderator): In June 2025, the Japanese government raised its target for inward FDI stock in 2030 from 100 trillion yen to 120 trillion yen and further announced its aim to reach 150 trillion yen as early as possible in the early 2030s. With the momentum for promoting inward FDI growing, I would first like to ask you about the effects of inward FDI as seen from your research.

Todo: It goes without saying that inward FDI creates domestic employment. However, I want to emphasize that its impact on the Japanese economy goes far beyond that. Foreign companies that can invest in Japan generally possess advanced technologies, which spill over to domestic companies across various industries. It has the effect of enhancing productivity and sales and driving economic growth, through interactions and knowledge sharing among engineers from Japan and abroad, joint research projects between foreign companies and Japanese universities, and the introduction of new business models and management practices not previously seen in Japan, and this has been empirically proven by firm-level data*¹.

Nakajima: JETRO has been working to promote inward FDI to Japan for over 20 years. When we first launched, the amount of inward FDI was extremely small, so our focus was on quantitative expansion. In recent years, however, we have shifted toward attracting companies that can drive innovation and strengthen Japan's economic growth and its competitiveness. After World War II, Japan developed by strengthening the competitiveness of its domestic companies, but as is the case in many other countries, the time has come for foreign companies to serve as another engine of economic growth. This fosters healthy competition, sparks innovation, and expands domestic business opportunities.

Todo: Relying solely on domestic innovation is no longer sufficient for achieving robust growth. Other advanced economies are also creating innovation through inward FDI and international joint research. While some developing countries rely excessively on inward FDI, often failing to link it to their own innovation, China and Singapore have not only leveraged foreign investment but also strengthened domestic innovation in recent years, contributing to their national development. Both elements—creating innovation domestically and absorbing technology from abroad—are essential.



Professor, Waseda University
Yasuyuki Todo

*1: Source: Todo Y. 2006. Knowledge Spillovers from Foreign Direct Investment in R&D: Evidence from Japanese Firm-Level Data. *Journal of Asian Economics*. 17; 996-1013.

The Key to Maximizing Impact Lies in Connections in Technology and Research

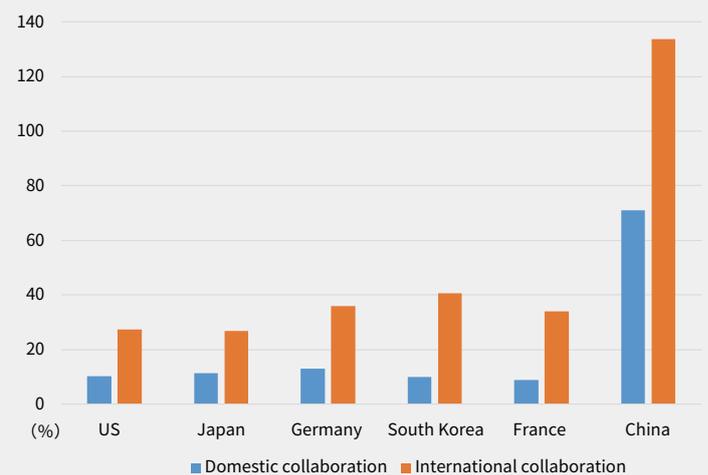
Miyazaki (Moderator): What do you think are the essential factors to widely disseminate advanced technologies and innovations from overseas into Japan and maximize their impact?

Todo: Our research has revealed two key conditions. The first is that foreign companies are strongly connected to domestic companies through supply chains. The second is that both sides engage in technological collaboration through joint research. In other words, it is not enough for foreign companies to simply be present in Japan; it is crucial that both sides are connected in some way.

As empirical research related to the first point, researchers at Osaka University have demonstrated that foreign companies enhance the productivity of upstream and downstream domestic companies through the supply chain. Regarding the second point, my own research has shown the effectiveness of international joint research. Compared to domestic joint research, international collaborations tend to have a higher number of patent citations (see figure). Furthermore, inward FDI involving the establishment of R&D facilities has been found to have a significant positive impact on improving the productivity of domestic companies.

