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Trends in Inward FDI to Japan



FDI flows to Japan halved due to the backlash from a large increase in the previous year, but the number of greenfield investments remained at the previous year's level.

Section 1: Trends in Inward FDI to Japan

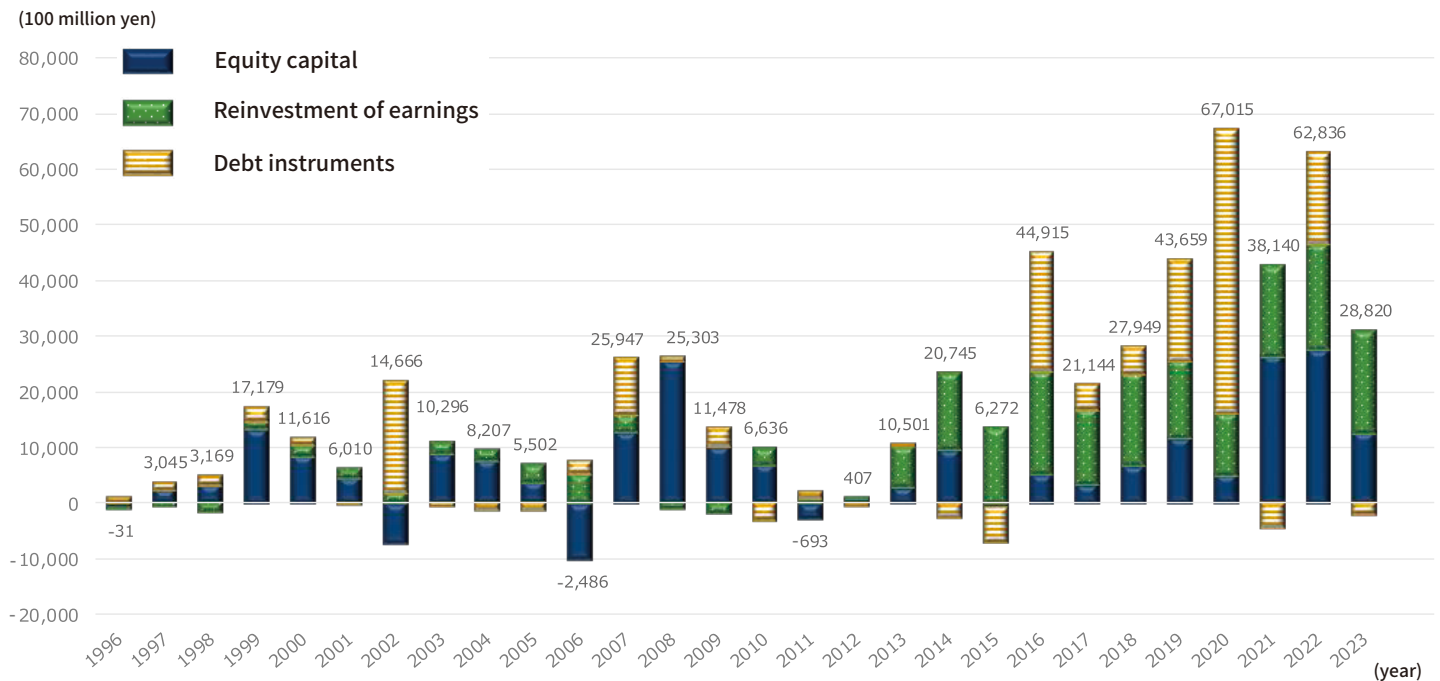
1. Trends in Flow

■ Inward FDI flows to Japan halved due to the backlash from a large increase in the previous year

According to the Balance of Payments Statistics (asset and liability principle) published by the Ministry of Finance (MOF) and the Bank of Japan (BOJ), the FDI flow to Japan in 2023 declined sharply to 2.9 trillion yen, down 54.1% from the previous year. By type of capital, equity capital decreased 54.2% from the previous year to 1.3 trillion yen, reinvestment of

earnings decreased 4.0% to 1.8 trillion yen, and debt instruments decreased to minus 0.2 trillion yen from 1.6 trillion yen. Debt instruments are related to the borrowing and lending of funds between companies in a capital relationship, and the results reflect activities such as borrowing by Japanese companies from their overseas subsidiaries and affiliated companies.

Chart 2-1: Trends in FDI Flow to Japan



Note: The figures before 2013 are calculated based upon a different principle.

Source: Based on "Balance of Payments" by MOF and BOJ

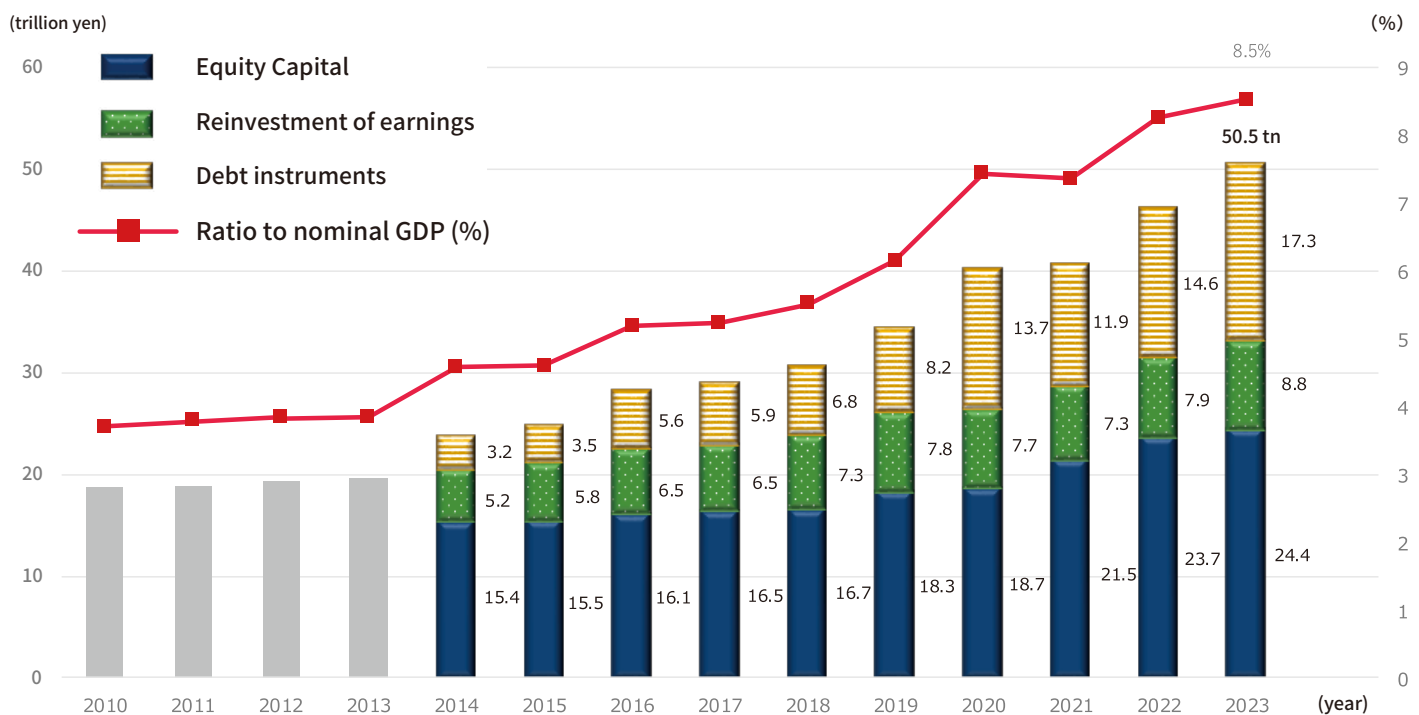
2. Trends in Stock

■ Inward FDI stock continues to rise

The FDI stock in Japan (asset and liability principle) at the end of 2023 was 50.5 trillion yen (up 9.3% from the previous year), representing 8.5% of GDP. Looking at this stock by capital type, equity capital increased 3.0% year on year to 24.4 trillion yen, reinvestment of earnings increased 11.4% to 8.8 trillion yen, and debt instruments increased 18.5% to 17.3 trillion yen. Since the

breakdown of the stock began to be published in 2014, equity capital has increased significantly from 15.4 trillion yen to 24.4 trillion yen (up 58.4%), reinvestment of earnings from 5.2 trillion yen to 8.8 trillion yen (up 69.2%), and debt instruments from 3.2 trillion yen to 17.3 trillion yen (up 440.6%), respectively.

Chart 2-2: Trends in FDI Stock in Japan



Note: Breakdown of stock in 2013 and before is not disclosed.

Source: Based on "International Investment Position of Japan" by MOF and BOJ and "National Accounts of Japan" by the Cabinet Office

Section 2: Trends in Inward FDI to Japan by Country/Region

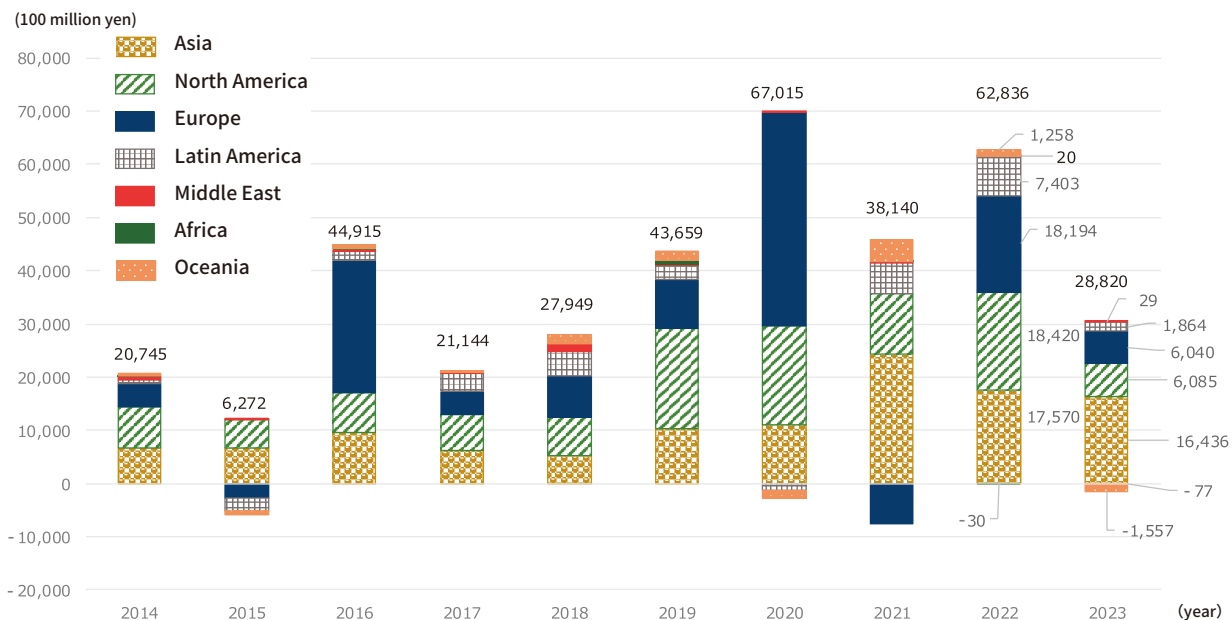
1. Flow

■ Asia returns as the largest investment source region due to significant contraction in Europe and the U.S. and growth in China and Korea

Looking at the FDI flow to Japan in 2023 (asset and liability principle) by region, Asia was the largest at 1.6 trillion yen (down 6.5% from the previous year), followed by North America, which fell sharply to 0.6 trillion yen (down 54.7%). Europe declined significantly, as was the case in North America. Asia had the highest amount, with Singapore at 0.8 trillion yen, accounting for more than half of the total in Asia, and the highest among the world's countries and regions. Among Asian countries with high

year-on-year growth rates, China was the highest at 0.2 trillion yen (up 103.8% from the previous year), followed by Taiwan at 0.3 trillion yen (up 47.5%). The United States, which was ranked first in the previous year, dropped to second place with 0.6 trillion yen (down 54.7%). In Europe, France and the United Kingdom saw opposite trends in year-on-year growth rates, but the investment amounts were roughly at the same level.

Chart 2-3: FDI Amounts in Japan (flow, by region)



Source: Based on "Balance of Payments" by MOF and BOJ

Chart 2-4: Top 10 Countries in FDI Amounts in Japan in 2023 (flow, by country) (100 million Yen, %)

Ranking	Investor Country / Region	2023		
		Growth rate(YoY)	Share	
1	Singapore	8,385	- 3.1	29.1
2	United States	5,564	- 54.7	19.3
3	France	3,907	86.1	13.6
4	United Kingdom	3,591	- 68.1	12.5
5	Taiwan	2,708	47.5	9.4
6	Hong Kong	2,201	- 41.9	7.6
7	China	1,789	103.8	6.2
8	Korea	1,280	13.3	4.4
9	Cayman Islands	920	- 86.1	3.2
10	Luxembourg	546	192.0	1.9
	World	28,820	- 54.1	100

Source: "Balance of Payments" (MOF, BOJ)

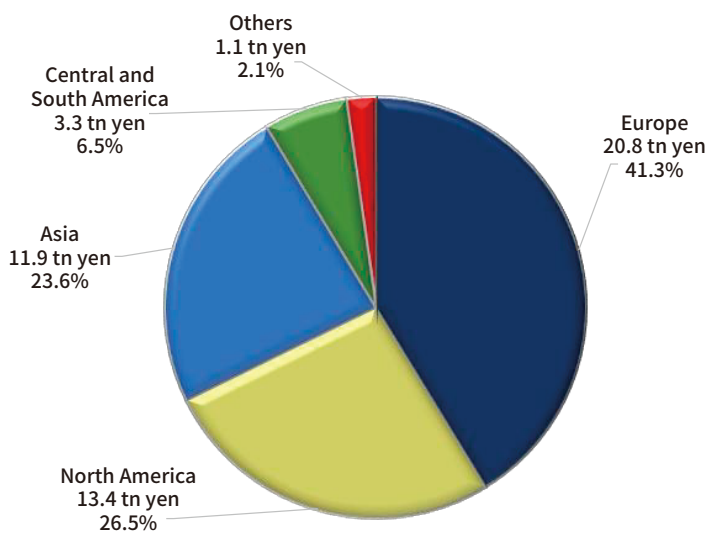
2. Stock

■ The United States ranks first, while France surpasses the Netherlands to take fourth place

As for the FDI stock in Japan (asset and liability principle) by region at the end of 2023, Europe accounted for the largest at 20.8 trillion yen (41.3% of the total), followed by North America at 13.4 trillion yen (26.5%) and Asia at 11.9 trillion yen (23.6%). By country, the United States accounted for the largest, same as last year, at 12.5 trillion yen (24.7% of the total), followed by the United Kingdom at 8.7 trillion yen (17.2%) and Singapore at 5.3

trillion yen (10.4%). France, which ranked fifth in the previous year, increased slightly to 3.4 trillion yen (3.2 trillion yen in the previous year), while the Netherlands, which ranked fourth in the previous year, decreased slightly to 3.3 trillion yen (3.4 trillion yen in the previous year). Therefore, their rankings were switched. The top 10 countries and regions accounted for 85.8% of the total FDI stock in Japan.

Chart 2-5 FDI Stock in Japan by Region (end of 2023)



Source: Based on "International Investment Position of Japan" by MOF and BOJ

Chart 2-6 FDI Stock in Japan by Country (end of 2023)

(100 million yen, %)

Ranking	Country/Region	Stock	Growth rate (YoY)	Ratio
1	United States	124,655	23.2	24.7
2	United Kingdom	86,989	11.3	17.2
3	Singapore	52,614	8.1	10.4
4	France	34,107	4.5	6.8
5	Netherlands	32,542	-4.6	6.4
6	Hong Kong	27,608	5.3	5.5
7	Cayman Islands	27,073	6.7	5.4
8	Switzerland	20,737	-4.4	4.1
9	Germany	14,015	1.3	2.8
10	Taiwan	12,993	21.1	2.6
	Others	71,843	3.1	14.2
	Total	505,176	9.3	100.0

Source: Based on "International Investment Position of Japan" by MOF and BOJ

Section 3: Trends in Inward FDI to Japan by Industry

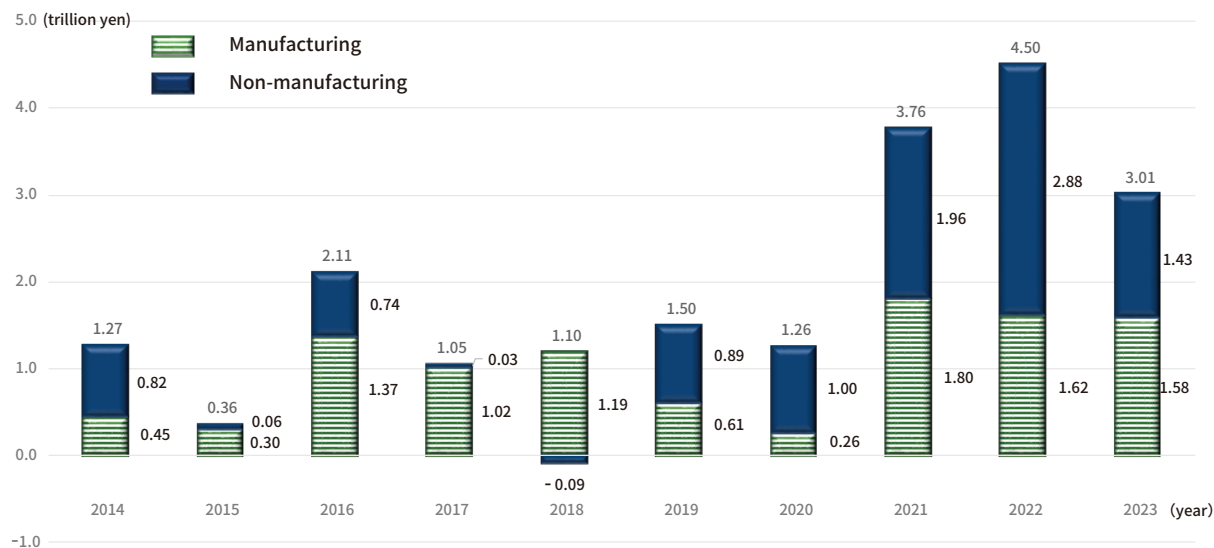
1. Flow

■ Large decline in non-manufacturing sector, especially in communications and transportation

The overall amount of inward FDI to Japan in 2023 (directional principle) was 3.0 trillion yen (down 33.0% from the previous year). By major industry sector, the manufacturing sector accounted for 1.6 trillion yen (down 2.0% from the previous year), while the non-manufacturing sector accounted for 1.4 trillion yen (down 50.4%), indicating a large decrease in the non-manufacturing sector. Looking at the decline in investment in the non-manufacturing sector at the industry level, the main factors for the decline are decreases of approximately 500 billion

yen in the transportation industry (which was 700.4 billion yen in the previous year), approximately 460 billion yen in the communications industry (503.3 billion yen in the previous year), and approximately 400 billion yen in the finance and insurance industry (1,157.4 billion yen in the previous year), respectively. Looking at the FDI amounts of top 10 industries, although the decline was large, the finance and insurance industry remained first with 700 billion yen (down 35.3% from the previous year). Precision machinery showed a remarkable increase of about 60 times.

Chart 2-7: Inward FDI amounts to Japan in 2023 (flow, by industry sector)



Note: This is based on the directional principle and different from that of the statistics by country/region (asset and liability principle).

Source: Based on "Balance of Payments" by MOF and BOJ

Chart 2-8: Inward FDI amounts to Japan in 2023 (top 10 industries)

(100 million yen, %)

Ranking	Sector	2022	2023	
			Growth rate (YoY)	Share
1	Finance and insurance	7,493	- 35.3	24.9
2	Electric machinery	4,935	26.7	16.4
3	Chemicals and pharmaceuticals	4,933	10.3	16.4
4	Wholesale and retail	4,394	287.0	14.6
5	Transportation equipment	2,560	- 20.4	8.5
6	Precision machinery	2,427	5,542.8	8.1
7	Transportation	1,975	- 71.8	6.6
8	General machinery	445	-51.4	1.5
9	Communications	426	-91.5	1.4
10	Real estate	295	*	1.0
—	Mining	- 108	-	-
—	Construction	- 160	-	-
	Total	30,112	- 33.0	-

Note: Directional principle. Some industries are net withdrawal.

The marks of * in the chart show that the investment in 2022 is negative due to net withdrawal and therefore growth rate is not applicable.

Source: Based on "Balance of Payments" by MOF and BOJ

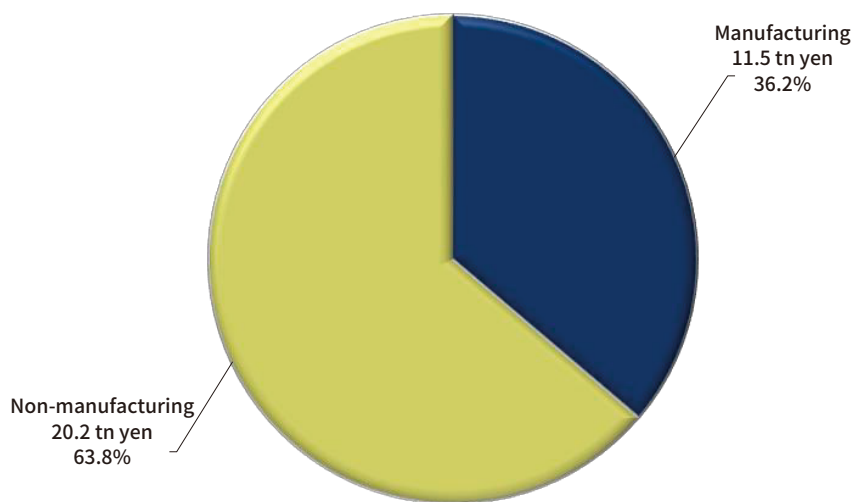
2. Stock

■ Finance and insurance continues to be the largest industry, accounting for approximately 40% of the total

The total FDI stock in Japan (directional principle) at the end of 2023 was 31.7 trillion yen (up 5.3% from the previous year), and by major industry sector, the manufacturing sector accounted for 11.5 trillion yen (up 12.0%, and 36.2% of the total), while the non-manufacturing sector accounted for 20.2 trillion yen (up 1.8%, and 63.8% of the total). Looking at detailed industries, the finance and insurance industry was the largest, down 2.3%

from the previous year to 11.5 trillion yen (36.3% of the total), followed by chemicals and pharmaceuticals, up 8.7% to 3.19 trillion yen (10.1%), and transportation, up 3.5% to 3.17 trillion yen (10.0%). The notable growth rate was in wholesale and retail, at 0.6 trillion yen (up 145.0% from the previous year), with the United States seeing the largest increase.