Nakajima: That is highly insightful. From what you've just said, I feel that Japan is a country where the effects of inward FDI are more likely to materialize. In countries at an early stage of economic development, it is often the case that they merely assemble imported parts for export. In such situations, employment increases, but the technological spillover to local companies is limited. In Japan, foreign companies entering the market and domestic companies operate on equal footing, making it easy to generate synergistic effects.

The Impact of Joint Research on Patent Citations as an Indicator of Innovation Quality



Source: Iino T, Inoue H, Saito YU, Todo Y. 2021. How Does the Global Network of Research Collaboration Affect the Quality of Innovation? Japanese Economic Review. 72; 5-48.

Demonstrating a Commitment to Open Innovation to Make Japan a Preferred Investment Destination

Miyazaki (Moderator): What measures do you think would be effective in maximizing the impact of attracting foreign companies through collaboration and cooperation with domestic companies?

Todo: First and foremost, providing information support is critical. When companies expand overseas, it is generally not easy to obtain information about potential investment destinations. Japan should actively share information abroad about what kinds of companies, suppliers, business partners, and customers exist here. Moreover, support after attracting foreign companies is equally critical. It is essential to create an environment and systems that enable smooth connections between companies and allow foreign companies to collaborate effectively with Japanese businesses—such as helping them build networks with local businesses in the regions where they operate.

Nakajima: JETRO actively supports partnerships between foreign and Japanese companies and research institutions. For example, in 2022, Singapore-based AI diagnostic imaging company FathomX signed a joint research agreement with the National Cancer Center Hospital East through JETRO's arrangement. Subsequently, in 2024, the company established a base in Japan, and JETRO has continued to provide support through initiatives such as demonstration subsidy programs. To further strengthen support for such collaborations, JETRO launched J-Bridge (Japan Innovation Bridge), a business platform connecting domestic and overseas companies, universities, and research institutions and assists in forming collaborative projects such as technology partnerships, pilot projects, and joint research. We believe it is important to show the world that Japanese universities and research institutions welcome open innovation and JETRO is committed to promoting this message even more vigorously.



Director-General,
Innovation Department, JETRO
Takeo Nakajima

Creating Attractive Regional Investment Environments through Human Resource Development and Integrated Urban Development

Miyazaki (Moderator): Next, I would like to ask about the challenges Japan faces in promoting inward FDI, and how we should overcome them.

Todo: Whether attracting foreign companies or connecting domestic and international players to maximize the impact of such investments, what is needed is human resources capable of working effectively in diverse, international settings. It is crucial to understand foreign business perspectives and to translate that understanding into mutual benefit. However, Japan still lacks such talent, particularly in STEM fields and regional cities. One effective approach would be policies to bring back individuals with advanced education or professional experience acquired overseas, which would require raising salary levels. At the same time, we should also focus on domestic talent development—providing opportunities for international exchange at an early age and promoting studying abroad during their student years, to foster a global mindset.

Nakajima: The shortage of talent has been identified as the biggest challenge in JETRO's annual "Survey on Business Operations of Foreign-Affiliated Companies in Japan,"*² and it could become a barrier to business expansion, entry into regional cities, and new business development. The employment rate in Japan among international students is 51.6%*³; retaining highly skilled talent in Japan and enabling them to play an active role in business with foreign companies are also crucial. To this end, JETRO offers programs, including courses that introduce job opportunities at foreign-affiliated companies to students at major universities.

Todo: Another challenge is that inward FDI tends to be concentrated in the Tokyo metropolitan area, and it rarely reaches regional cities. One reason is that the living environments for foreigners are not sufficiently developed. In particular, there is strong interest in education for their children, and international schools are one of the key factors in attracting foreign companies. The recent progress in establishing such schools in places like Kumamoto and Hiroshima is a positive trend.

Nakajima: Recently, regional cities are increasingly establishing incubation facilities and research labs as part of their urban development, attracting domestic and international startups and accelerators. For municipalities, urban development is a policy area that they can actively pursue, and it also contributes to creating a more comfortable living environment for foreigners. Examples include the area around ES CON FIELD HOKKAIDO in Hokkaido, UMEKITA (the north area of Osaka Station) in Osaka, and KASHIWANOHA in Chiba Prefecture. Building such environments where regional revitalization and diverse talent coexist offers a big new business opportunity to Japan. It will also contribute to regional revitalization and the expansion of inward FDI.



Maintaining Some Flexibility in Investment Attraction Efforts While Focusing on Strategic Areas

Miyazaki (Moderator): Going forward, what direction should the Japanese government and JETRO take in attracting foreign companies? We would appreciate your insights.

*²: According to the results of JETRO's Survey on Business Operations of Foreign-Affiliated Companies in Japan 2024, the top two items where companies particularly expect improvement in their business activities in Japan were "securing general personnel" (21.7%) and "securing highly skilled personnel" (18.0%) (multiple responses).

*³: Results of the 2023 Survey on Career Paths of International Students (May 2025, Japan Student Services Organization).

Todo: From the perspective of economic security, even when it comes to inward FDI, Japan should not accept it without limits. In October 2025, the new administration was launched and Prime Minister Takaichi issued a directive to all cabinet ministers, which mentioned the "enhancement of screening for inward direct investment in Japan." This direction is a positive step, and we should attract investments that truly benefit Japan after proper screening. However, excessive regulation would hinder investment, so it is essential to clarify the rules, ensure transparent implementation, and actively disseminate this information overseas.

Nakajima: I agree. Considerations for economic security are crucial, and in the context of global supply chain restructuring, Japan should not adopt a stance of "any investment is welcome." Instead, we should focus on attracting strategic industries, companies, and technologies that Japan needs. Both the government and JETRO are shifting toward this direction. Focusing on areas such as semiconductors and microelectronics, life sciences, and decarbonization, JETRO is actively engaging in investment promotion by leveraging its overseas network.

Todo: Of course, it is important to define priority areas, such as semiconductors, which are currently a focus of countries around the world, but data also show that a competitive and open environment tends to deliver better results as an industrial policy in the long term. Rather than focusing too narrowly on specific companies or sectors, it is desirable to conduct investment promotion activities maintaining an aspect that does not overly restrict the scope, and leaving room for industries with latent potential.

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Section 3

Discussion

Managing Director of
Techstars Tokyo
Yuki Shirato

AssetHub CEO
Takuya Goto

Deputy Director-General,
Innovation Department, JETRO
Head of JETRO Startup
Noriya Tarutani

The Role of Overseas Capital and Key Support Organizations in Building a World-Class Startup Ecosystem

The growth of Japanese startups has been remarkable. Over the past decade, the number of companies that have raised funds has increased by more than 1,000, and the total amount of funding raised has expanded more than fivefold. However, compared with other advanced startup ecosystems around the world, Japan still faces challenges in producing startups that can scale globally, as reflected in its relatively small number of unicorns^{*1}. In order to further increase the number of world-class startups originating in Japan, as well as attract excellent startups from overseas while strengthening the overall ecosystem, it is necessary to promote globalization—not only by bringing in overseas risk capital, but also by incorporating advanced know-how, human resources, and cultural practices from leading regions of the world.

For this discussion, we invited Yuki Shirato, Managing Director of Techstars Tokyo—U.S.-based and one of the world's largest pre-seed investors, which established its Japan office in 2024—and Takuya Goto, CEO of AssetHub, a portfolio company of Techstars. We asked them about the current state and future outlook of Japan's startup ecosystem.