Chart 2-9: FDI Stock in Japan by industry (end of 2023)



Source: Based on "International Investment Position of Japan" by MOF and BOJ

Chart 2-10: FDI Stock in Japan: Top 10 Industries (end of 2023)

(100 million yen, %)

Ranking	Sector	Stock	Growth rate (YoY)	Share
1	Finance and insurance	115,213	- 2.3	36.3
2	Chemicals and pharmaceuticals	31,900	8.7	10.1
3	Transportation equipment	31,744	3.5	10.0
4	Electric machinery	26,992	19.4	8.5
5	Communications	25,398	12.7	8.0
6	Services	14,534	- 10.3	4.6
7	Transportation	13,658	10.2	4.3
8	Wholesale and retail	6,098	145.0	1.9
9	General machinery	5,894	2.5	1.9
10	Real estate	5,571	10.3	1.8
	Others	40,166	10.8	12.7
	Total	317,168	5.3	100.0

Source: Based on "International Investment Position of Japan" by MOF and BOJ

Section 4: Trends in Greenfield Investment in Japan

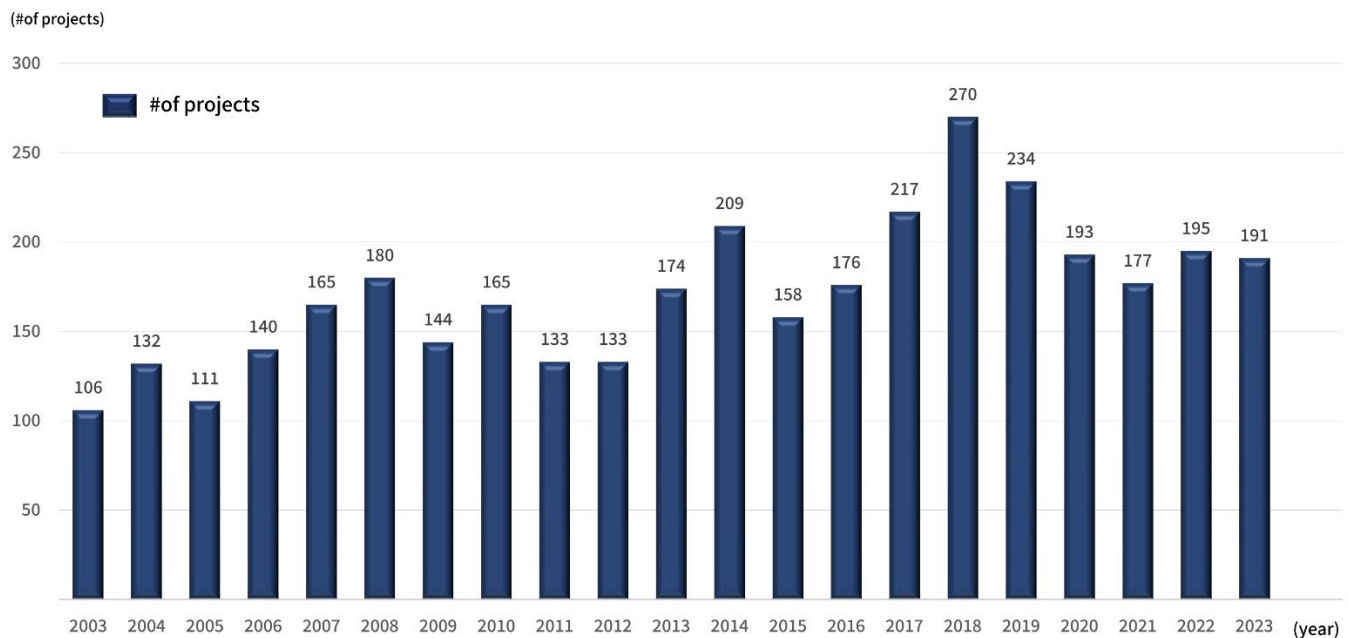
1. Changes in the Number of Cases

■ Maintains almost the same level as the previous year

The number of greenfield investments in Japan in 2023 (based on the date of publication) decreased by 2.1% from the previous

year to 191. Even in the midst of a stagnant global economy, it remained almost unchanged from the previous year.

Chart 2-11: Trends in Number of Greenfield Investments



Source: Based on "fDi Markets" by the Financial Times

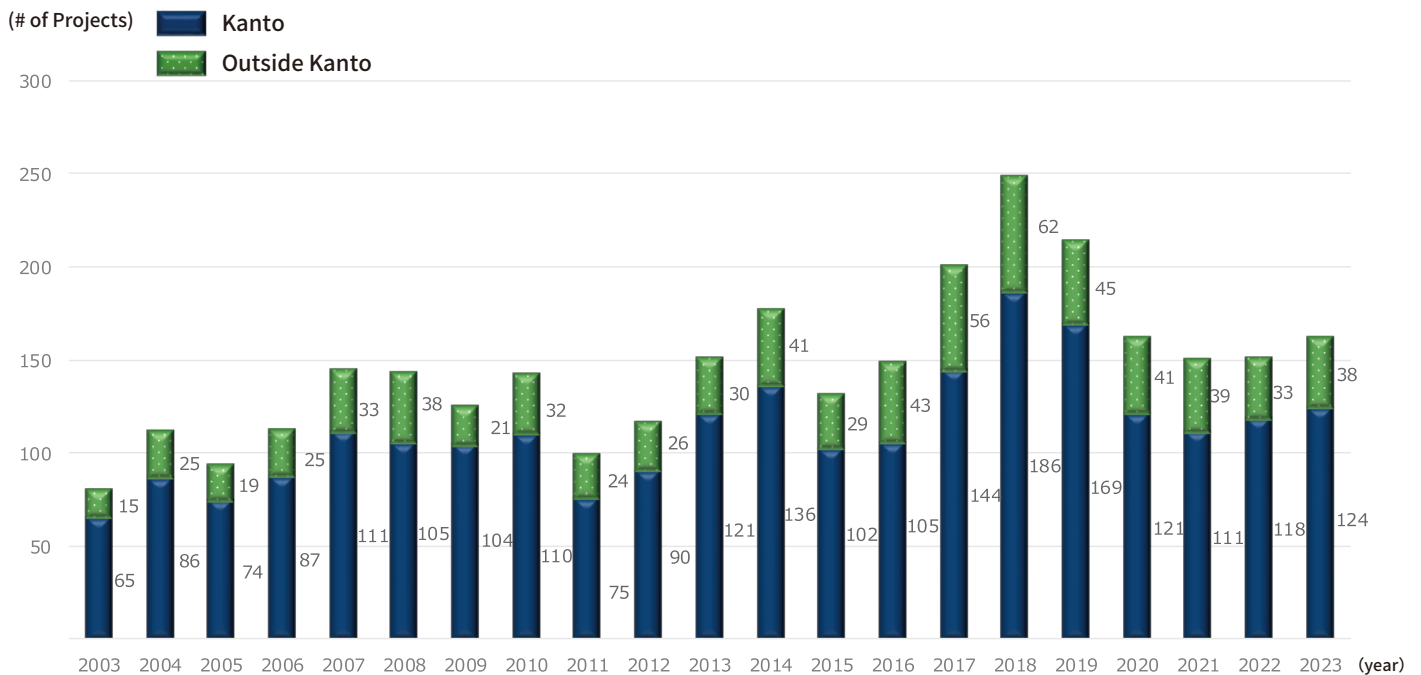
2. Trends in Investment by Region (Kanto region and non-Kanto region)

■ Investment in the Kanto region is about three times that of other regions

Dividing cases where the investment destinations are known into Kanto region and other regions, we found that there were 124 projects in Kanto region and 38 projects outside the Kanto region

in 2023. The number of cases in the Kanto region increased by 6 over the previous year, while that outside the Kanto region increased by 5.

Chart 2-12: Trends in Number of Greenfield Investments by Region (Kanto region and non-Kanto region)



Note: Kanto region includes Tokyo and six prefectures; Ibaraki, Kanagawa, Gunma, Saitama, Chiba, and Tochigi. Excluding investment unknown areas.

Source: Based on "fDi Markets" by the Financial Times

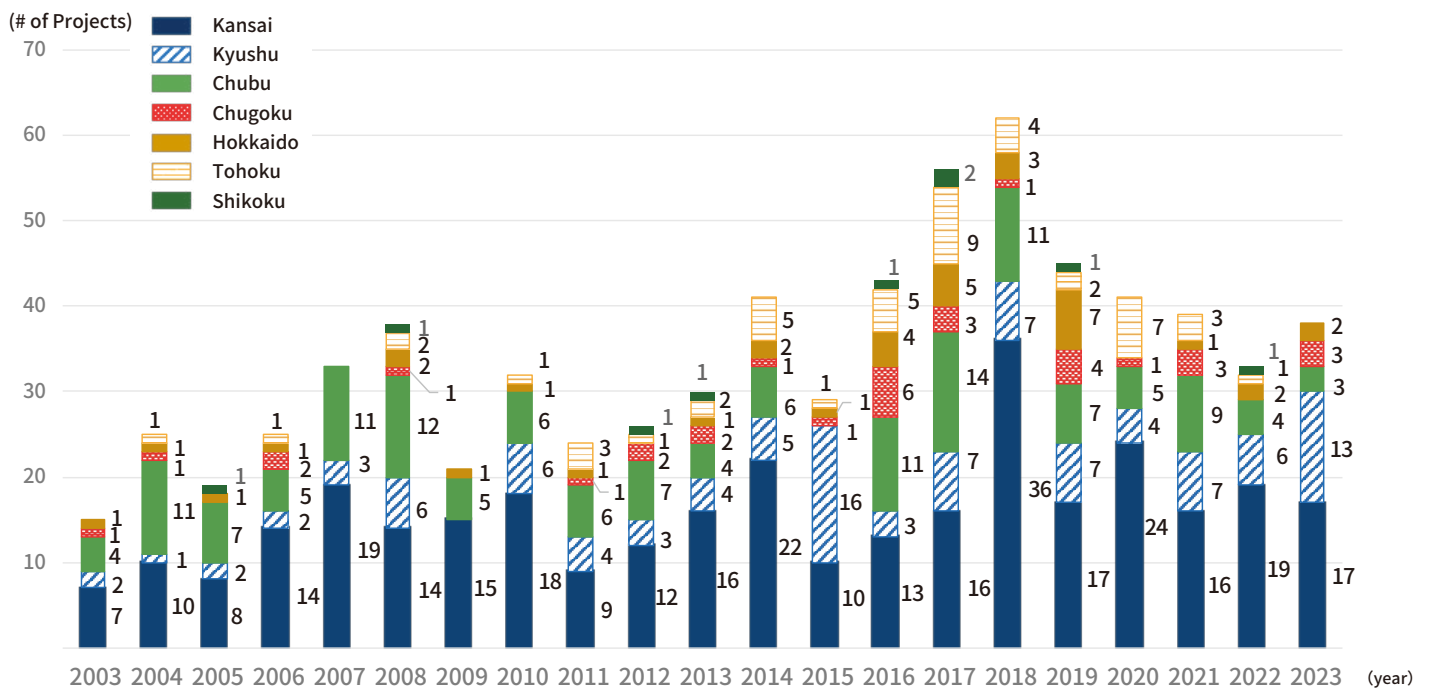
3. Trends in the Number of Greenfield Investments in Japan by Region (Outside Kanto Region)

■ The number of cases in Kyushu region doubled from the previous year

Looking at the number of non-Kanto region among cases where the investment destination is known, the number of cases in the Kyushu region increased by 7, while that in the Chugoku region increased by 3. Of the 13 investment cases in Kyushu, 6 or about

half were from Taiwan, the largest number. Of the 17 investment cases in Kansai, the largest number by region, about half (8) were from the United States.

Chart 2-13: Trends in Number of Greenfield Investments by Region (outside Kanto region)



Source: Based on "fDi Markets" by the Financial Times

Column

Saga Prefecture's "Karatsu Cosmetics Initiative" Utilizing Overseas Perspectives

In Saga Prefecture, industry, academia and government are working together to promote a sustainable cosmetics industry, introducing new products and technologies.

One of the projects is the Karatsu Cosmetics Initiative, which aims to create a cluster of beauty and health industries centered around the Karatsu/Genkai region around northern part of Kyusyu.

It all started in 2012, when a group from a French cosmetics manufacturer, a member of which was the former chairman of the French Cosmetic Valley Association^{*1}, visited Karatsu. On that occasion, it was suggested that Karatsu could become a "Japanese version of the Cosmetic Valley" due to the geographical advantage of its proximity to East Asia, the existence of a mini-cluster of cosmetics-related companies (currently Karatsu Cosmetic Park), the abundance of raw material resources from its rich natural environment and agricultural technology, and other factors. This led to the discovery of the potential for promoting the cosmetics

industry through the supply chain of cosmetics using locally produced materials, and in 2013, Karatsu City and the French Cosmetic Valley Association signed a Memorandum of Understanding (MOU) and the Japan Cosmetic Center (JCC) has established .

With the JCC as the driving force, this initiative aims to revitalize economic activities and create jobs by making the most of regional resources through industry-academia-government collaboration, and is still being promoted strongly with the "Made in Japan" brand, taking advantage of its geographical location.

The JCC signed MOUs with Barcelona, Spain and Crema, Italy in 2015, with Tainan, Taiwan in 2016, with Bangkok, Thailand in 2017 each. They promotes investment in Karatsu by overseas cosmetics companies. In February 2023, the JCC signed an MOU with IBITA, a South Korean cosmetics industry cluster association, and has been holding business meetings and other events to pursue business opportunities between the two countries.

Note*1 : French Cosmetic Valley is the world's largest cosmetics industry cluster, with approximately 600 companies, eight universities, and 200 research institutes concentrated around the Chartres region in central France.

4. Top 5 Countries/Regions and Top 5 Industries

■ Asia showed remarkable increase and Singapore doubled

Looking at greenfield investments in Japan in 2023 by investor country, the United States had the largest number of 64 cases, up 16.4% from the previous year. Singapore, which ranked fifth with 10 cases in the previous year, moved up to second place (20 cases, up 100.0% from the previous year), and the United Kingdom remained in third place with 18 cases (up 12.5%). France, which ranked second last year with 17 cases, decreased to four cases, and Germany also dropped out of the top 5 countries, falling from 11 cases to five cases. On the other hand, China and Hong Kong were among the top 5 with 11 cases (up

120.0% from the previous year) and six cases (down 14.3%), respectively.

By industry, software & IT services decreased by 46.4% from the previous year to 37 cases, but still had the largest number, followed by business services with 31 cases, up 3.3%. Financial services, which ranked third as in the previous year, saw a large increase in the number of cases to 26 (up 85.7% from the previous year), with these three industries accounting for the majority of the cases.

Chart 2-14: Number of Greenfield Investments in Japan by Investor country (2023)

(# of Projects, %)

Ranking	Country/Region	# of Projects	# of Projects, %	
			Growth rate(YoY)	Share
1	United States	64	16.4	33.5
2	Singapore	20	100.0	10.5
3	United Kingdom	18	12.5	9.4
4	China	11	120.0	5.8
5	Hong Kong	6	-14.3	3.1
	Total	191	-2.1	100.0

Source: Based on "fDi Markets" by the Financial Times

Chart 2-15: Number of Greenfield Investments in Japan by industry (2023)

(# of Projects, %)

Ranking	Sector	# of Projects	# of Projects, %	
			Growth rate(YoY)	Share
1	Software & IT services	37	-46.4	19.4
2	Business services	31	3.3	16.2
3	Financial services	26	85.7	13.6
4	Industrial equipment	16	23.1	8.4
5	Real estate	16	166.7	8.4
	Total	191	-2.1	100.0

Source: Based on "fDi Markets" by the Financial Times

5. Major Greenfield Investment Projects from January 2023 to September 2024

■ Large semiconductor-related projects stand out

The greenfield investment projects in Japan during the above period include a number of projects related to the construction of production plants and upgrading and expansion of facility capacity by a major Taiwanese semiconductor manufacturer, Taiwan Semiconductor Manufacturing Company (TSMC), and U.S.

semiconductor manufacturers, such as Micron. They also include some projects related to data center construction. In addition, it is noteworthy that the renewable energy projects related to storage batteries have become full-scale.

Chart 2-16 (1) Major Greenfield Investment Projects in Japan from January 2023 to September 2024

Company name	Country/Region	Sector	Investment destination (prefecture)	Outline	Date (Based on announcement/media reports)	Value (Million US\$)
Japan Advanced Semiconductor Manufacturing (JASM)	Taiwan	Semiconductors	Kumamoto	Japan Advanced Semiconductor Manufacturing (JASM) is a semiconductor contract manufacturing subsidiary of Taiwan Semiconductor Manufacturing Company (TSMC), of which TSMC owns a majority stake. TSMC, Sony Semiconductor Solutions, Denso, and Toyota Motor Corporation announced that they would make additional investments in JASM and build a second factory in Kumamoto Prefecture. The second factory aims to start operations by the end of 2027. Including the first factory, which is scheduled to start production in 2024, capital investment in JASM is expected to exceed 20 billion US dollars.	July 2023	10,000
Ada Infrastructure	Singapore	Communications	Tokyo and Kansai regions	Ada Infrastructure is a global data center business brand launched in September 2023 by Singapore-based logistics facility developer GLP. The company announced the start of construction of its second data center (DC) in the Tama area of Tokyo. Overall, it has planned to build three DCs (with a total IT power of 31MW), with construction scheduled to start and be completed sequentially through 2028. When the company announced its full-scale entry into the DC business in February 2022, it said that it planned to invest more than 1 trillion yen in the future, aiming for a supply capacity of 900 MW around 2027–2028 at the latest. Of this capacity, suitable sites for approximately 600 MW have already been acquired in the Tokyo and Kansai regions, and this is part of that project.	May 2024	5,900
Micron Technology	United States	Semiconductors	Hiroshima	Micron Technology, a leading U.S. semiconductor memory company announced plans to invest up to 500 billion yen over the next several years in 1 γ (gamma) generation technology at its Hiroshima Plant (Higashi-Hiroshima City).	May 2023	3,700

Note: In order of investment amount based on company announcements or media reports
Source: Based on "fDi Markets" by the Financial Times and company announcements

(to be continued in the next page)

Chart 2-16 (2) Major Greenfield Investment Projects in Japan from January 2023 to September 2024

Company name	Country/Region	Sector	Investment destination (prefecture)	Outline	Date (Based on announcement/media reports)	Value (Million US\$)
Asia Pacific Land	United States	Real Estate	Fukuoka	Asia Pacific Land Group, a U.S. real estate investment and development company, announced the construction of a large-scale data center in Kitakyushu city, Fukuoka Prefecture. Its total power receiving capacity, which indicates the scale of the data center, will be 120MW, one of the largest in the Kyushu region.	August 2023	879
Octopus Energy	United Kingdom	Renewable Energy	Tokyo, others	Octopus Energy is developing its renewable energy business in partnership with Tokyo Gas. In addition to a £600 million investment in solar and wind power, the company announced its plans to invest another £300 million to advance technological innovation and position Tokyo as a retail hub.	May 2023	745
SC Capital Partners	Singapore	Real Estate	Osaka	SC Zeus Data Centers, a data center investment company under the Singapore-based real estate investment management company SC Capital Partners, announced its entry into Japan by launching a large-scale data center development project with a total power receiving capacity of 50MW in Osaka City. The company plans to start the operation of 25 MW data center as the first phase in 2027, and has already secured a site of approximately 4,000 tsubo (approximately 13,000 m ²) in close proximity to a group of Internet exchanges and data centers in the center of Osaka.	November 2023	669
Gurin Energy	Singapore	Renewable Energy	Undecided	Gurin Energy, a Singapore-based renewable energy company, announced plans to develop, construct, and operate Japan's biggest large-scale lithium-ion secondary battery power storage system. The large-scale stationary storage battery system, which is scheduled to begin construction in 2026, is a project with an output of 500 MW and a maximum capacity of 2,000 MW (=2 GW), with a total project cost of 91 billion yen invested over six years. This will increase the output of Japan's current large-scale stationary battery systems by 125% and its capacity by 220%.	December 2023	635
Mapletree Investments	Singapore	Real Estate	Osaka	Mapletree Investments, a logistics investment company in Singapore, announced that it had acquired a newly constructed data center in Osaka. The acquisition was made through the purchase of trust beneficiary rights for a total amount of 52 billion yen. The power receiving capacity will be 10 MW.	May 2023	508
Google	United States	Communications	Mie and Ibaraki	Google announced that it would invest 1 billion US dollars in laying submarine cables in Japan. The plan is to connect the United States and Japan by laying two new submarine cables, "Proa" and "Taihei," and expanding existing submarine cables.	April 2024	500
ESR	Hong Kong	Real Estate	Tokyo	ESR, a leading logistics real estate company in Hong Kong, announced that it would develop its fourth domestic data center in Japan, in central Tokyo. The planned power receiving capacity is 60MW, with construction scheduled to begin in the second quarter of 2026 and service to begin in the fourth quarter of 2028. This data center will be the one following those in Osaka City, Osaka Prefecture (130 MW), Higashikurume City, Tokyo (30 MW), and Soraku-gun, Kyoto Prefecture (100 MW).	May 2024	357
Prologis	United States	Real Estate	Osaka and Okayama	Prologis, a U.S. logistics real estate company, is currently developing and deploying the advanced logistics facility "Prologis Park," and "Prologis Urban," which is designed to function effectively as a distribution hub for the last mile in urban areas. The company announced the groundbreaking ceremony for Prologis Park Okayama, a multi-tenant logistics facility to serve as a logistics hub for the Chugoku and Shikoku regions. In the same month, it decided to develop Prologis Park Sakai as a logistics facility exclusively for specific companies.	April 2024	357
LaSalle Investment Management	United States	Real Estate	Aichi	LaSalle Investment Management, a U.S. real estate investment advisory firm, announced that it would build a multi-tenant logistics facility in Nagoya City, Aichi Prefecture, in collaboration with NIPPO, with construction scheduled for completion in June 2025. In addition to serving as a wide-area distribution center for the entire Tokai area, it is planned to function as a relay center between the Tokyo metropolitan area and the Kansai region.	January 2024	357

Note: In order of investment amount based on company announcements or media reports

(to be continued in the next page)

Source: Based on "fDi Markets" by the Financial Times and company announcements

Chart 2-16 (3) Major Greenfield Investment Projects in Japan from January 2023 to September 2024

Company name	Country/Region	Sector	Investment destination (prefecture)	Outline	Date (Based on announcement/media reports)	Value (Million US\$)
Goodman Group	Australia	Real Estate	Ibaraki	Australian real estate giant Goodman Group plans to develop a new data center campus in Japan and provide 1,000 MW of power. The company announced that site preparation and infrastructure work were underway in Tsukuba City, Ibaraki Prefecture, with the first data center scheduled for completion in 2026 with a power receiving capacity of 50 MW.	January 2024	357
Fidelity Investments	United States	Real Estate	Chiba	Fidelity Investments, a U.S. mutual fund company, announced that its subsidiary, Colt Data Center Services, a global provider of hyperscale data center solutions for large enterprises, had begun construction of its fourth major data center in Inzai City, Chiba Prefecture, in a joint venture with Mitsui & Co. The power capacity will be approximately 20MW, changing the total IT power capacity with the expansion in Inzai to approximately 70MW.	April 2023	357
Samsung Electronics	South Korea	Semiconductors	Kanagawa	Samsung Electronics, a South Korean semiconductor manufacturer, has decided to establish a new research center for next-generation semiconductor packaging technology in the Minato Mirai 21 district in Nishi-ku, Yokohama. The scale of investment is expected to exceed 40 billion yen over the next five years. Heterogeneous integration, which connects different semiconductors horizontally and vertically, is used to integrate more transistors in a smaller package, allowing different functions to be implemented in a single package.	May 2023	280
Vantage Data Centers	United States	Communications	Osaka	Vantage Data Centers, a leading provider of hyperscale data center campus management in the U.S., announced that it had begun construction of its first campus in Japan, Osaka (KIX1). The campus, to be built in Ibaraki City, Osaka Prefecture, will provide up to 68MW. The campus will support both cloud and high-density implementations, providing hyperscalers and cloud providers with flexibility and scalability to meet market needs.	May 2024	273
Industrie De Nora	Italy	Electronic components	Okayama	Industrie De Nora, an Italian multinational electrolysis and electrode equipment manufacturer, announced the opening of a new production facility in Okayama Prefecture to solidify its position as a leading global supplier of electrolysis equipment in Japan. The company is one of the world's leading suppliers of water filtration and disinfection technologies, and has developed and owns a portfolio of electrodes and components for hydrogen production by electrolyzation of water, which is essential for the energy transition.	December 2023	200
Akaysha Energy	Australia	Renewable Energy	Undecided	Akaysha Energy, an Australian renewable energy solutions company announced that it had signed a strategic partnership agreement with Itochu, a general trading company, to collaborate in the grid storage battery business. The company is a business development platform whose parent company is an infrastructure fund managed by the BlackRock Group, a U.S. asset management company, and it promotes the development, ownership, and operation of grid storage solutions globally.	September 2023	196