[The event was held on October 3, 2025, moderated by Noriya Tarutani, Deputy Director-General, Innovation Department, JETRO (Head of JETRO Startup)]

*1: A "unicorn" refers to a privately held startup company valued at over \$1 billion.

Do We Have Entrepreneurs in Japan with a Global Mindset?

(Titles omitted below)

Tarutani (Moderator): Thank you for joining us today for this roundtable discussion, a new initiative under the JETRO Invest Japan Report. In this context, while JETRO's Startup Division primarily supports Japanese startups in expanding overseas, today we will focus on the significance of attracting overseas capital and investors to revitalize Japan's startup ecosystem. To begin, I'd like to ask each of you to introduce yourselves and briefly describe your organizations.

Shirato: Techstars is an accelerator*² founded in Colorado, USA, in 2006. Brad Feld, one of the co-founders, is said to have coined the term "accelerator," and David Cohen, another co-founder, continues to serve as CEO (There are two other co-founders, four in total). Techstars operates under the philosophy, "Talent is everywhere." While there are other equity*³ accelerators of a similar scale, many of them bring entrepreneurs together at one location in the U.S. for development. In contrast, Techstars establishes locations around the world and discovers talented entrepreneurs locally by partnering with influential organizations in each region. In Tokyo, we run programs in collaboration with JETRO and Mitsui Fudosan. As for myself, I'm a serial entrepreneur who has co-founded three companies. Before that, I worked as a Registered Foreign Lawyer in several countries, including the United States, handling venture capital (VC) and startup fundraising transactions.



Managing Director of
Techstars Tokyo

Yuki Shirato

Goto: AssetHub, founded in the United States in 2023, develops and provides AI-powered game development tools. Prior to that, in 2018, I co-founded Gaudy, a Web3*⁴ startup in Japan. However, I felt constrained by Japan's regulatory environment and the limited market scale, and with a strong desire to "compete on a global standard," I decided to go independent and founded AssetHub. In summer 2024, we joined the Techstars Tokyo accelerator program and most recently, we successfully raised a total of 300 million yen in our seed round from multiple foreign angel investors including several Techstars Tokyo mentors, as well as the Techstars global follow-on fund, and the B2B-focused VC firm Archetype Ventures.

*2: An "accelerator" is a support program or organization that accelerates the growth of startups in a short period of time.

*3: "Equity" refers to a fundraising method where a company receives investment in the form of shares, etc., thereby strengthening its capital.

*4: A decentralized internet built on blockchain and related technologies.

Tarutani (Moderator): Looking briefly at the landscape of Japanese startups, in 2024, 3,480 companies in Japan raised a total of 874.8 billion yen—an increase of about 1,400 companies and more than fourfold in funding compared to 2015 (Chart 1).

Although the number of funded startups has decreased, compared to 2023, the amount of funding has increased, indicating an increase in the average amount raised per company. On the other hand, in terms of the number of unicorn companies, Japan had only 8 unicorns as of October 2025, while the top-ranked United States had 724 and second-ranked China had 158, showing that Japan's presence remains limited compared with other major regions in the world (Chart 2).

The reason JETRO decided to pursue the attraction of Techstars in the first place is that we recognized structural challenges unique to Japan's ecosystem and wanted Techstars to serve as a catalyst for change. When Techstars established its Tokyo office in 2024, JETRO had two key expectations: first, the inflow of risk capital, and second, the introduction of global talent and know-how. Equity-based accelerator programs are not yet mainstream in Japan, so the inflow of such funds is valuable in itself. But beyond funding, we believe that the talent and know-how that Techstars brings will have a positive impact on the entire startup ecosystem in Japan. With that in mind, now that Techstars has landed in Japan, I'd like to hear your perspective on Japan's current state and the challenges you perceive.