Note: In order of investment amount based on company announcements or media reports

Source: Based on "fDi Markets" by the Financial Times and company announcements

Column

Private-Sector Capital Investment Exceeds 100 Trillion Yen, Aiming for 115 Trillion Yen in fiscal 2027

Private-sector capital investment, which declined to 87 trillion yen in 2020 due to the impact of Covid-19 pandemic, recovered as the disaster subsided and exceeded the 100 trillion yen, marking 102 trillion yen in 2023.

At the 2nd Public-Private Partnership Forum on Increasing Domestic Investment (April 2023), Keidanren Chairman Tokura said, "It is important to shift the 'signs of change' from the current strong capital investment to 'dynamism' and restore the dynamism of the Japanese economy. The private sector is committed to achieving the goal of '115 trillion yen in capital investment in fiscal 2027' through the public-private partnerships."

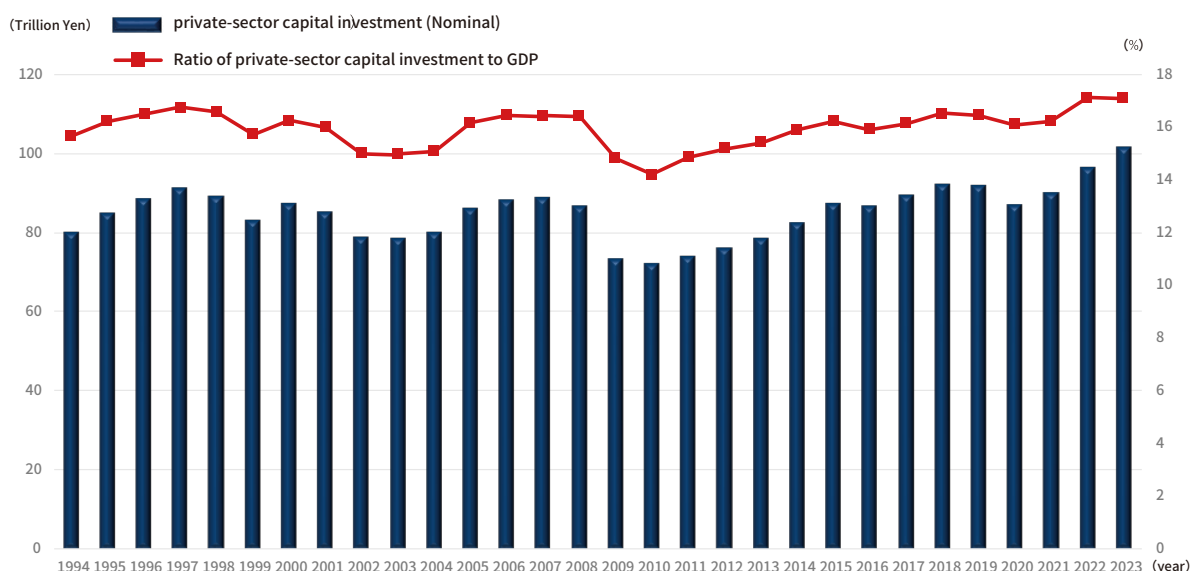
Looking at the changes in private-sector capital investment since 1994 (see Chart), the "ratio to GDP" fell sharply in the three years following the Lehman's collapse in 2008, but then it has gradually recovered, remaining at the 16% level since 2015, which is the level before the Lehman's collapse. Recently, the consumer price inflation rate, the wage increase rate in "Shunto" (spring labor offensive), and the Nikkei Stock Average have reached their highest levels in about 30 years, indicating a change in the situation toward an exit from the deflationary economy. Companies also appear to be more willing to make capital investments.

According to the Cabinet Office's survey on corporate behavior (as of January 2024), the percentage of companies planning to increase capital investment over the next three years exceeded 70% for the third consecutive year, while those planning to decrease it fell below 10% for the second consecutive year.

In addition, of the 1,537 companies that responded to the Survey on Business Operations of Foreign-affiliated Companies in Japan conducted by JETRO in October 2023, a majority of the companies reported year-on-year revenue growth, with business performance rising for the second year in a row. Regarding future business plans in Japan, 60.6% responded that they will "strengthen/expand," up 4.5 points from the 2022 survey and up 8.0 points from the 2021 survey, indicating that foreign-affiliated companies are also increasingly inclined to strengthen or expand their businesses.

Recognizing this changing trend, the government has announced that it will utilize the Domestic Investment Promotion Package¹, which was formulated from an inter-ministerial and cross-sectoral perspective, to achieve the Keidanren's target of "115 trillion yen in capital investment in fiscal 2027" through public-private partnerships.

Chart: Changes in private-sector capital investment and its ratio to GDP



Source: Based on the "Statistical Table List" (Quarterly Estimates of GDP: April – June 2024 (The Second Preliminary) ⇒ GDP (Expenditure Approach) and Its Components Nominal calendar year basis) by the Cabinet Office

Note*1: The Domestic Investment Promotion Package (December 2023) includes a promotion of public-private investment with sector-specific promotion strategies such as Green Transformation (GX) and Digital Transformation (DX), as well as a set of items to be addressed across 11 ministries and agencies (the Ministry of Economy, Trade and Industry, Cabinet Office, Ministry of Internal Affairs and Communications, Ministry of Finance, Ministry of Education, Culture, Sports, Science and Technology, Ministry of Health, Labor and Welfare, Ministry of Agriculture, Forestry and Fisheries, Ministry of Land, Infrastructure, Transport and Tourism, Ministry of the Environment, Financial Services Agency, and Fair Trade Commission), giving concrete shape to the budget, taxes, and regulations.

Section 5: Trends in Inbound M&A in Japan

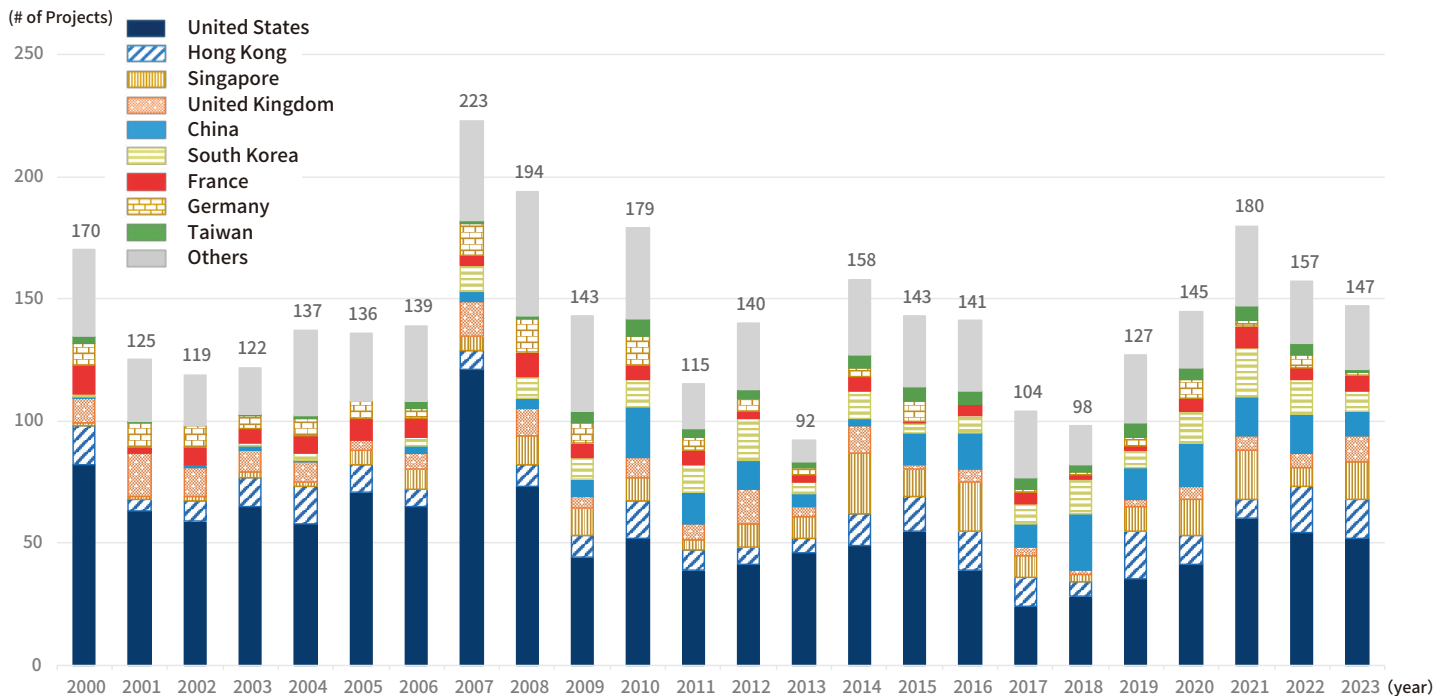
1. Number of M&A Deals and Top 5 Countries and Regions

■ Number of M&A deals in Japan declined slightly, with a marked decrease in deals from Asia.

In 2023, the number of cross-border M&A deals in Japan (hereafter "inbound M&A deals") was 147 (on a completion date basis), down 6.4% from the previous year. The number of inward M&A deals in Japan has been declining since 2021. In 2023, world direct investment declined for the second consecutive year, and cross-border M&A hit a record low in 10 years. Thus, Japan may have also been affected by this.

Looking at the number of inbound M&A deals in 2023 by investor country, the United States was the largest with 52 deals (35.4% of the total), followed by Hong Kong (16 deals, 10.9%), and Singapore (15 deals, 10.2%). The United Kingdom, which had six deals in 2022, ranked fourth with 11 deals, while China, which ranked third with 16 deals in 2022, came in fifth with 10 deals.

Chart 2-17: Trends in Inbound M&A Deals in Japan



Source: Based on "Workspace" by Refinitiv

Chart 2-18: Number of Inbound M&A Deals in Japan in 2023 (by investor country and region)

(# of Projects, %)

Ranking	Country/Region	# of Projects	Growth rate (YoY)	Share
1	United States	52	-3.7	35.4
2	Hong Kong	16	-15.8	10.9
3	Singapore	15	87.5	10.2
4	United Kingdom	11	83.3	7.5
5	China	10	-37.5	6.8
	Total	147	-6.4	100.0

Source: Based on "Workspace" by Refinitiv

2. Major Inbound M&A Deals in Japan from January 2023 to September 2024

■ Management buyout (MBO) deals stand out

Among the major inbound M&A deals during the above period, there were a number of cases of management buyouts (MBO) in which, with the support of investment funds, the target company's management team purchased its own shares from shareholders through a takeover bid (TOB) in order to review management or delist the company from the stock exchange. These include the "Outsourcing" deal by U.S. investment fund

Bain Capital, the "Benesse Holdings" deal by Swedish private equity investment firm EQT, and the "Nihon Housing" deal by U.S. investment fund Goldman Sachs. There were also some friendly M&A deals in which the acquired company expressed its support for the TOB. These include the "Uzabase" deal and the "Iwasaki Electric" deal by U.S. investment fund Carlyle, and the "T&K TOKA" deal by U.S. investment fund Bain Capital.