Shirato: The biggest concern before launching the program was whether we could successfully integrate it into Japan's startup ecosystem, which has its own distinct culture and ways of thinking. Most accelerator programs in Japan are conducted in Japanese and primarily focus on connecting startups with large Japanese corporations and domestic VCs. On the other hand, U.S. accelerators, including Techstars,

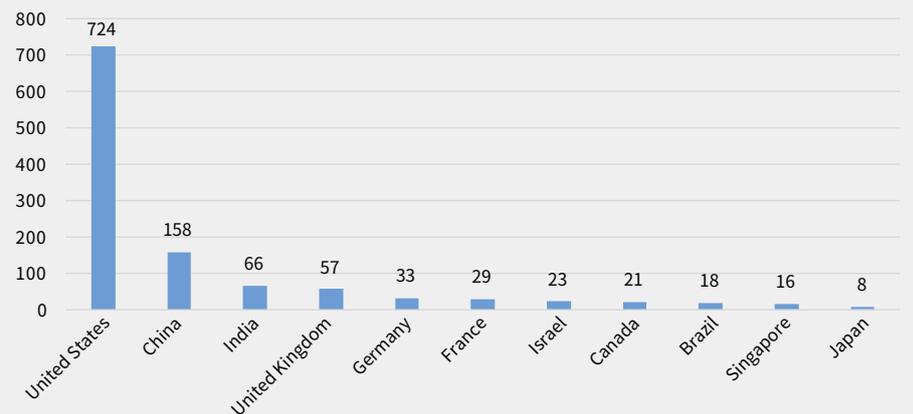
aim from the outset to build companies that can become unicorns, but such a mindset is not yet established in Japan. Furthermore, all Techstars programs are conducted in English, and it was unknown how many entrepreneurs with a global mindset existed in Japan. That said, while the number may be limited, entrepreneurs like Mr. Goto of AssetHub who aspire to compete on a global stage certainly exist. Our mission is to identify and support such companies.

Chart 1: Funding Amounts and Number of Funded Startups in Japan



Note 1: The values for each year are based on the data observed up to the time of aggregation; the 2025 figure represents the first half of the year.
 Note 2: As the survey progresses, figures—including past figures—may be revised. The impact is greater on cases in recent years and ones involving smaller amounts.
 Source: Speeda "Startup Information Research (As of July 19, 2025)"

Chart 2: Number of Unicorn Companies Worldwide



Source: Based on "Private Companies Valued at \$1B+" (as of October 7, 2025) in Global Unicorn Club, CB Insights

Tarutani (Moderator): A global mindset is indeed a critical factor. Mr. Goto, I'd like to hear a bit more about the background behind your decision to leave Gaudy and start a business in the U.S.

Goto: In short, I wanted to take on the challenge of creating a model that would work globally. In my view, Japan's Web3 industry has developed its own distinct ecosystem, and while the user base is relatively limited in Japan and the number of active players does not fluctuate dramatically, the industry has had to establish business models that could generate continuous profits. This required prioritizing stability, and I also felt constrained by Japan's unique regulatory environment. In Japan, startups often have only two viable paths to succeed: expanding their services to large corporations or targeting the entire Japanese market of 120 million people. Instead of trying them, I wanted to compete globally from the outset, build something that can be accepted worldwide, and ultimately become a global standard. This desire drove me to launch in the U.S.



AssetHub CEO
Takuya Goto

Tarutani (Moderator): Indeed, Japanese startups, particularly in the B2C domain, tend to target the entire market, from children to the elderly. In contrast, U.S. startups often target niche markets, such as men in their 20s or women in their 40s, secure strong traction within those niches, and then scale globally from there. This approach tends to resonate more effectively, and JETRO also wants this type of model to be adopted more widely in Japan.

Driving Transformation by Embracing U.S. Culture and Mindset

Tarutani (Moderator): Mr. Goto, I imagine that one of the reasons you joined the Techstars program is to position yourself to compete on a global stage. Could you tell us what you gained from participating in the program?