Chart 2-19 (1) Major Inbound M&A Deals in Japan from January 2023 to September 2024

Completion	Target Company	Sector	Acquiring company (Substantial acquiring entity *Note 2)	Country/region of the acquiring company's ultimate parent company	Sector	Outline	Values (million U.S.\$)
February 2023	Hitachi Transport System	Manufacturing Industry	HTSK (KKR)	U.S.	Finance	U.S. investment firm KKR acquired Hitachi Transport System through a special-purpose company HTSK and others, and Hitachi Transport System has changed its name to LOGISTEED. The company aims to promote the logistics outsourcing business in a strategic partnership with Hitachi, Ltd., the parent company of the former Hitachi Transport System.	5,985
April 2023	Evident	Healthcare	BCJ-66 (Bain Capital)	U.S.	Finance	Olympus transferred all shares of its wholly owned subsidiary Evident, which is involved in the scientific business such as biological microscopes and industrial endoscopes, to BCJ-66 led by U.S. investment fund Bain Capital. The scientific business, which has different business characteristics from the medical field, will be taken over by Evident, and the two companies each will establish management structures suited to their respective characteristics.	3,110
June 2024	Outsourcing	Service	BCJ-78 (Bain Capital)	U.S.	Finance	TOB deal for MBO purposes by BCJ-78 led by Bain Capital, a U.S. investment fund. Outsourcing, which provides temporary staffing services to manufacturers and other companies in Japan and overseas, is finding management difficulties due to business expansion through aggressive M&A. By utilizing Bain Capital's management resources, the company says that they will be able to accelerate the drastic restructuring of its internal control system and global governance structure.	2,223

Note 1: Major transactions are listed. The nationality of an acquisition company is based on the location of its ultimate parent company.

(continued on the next page)

Note 2: If the tender offeror is an SPC (special purpose company), etc., the substantive acquiring entity is also listed.

Note 3: In order of investment amount based on company announcements or media reports

Source: Based on "Workspace" by Refinitiv

Chart 2-19 (2) Major Inbound M&A Deals in Japan from January 2023 to September 2024

Completion	Target Company	Sector	Acquiring company (Substantial acquiring entity *Note 2)	Country/region of the acquiring company's ultimate parent company	Sector	Outline	Values (million U.S.\$)
May 2024	Benesse Holdings	Service	Bloom 1 (EQT)	Sweden	Finance	Bloom 1, an acquisition company established by Swedish private equity fund EQT, conducted a TOB of Benesse Holdings shares to take the company private as part of an MBO. Benesse Holdings plans to flexibly and steadily implement measures such as "increasing operational efficiency through digitalization and diversifying services in the education business" by allocating management resources to the group through EQT.	1,263
February 2024	Sogo Medical Group	Service	SO1 Holdings (A corporation funded by a fund advised by CVC Capital Partners for investment)	United Kingdom (Island of Jersey)	Finance	SO1 Holdings, a corporation funded by a fund advised in investment by CVC Capital Partners, a European investment fund, acquired Sogo Medical Group, a major dispensing pharmacy company (already taken private in 2020).	1,198
March 2023	Hotels & leisure facilities owned by Prince Hotels (26 assets in total)	Real Estate	Reco Sky (GIC)	Singapore	Finance	As part of efforts to strengthen the financial and business structure of the Seibu Holdings Group, Prince Hotels, a consolidated subsidiary of the Group, transferred 26 assets including its owned hotels to Reco Sky, an affiliate of the Singapore government investment fund GIC. The transfer price of the assets was 123.7 billion yen.	906
January 2023	KITO	Manufacturing Industry	Lifting Holdings BidCo (Fund advised by KKR for investment)	U.S.	Service	TOB deal by Lifting Holdings BidCo, a company established by funds advised by U.S. investment fund KKR and others. It enhances corporate value through synergies from the management integration of KITO, a leading manufacturer of material handling equipment (hoists and cranes), and Crosby Group (U.S.), a leading provider of lifting and rigging solutions. The planned purchase price on an announced basis is 56.5 billion yen.	479
February 2023	Multi-family residential portfolio 33 assets	Real Estate	AXA IM Alts (AXA Investment Managers)	France	Finance	AXA IM Alts, the AXA Group's alternative investment business, has begun acquiring a new residential portfolio in Japan. The seller is an Asia Pacific real estate company affiliated with J.P. Morgan Asset Management of U.S.. The acquisition price announced is approx. 59 billion yen. The properties include 33 buildings located in Tokyo, Nagoya, and Osaka; mainly studio apartments near train stations.	458
March 2023	Royal Hotel (Rihga Royal Hotel Osaka)	Real Estate	Sakura LLC (BentallGreenOak)	Canada	Finance	BentallGreenOak, a group of companies that operates real estate private equity funds under Sun Life Financial, a major Canadian life insurance company group, acquired trust beneficiary rights of land and buildings of Rihga Royal Hotel (Osaka) through a special purpose company (Sakura LLC) established for the acquisition of real estate.	418

Note 1: Major transactions are listed. The nationality of an acquisition company is based on the location of its ultimate parent company.

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Note 2: If the tender offeror is an SPC (special purpose company), etc., the substantive acquiring entity is also listed.

Note 3: In order of investment amount based on company announcements or media reports

Source: Based on "Workspace" by Refinitiv

Chart 2-19 (3) Major Inbound M&A Deals in Japan from January 2023 to September 2024

Completion	Target Company	Sector	Acquiring company (Substantial acquiring entity *Note 2)	Country/region of the acquiring company's ultimate parent company	Sector	Outline	Values (million U.S.\$)
July 2023	Daiwa Resort	Real Estate	Ebisu Resort (SC Capital Partners, Abu Dhabi Investment Authority subsidiary, Goldman Sachs Asset Management)	Singapore, United Arab Emirates, United States	Finance	Ebisu Resort, a special purpose company of an international private fund consisting of three companies: Singapore-based real estate developer SC Capital Partners; a subsidiary of Abu Dhabi Investment Authority of the United Arab Emirates; and Goldman Sachs Asset Management of the U.S., has acquired all the shares of Daiwa Resort, a Daiwa House industry's subsidiary that operates and manages hotels and other resort facilities. Daiwa Resort, which operated 24 hotels nationwide, was facing the problem of aging facilities and changes in the environment surrounding the hotel industry, and the added impact of the COVID-19 pandemic finally made it difficult for the company to envision a future growth scenario. Ebisu Resort entrusted the management of its hotel business to Accor, a French company that operates the Grand Mercure and Mercure brands.	407
February 2023	Uzabase	High Technology	THE SHAPER (KKR)	U.S.	Finance	Carlyle Group, a U.S. investment fund, through THE SHAPER acquired all shares of Uzabase through TOB, which runs news apps such as NewsPicks. In the course of discussions with Carlyle, Uzabase decided that, based on the Carlyle's track record, it was the ideal candidate to partner with to drive the company's medium to long term growth in corporate value.	398
June 2024	Nihon Housing	Real Estate	Marcian Holdings (Goldman Sachs)	U.S.	Finance	Goldman Sachs, a U.S. investment fund, conducted a TOB of Nihon Housing's shares as part of an MBO by Marcian Holdings GK, a company established for investment purposes. Nihon Housing expressed its opinion in favor of the TOB and resolved to recommend that Nihon Housing's shareholders apply for the TOB. Through the MBO, the company aims to strengthen the foundations of its existing businesses and enhance its corporate value in the medium to long term.	336
April 2024	Sasaeah Holdings	Healthcare	Virbac	France	Healthcare	ORIX Corporation announced that it had signed an agreement to transfer all shares of Sasaeah Holdings, its animal pharmaceutical subsidiary, to France-based Virbac. Virbac will take a leading position in the industrial animal vaccine market in Japan, particularly in the cattle sector and achieve a broad portfolio in the veterinary medicine market covering all major animal species.	304
October 2023	Qualicaps	Healthcare	Roquette Frères	France	Healthcare	The Mitsubishi Chemical Group has reached an agreement with Roquette Frères SA, a French manufacturer of healthcare-related products, to transfer all shares of Qualicaps, its wholly owned subsidiary that manufactures pharmaceutical capsules, and has signed a share transfer agreement. In 2013, the Mitsubishi Chemical Group acquired Qualicaps to strengthen its pharmaceutical-related business.	302

Note 1: Major transactions are listed. The nationality of an acquisition company is based on the location of its ultimate parent company.

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Note 2: If the tender offeror is an SPC (special purpose company), etc., the substantive acquiring entity is also listed.

Note 3: In order of investment amount based on company announcements or media reports

Source: Based on "Workspace" by Refinitiv

Chart 2-19 (4) Major Inbound M&A Deals in Japan from January 2023 to September 2024

Completion	Target Company	Sector	Acquiring company (Substantial acquiring entity *Note 2)	Country/region of the acquiring company's ultimate parent company	Sector	Outline	Values (million U.S.\$)
June 2023	KOKUSAI ELECTRIC	Manufacturing Industry	Qatar Holding (Government of Qatar)	Qatar	Finance	Qatar Investment Authority, a Qatar's sovereign wealth fund, announced that it had acquired shares of KOKUSAI ELECTRIC through its subsidiary Qatar Holding LLC. With this acquisition, Qatar Holding LLC became a minority shareholder with a 4.9% stake in the company. KOKUSAI was established by U.S. investment fund KKR when it acquired Hitachi Kokusai Electric in 2018 and spun off its semiconductor equipment division. The company relisted in October 2023 and aims to increase its corporate value as a manufacturer specialized in semiconductor manufacturing equipment.	298
October 2023	Moritex	High Technology	Cognex	U.S.	Manufacturing Industry	Cognex Corporation, a leading U.S. industrial machine vision company, has acquired Moritex Corporation, a leading provider of optical components for machine vision applications, for approx. 40 billion yen from a fund affiliated with Trustar Capital, the private equity arm of CITIC Capital Holdings (Hong Kong), a subsidiary of Citic Group Corporation in China (CITIC). Machine vision is a technology that processes images captured by cameras and operates equipment based on the processing results. It provides industrial equipment with human vision and the ability to make discriminations with that.	273
September 2023	Real estate portfolio 25 assets	Real Estate	City Developments	Singapore	Real Estate	City Developments, a Singapore-based global real estate company, acquired 25 rental condominium properties in Tokyo (total of 836 units) from BentallGreenOak, a group of companies operating real estate private equity funds under Sun Life Financial, a major Canadian life insurance company group. The total acquisition amount was 35 billion yen. All of the properties are conveniently located within 10 minutes from the nearest station, and the investment was made in anticipation of strong demand for rental housing in the 23 wards of Tokyo.	234

Note 1: Major transactions are listed. The nationality of an acquisition company is based on the location of its ultimate parent company.

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Note 2: If the tender offeror is an SPC (special purpose company), etc., the substantive acquiring entity is also listed.