Goto: One of the biggest takeaways for me was gaining access to specific overseas communities. In particular, when launching a business in the U.S., success in hiring and fundraising depends heavily on personal networks and the trust built through those relationships. In Japan, you can often operate without such connections, but in the U.S., to establish an initial foothold, you first need to enter relevant industry communities, build relationships, and gain access through referrals from trusted contacts, and Techstars helped me navigate these steps quickly. In fact, some of the angel investments in this round came through introductions by Techstars. Moreover, being part of Techstars program significantly enhances our credibility, allowing us to maintain ongoing relationships with a broad range of investors and successfully secure funding.

Tarutani (Moderator): Connections and networks are also one of the key areas where we place high expectations on Techstars. Beyond that, what do you believe is necessary to further strengthen Japan's startup ecosystem?

Shirato: I see three key areas. The first is communities. This may be related to the area of connections and networks just mentioned. Japan's startup communities can be difficult to enter, but U.S. communities, including Techstars, while still involving an introduction process, tend to be relatively open and willing to accept newcomers if they have interesting ideas or compelling backgrounds.

Tarutani (Moderator): A global mindset is essential to break into those communities.

Shirato: Exactly. Even if you manage to get in, whether you can continue to belong to the community ultimately depends on you. That said, as long as you have something distinctive to offer, the barrier to entry itself seems lower than in Japan.

And, in order as well to sustain the quality of these communities, the second key element is mentors. This again reflects differences in mindset and culture between Japan and the U.S. In Japan, the term "mentor" often brings images of a one-way teacher-student or parent-child relationship and role. In the U.S., however, a mentor is someone who maintains an equal relationship and walks alongside you, while sharing their knowledge and experience with a "Give First" spirit. Notably, two-thirds of Techstars Tokyo's mentors are foreigners whether residing outside or in Japan, many of whom have firsthand experience in achieving global success. For example, Katrina Lake, who at the time became the youngest woman to take a company public on NASDAQ (Stitch Fix); Tom Moss, who has founded multiple companies and achieved successful exits, including co-founding Skydio, the largest drone company in the US; and David Bennett, an angel investor who formerly served as president of Lenovo Japan and a board member of Sanrio. All of them participate with a strong desire to support and mentor Japanese startups.

Tarutani (Moderator): Mentors are certainly a crucial element. Having outstanding individuals who have succeeded overseas come to Japan as mentors for the accelerator program also means bringing in new cultures. Do you see foreign mentors having an inspirational or stimulating impact on Japanese mentors as well?

Shirato: Absolutely. This applies not only to mentors, but also to startups participating in the Techstars program. By maintaining a roughly equal balance between Japanese and international participants, you can clearly see how their different perspectives and pitching methods stimulate each other.



Deputy Director-General,
Innovation Department, JETRO
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Noriya Tarutani



Mentoring session

Tarutani (Moderator): I hear that exchanges between domestic and international VCs often lead to mutual benefits.

Shirato: The third element we consider essential for strengthening Japan's ecosystem is equity investment. Among accelerators, Techstars, in particular, takes common stock rather than preferred stock, and works side-by-side with founders. This is what differentiates us from other accelerators and is our core commitment.

Goto: On that third point, taking common stock is a particularly crucial perspective. In equity investment, the focus is often on the size of the equity stake, but recipients should also be mindful of the differences in terms—such as common or preferred stock.

Tarutani (Moderator): In other words, it is an idea that Techstars becomes a kind of co-founder through its investment. We also expect that Techstars' entry into Japan will bring about a cultural transformation.