Note 3: In order of investment amount based on company announcements or media reports

Source: Based on "Workspace" by Refinitiv

Chart 2-19 (5) Major Inbound M&A Deals in Japan from January 2023 to September 2024

Completion	Target Company	Sector	Acquiring company (Substantial acquiring entity *Note 2)	Country/region of the acquiring company's ultimate parent company	Sector	Outline	Values (million U.S.\$)
June 2023	Impact Holdings	Media	BCJ-70 (Bain Capital)	U.S.	Finance	BCJ-70, led by a U.S. investment fund, Bain Capital, has implemented an MBO of Impact Holdings, which is primarily engaged in in-store marketing business for the distribution and retail industries, through a TOB. Impact Holdings had published "Notice Regarding Implementation of MBO and Recommendation to Tender." In particular, it was determined that it would be beneficial to utilize external management resources to address management challenges such as the risk of losing demand due to intensifying competition in the data marketing field, which has significant room for growth.	210
June 2023	Iwasaki Electric	Manufacturing Industry	Cosmo Holdings (Carlyle)	U.S.	Finance	Cosmo Holdings, established by a fund owned by Carlyle, a U.S. investment fund, conducted TOB of Iwasaki Electric as part of an MBO. Iwasaki Electric published "Notice Regarding Implementation of MBO and Recommendation to Tender" regarding this TOB, and the TOB was successful. The domestic LED lighting market, which is the company's main product, has been shrinking and its growth is slowing. In order to address management issues in a flexible manner, the company decided that it needed to go private.	207
April 2024	T&K TOKA	Chemicals	BCJ-74 (Bain Capital)	U.S.	Finance	BCJ-74, led by U.S. investment fund Bain Capital, conducted TOB of T&K TOKA, which manufactures and sells various printing inks and synthetic resins for printing, paints, and adhesives, as part of an MBO. For this TOB, T&K TOKA published "Notice Regarding Implementation of MBO and Recommendation to Tender," and the TOB was successful. The business environment is becoming increasingly challenging due to the continuing decline in demand for paper-based printed materials as a result of the progress of digitization, and the company intends to carry out fundamental management reforms by taking the company private.	205

Note 1: Major transactions are listed. The nationality of an acquisition company is based on the location of its ultimate parent company.

Note 2: If the tender offeror is an SPC (special purpose company), etc., the substantive acquiring entity is also listed.

Note 3: In order of investment amount based on company announcements or media reports

Source: Based on "Workspace" by Refinitiv

Column

Diversification of buyers and methods over M&A transactions in Japan

The number of M&A transactions (OUT-IN) in Japan by foreign capital since 2000 has been around 80 in recent years, although there is some variation from year to year¹. M&A transactions by foreign capital have been greatly influenced by the global and Japanese economic and social environment at the time. The line in the chart shows the percentage of the foreign financial institutions on the acquiring side in the total number of cross-border M&A transactions made in Japan. Due to the impact of the Lehman's collapse in 2008 and other factors, the number of cross-border M&A transactions by foreign investors in Japan also declined in the following some years. The significant increase in the number of transactions in 2014 might be triggered in part by a sense of undervaluation of transaction prices due to the falling Japanese yen against the U.S. dollar, as well as by the formulation of the Corporate Governance Code and Stewardship Code at this time, which improved the investment environment in Japan with an awareness of global standards. The most recent decline in 2023 is thought to be due to global supply chain disruptions and other factors that have restrained M&A investment in Japan.

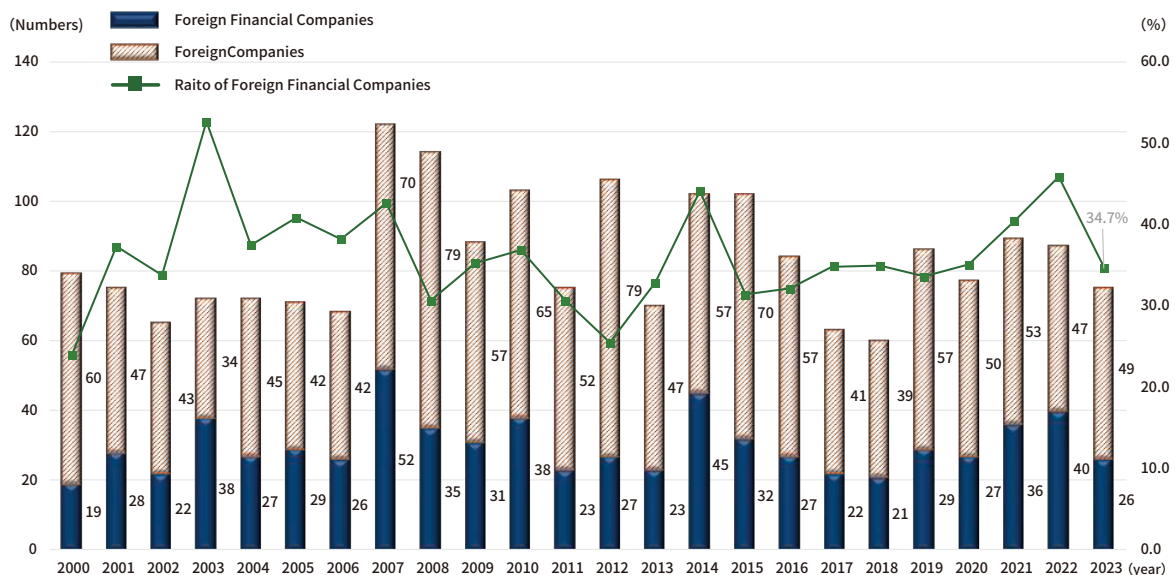
Until now, foreign investment funds have often been associated with Western investment funds such as Carlyle, Bain, Goldman Sachs, and CVC Capital. Recently, however,

Mubadala Investment, a sovereign wealth fund of the United Arab Emirates (UAE), Qatar Investment Authority, a sovereign wealth fund of Qatar, both in the Middle East, and GIC, a sovereign wealth fund of Singapore, have assessed that Japan has a comparative advantage in terms of its supply chain resilience against geopolitical risks and that the investment environment is also well-developed². In addition, they are showing a positive attitude toward investment in Japan, taking advantage of the current economic environment of a weak yen.

Against this backdrop, traditional investment funds have been devising cross-border M&A transaction methods in Japan with schemes that take into account the needs of the acquiree (e.g., promoting carve-out M&A or providing MBO fund)³.

The government's promotion of corporate governance reform and the Tokyo Stock Exchange's announcement of Action to Implement Management that is Conscious of Cost of Capital and Stock Price (March 2024), among other factors, have led companies to formulate effective management strategies and improve profitability over the medium to long term. The use of inbound M&A in Japan may attract even more attention as an option for Japanese companies to solve management issues and accelerate growth.

Chart : Changes in the number of cross-border M&As in Japan and business types of buyers



Note*1: The breakdown of the number of M&A transactions consists of "acquisition of majority interest" and "acquisition of residual interest," and does not include "acquisition of minority interest." Note that in "Figure 2-17: Changes in the number of inbound M&As in Japan" in Chapter 2, Section 5 of this report, the number includes "acquisition of minority interest."

Note*2: In the above chart, the cumulative number of cases since 2015 in which the final parent company of the acquiring company is located in the Middle East (UAE, Qatar, Saudi Arabia, and Kuwait) is 13, while the number of cases in Singapore is 112.

Note*3: "Case Studies relating to the use of inbound M&A transactions" (April 2023) by Ministry of Economy, Trade and Industry
For carve-outs, see Pattern A: Explanation/Characteristics (Sale of subsidiary/transfer of business (carve-out)), PP.16-29.
For MBO, see Pattern C: Explanation/Characteristics (Sale of owner-operated company, acceptance of capital (e.g., business succession etc.)), PP.42-53.

Source: Based on "Workspace" (as of September 20, 2024) by Refinitiv

Section 6: Assessment of Business Environment in Japan by Global Companies

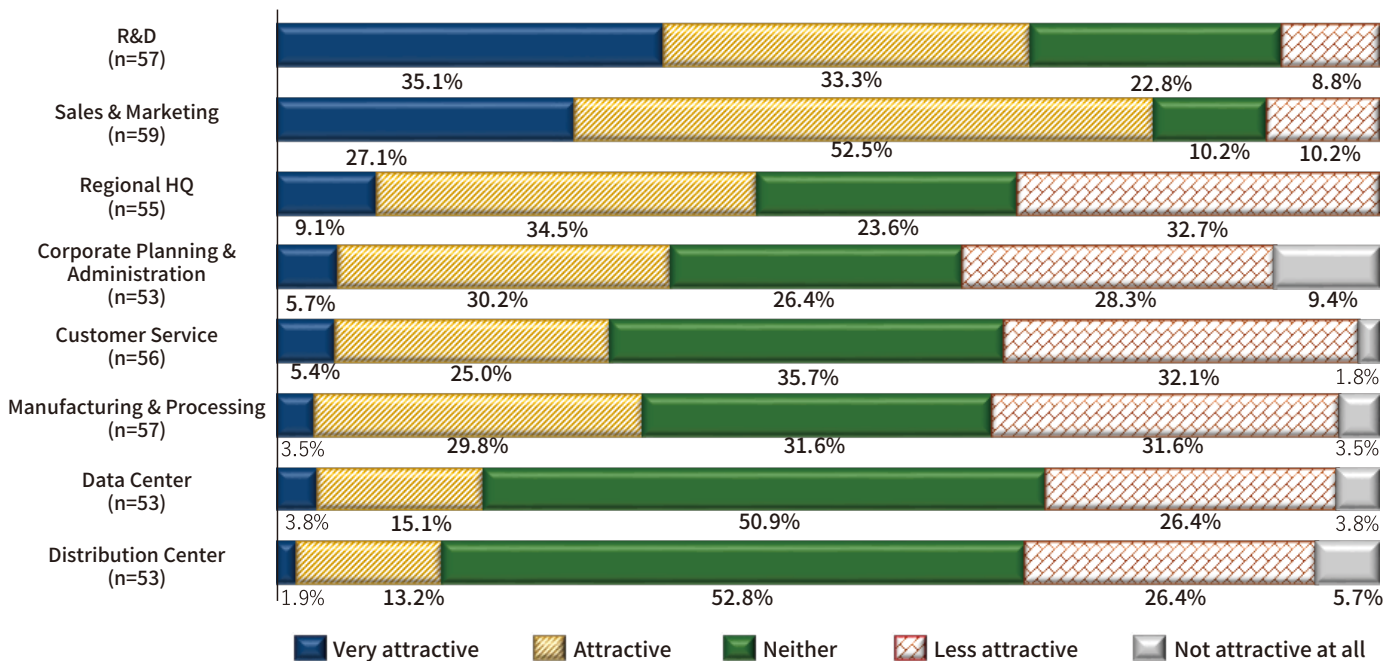
■ Business in Japan highly rated as "R&D" base and "Sales and Marketing" base

In this section, we look at the assessment of Japan's business environment from the perspective of global companies outside Japan, based on the survey results on the impact of structural changes in global value chains (GVCs), which implemented to 62 companies, mentioned in Chapter 1, Section 3.

In terms of the attractiveness of setting bases in Japan by

business function, global companies tend to rate "R&D" base and "sales and marketing" base particularly highly. As an R&D base, about 35% of the companies surveyed responded that Japan is "very attractive", and about 33% responded it is "attractive". Also, as a sales and marketing base, about 27% responded that Japan is "very attractive", and about 53% responded that it is "attractive".

Chart 2-20: Japan's Attractiveness by Business Function



Note 1: The sum does not necessarily equal 100% due to rounding to one decimal place.

Note 2: "n" is the number of companies that assessed for each business function. "n" does not equal 62 because some companies left the field blank. Companies that selected at least one option were considered valid.

Source: Results of JETRO's survey on the impact of structural changes in global value chains (GVCs)

Column

Japan as a highly regarded R&D center

In the 2020s, Japan is being re-evaluated as an investment destination due to increased awareness of geopolitical risks and economic security in the wake of the COVID-19 pandemic and Russia's invasion of Ukraine. In particular, with the focus on research and development (R&D) and the establishment of new facilities, foreign-affiliated companies are becoming more active in conducting joint research with nearby universities and research institutions.

The Japanese subsidiary of the Bosch Group, a German precision equipment manufacturer, announced in February 2022 that it will make a large-scale investment to build a new R&D facility in Yokohama and relocate its headquarters functions there. The new R&D facility will introduce cutting-edge testing equipment and other features to strengthen R&D capabilities in order to keep up with trends in automotive development. The new headquarters began operations in May 2024, and in September 2024, the company held an event to celebrate the completion of the Tsuzuki Ward Cultural Center (nicknamed "Bosch Hall"), the company's first public-private partnership project, and other facilities. The company aims to contribute to regional revitalization by integrating its sites with local facilities. Through this initiative, the company consolidated its eight

sites across Japan and moved approximately 2,000 people there, and it will strengthen its cross-divisional development structure and promote the shaping of the future of mobility with the new R&D center as its core.

As for the semiconductor industry, which has been attracting attention in recent years, a major semiconductor manufacturer Samsung Electronics Co., Ltd. announced in December 2023 to establish a new cutting-edge R&D center for next-generation semiconductor packaging technology in Yokohama. The press release from Yokohama City quoted the CEO of Samsung Electronics praising the investment environment in Japan, saying "Yokohama is one of the best places to work with industry, universities and research institutes since it has a large number of packaging-related companies, as well as excellent universities and human resources."

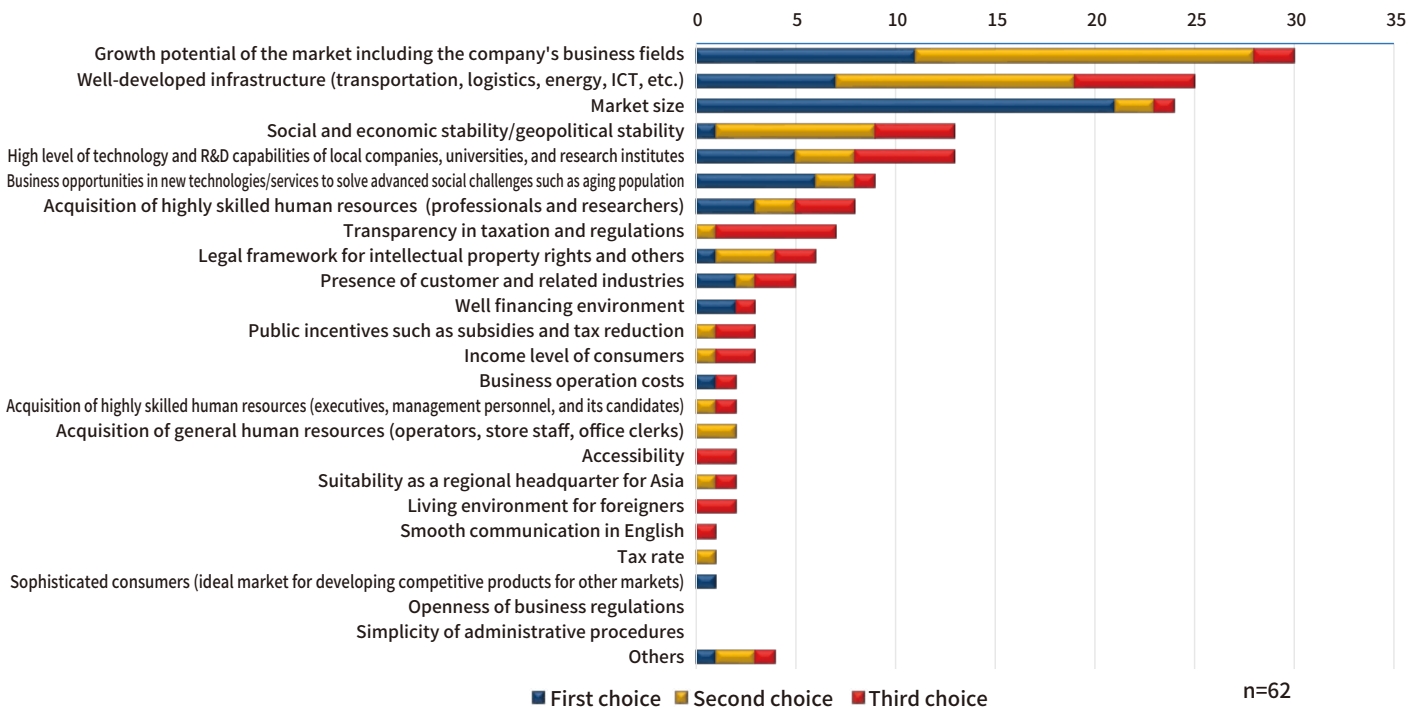
In June 2022, TSMC, a major Taiwanese semiconductor contract manufacturer, opened the "TSMC Japan 3DIC R&D Center" in the "Tsukuba Center of the National Institute of Advanced Industrial Science and Technology (AIST)" in Tsukuba City, Ibaraki Prefecture. It is said to be TSMC's first overseas R&D center with clean room facilities.

■ Strengths of the Japanese business environment is "growth potential of the market including the company's business fields," "well-developed infrastructure," and "market size"

Regarding the strengths of Japan's business environment compared to other countries, the most frequently selected by surveyed companies were "growth potential of the market including the company's business fields," "well-developed infrastructure," and "market size."

Looking at the breakdown, when asked to select up to three of the top choices, about 30% of the companies (21 out of 62 respondent companies) chose "market size" as their first choice.

Chart 2-21: Strengths of Japan's Business Environment Compared to Other Countries



Note 1: Companies that selected at least one option were considered valid.

Note 2: Because of the format of selecting up to three choices, the numbers of responses after the second choice may not be equal.

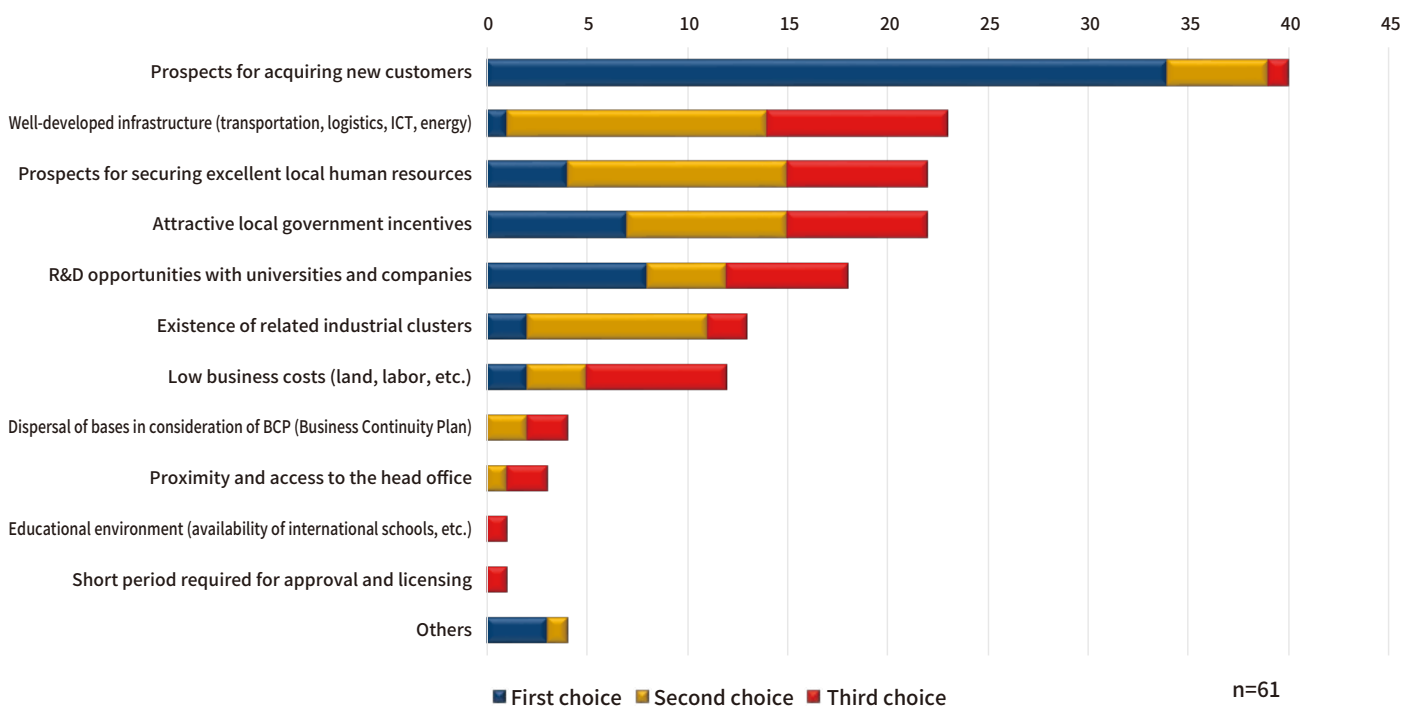
Source: Results of JETRO's survey on the impact of structural changes in global value chains (GVCs)

■ Global companies place the greatest importance on the "prospects for acquiring new customers" when expanding their operations in Japan

According to the survey, the most important factor for global companies when expanding into Japan or strengthening existing bases was the "prospects for acquiring new customers" (selected by 40 of the 61 respondent companies). It was followed by "well-developed infrastructure" (23 companies) in terms of the total

number in the selection, but when focusing on the first choice instead of the total number in the selection, it is clear that a certain number of companies place importance on the "R&D opportunities with universities and companies" and "attractive local government incentives."

Chart 2-22 (1) Important Factors as Selection Criteria When Deciding to Locate in Japan



Note 1: Companies that selected at least one option were considered valid.

Note 2: Because of the format of selecting up to three choices, the number of responses after the second choice may not be equal.

Note 3: n=61 because one company did not respond.

Source: Results of JETRO's survey on the impact of structural changes in global value chains (GVCs)

Chart 2-22 (2) Important Factors as Selection Criteria When Deciding to Locate in Japan (details)

Important Factors as Selection Criteria When Deciding to Locate	Free Comment
Prospects for acquiring new customers	<ul style="list-style-type: none"> Customer acquisition is a top priority. Check possibility to acquire new customers to meet the needs of the local market. It is important to be close to key customers and to do business with them directly and frequently.
Well-developed infrastructure (Transportation, logistics, ICT, energy)	<ul style="list-style-type: none"> It is important to have good public transportation and public infrastructure. Well-developed infrastructure is very important for operational efficiency. Japan's well-developed transportation infrastructure is one of its attractive features.
Prospects for securing excellent local human resources	<ul style="list-style-type: none"> It is important that local human resources can be secured, who can communicate adequately in both Japanese and English and are excellent in terms of technology. Because of the need to strengthen promotion in Japan, the company is placing emphasis on whether it can secure competent local human resources.
Attractive local government incentives	<ul style="list-style-type: none"> It is important that tax incentives are provided. Currently, there are concerns that incentives for clean energy are insufficient.
R&D opportunities with universities and companies	<ul style="list-style-type: none"> Having the opportunities to cooperate with universities for research and development is significant.
Existence of related industrial clusters	<ul style="list-style-type: none"> The existence of related industrial clusters is very important because it leads to interactive cooperation.
Low business costs (land, labor, etc.)	<ul style="list-style-type: none"> The government subsidies and preferential policies are expected. Low business costs at the time of starting a business are an important factor.
Others	<ul style="list-style-type: none"> When selecting a location, evaluation and scoring are carried out for logistics, local subsidies, local community, and access to customers and partners, and the best location is selected based on an overall evaluation. It is important that there are companies becoming appropriate partners for joint ventures and business alliances in Japan.

Source: Results of JETRO's survey on the impact of structural changes in global value chains (GVCs)