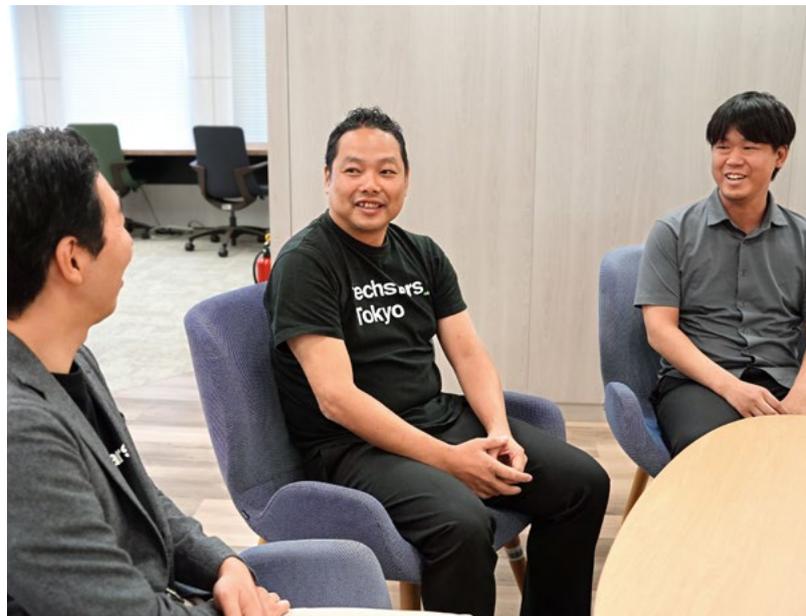
Fundraising in Japan and a Focus on Industries Where Japan Excels, Such as Entertainment and Manufacturing

Tarutani (Moderator): I'd like to ask about the portfolio companies Techstars Tokyo currently has in Japan.

Shirato: In our first program in 2024, the acceptance rate was around 1%, with 12 companies selected—six Japanese and six overseas. Many of the selected companies, including AssetHub, have successfully raised funds, and in 2025, the number of participants increased by more than 2.5 times. The participating countries and regions have exceeded 120, and the acceptance rate is now well below 1%, making it an extremely competitive gateway. We strongly feel that more startups are now eager to come to Japan.

Tarutani (Moderator): Which countries are they coming from most, and what are they looking for in Japan?

Shirato: The U.S. is by far the largest source, followed by India. In Southeast Asia, the numbers vary by country, but the region as a whole represents a significant share. As for expectations toward Japan, there are two main points. First, many overseas startups actually express a desire to raise funds in Japan. While the VC investment amount in Europe and the United States has fallen compared to a few years ago, the rate of increase in VC investment in Japan is attracting attention, although smaller in absolute terms. In particular, the strong desire to invest in early-stage startups is seen as attractive. Second, Japan possesses highly competitive industries. Its IP-related content and entertainment



fields—such as anime, manga, and games—are unparalleled and something to be proud of globally. Furthermore, Japan's technological capabilities and quality in deep tech and hard tech, such as robotics and manufacturing, continue to be highly regarded around the world. There are cases where overseas startups not only succeeded in raising funds through the Techstars program, but also went on to establish a base in Japan. One example is Dondon Technologies, a U.S.-based startup company providing AI-powered 2D animation production support apps. For them, entering Japan—the heart of IP content and animation—is essential, and they plan to establish a subsidiary and are eager to hire talent in Japan. They also said that JETRO's support services were extremely helpful in this process.

Goto: Looking ahead, in order to scale globally, a PLG (Product-Led Growth) approach—meaning a growth model driven by the product itself—is essential for success. At the same time, while my thoughts are not yet fully crystallized, one thing I'm convinced of is that, Japan's large corporations are extremely powerful, and Japanese founders have relatively easier access to their large capital. It would be wasteful not to leverage that advantage. We must create our own successful business model that combines PLG with business deals and capital alliances with major corporations.

Shirato: It is also important to look beyond the U.S. to other global markets. Given the current rapidly changing situation and geopolitical instability, we are also paying close attention to the Middle East, which is rich in oil money, and Southeast Asia, which is experiencing a remarkable improvement in technological capabilities and has a large number of talented people. Japan is considered as a destination that people around the world want to visit, thanks to its strong soft power, including food and culture. If we can utilize this favorable perception, it will help us attract overseas startups more effectively.

End of discussion

