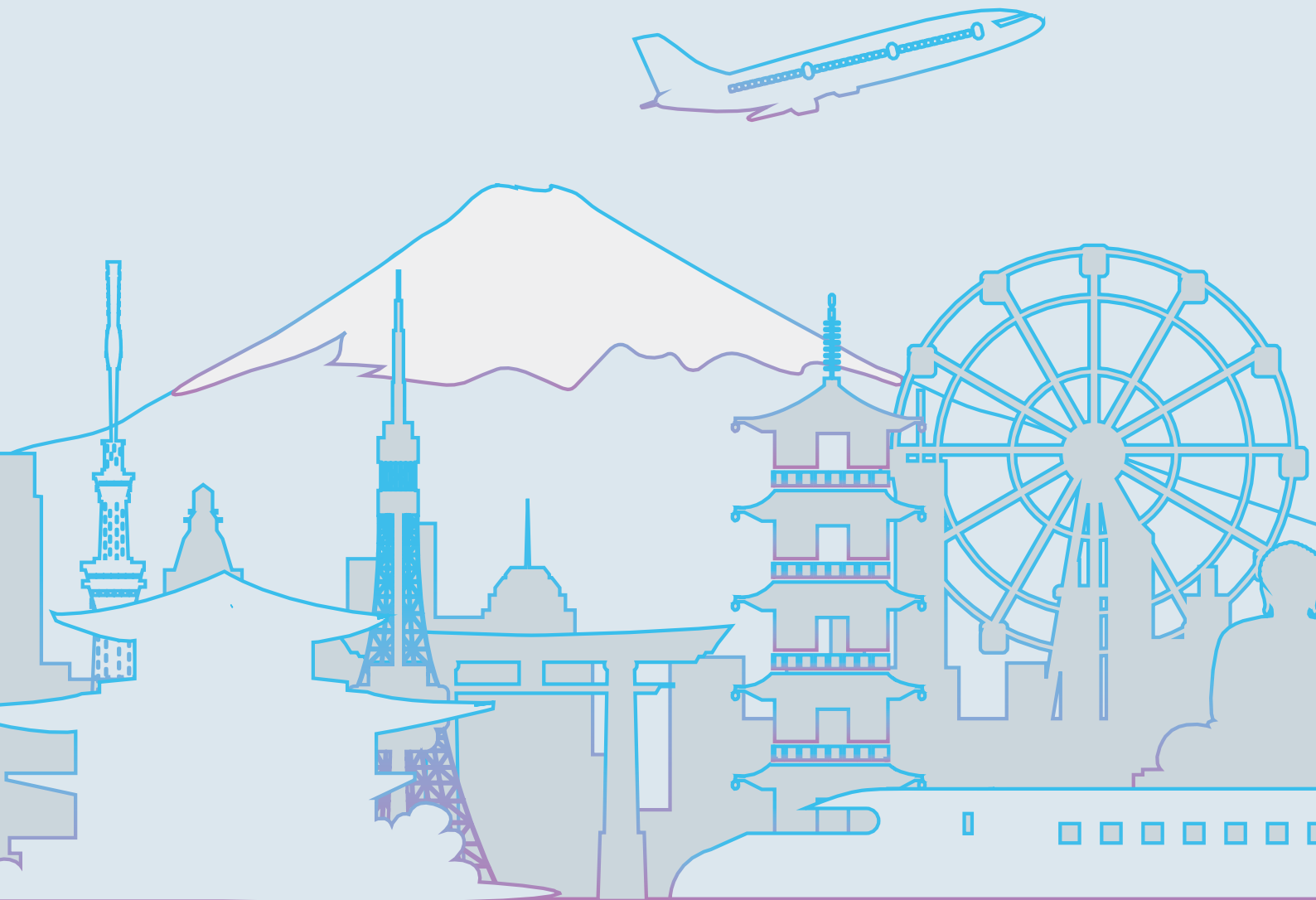


# JETRO Invest Japan Report

2024



JETRO

# Key points of the 2024 Report

JETRO has compiled a comprehensive report on foreign direct investment (FDI) in Japan, JETRO Invest Japan Report 2024 with the aim of providing information for foreign and foreign-affiliated companies considering doing business in Japan, as well as reference material to assist foreign companies in their investment in Japan. The key points of the report are as follows.

## 1. FDI stock in Japan exceeded 50 trillion yen.

- The stock of inward FDI in Japan at the end of 2023 increased by 9.3% to 50.5 trillion yen (350.6 billion US dollars), equivalent to about 8.5% of Japan's GDP.
- By region, investments from the United States (up 23.2% from the previous year) and Taiwan (up 21.1%) increased notably, due to large-scale investment projects in Japan. Examples include the construction of a second plant in Kumamoto Prefecture by Taiwan Semiconductor Manufacturing Company (TSMC), a major Taiwanese semiconductor manufacturer, and the introduction of the latest technology into its plant in Hiroshima by Micron Technology, Inc, a major US semiconductor company.

## 2. Japan's greenfield investment receipts more than tripled from the previous year.

- Greenfield investments increased globally by 5.4% to 1,380.4 billion US dollars. They declined in developed countries and regions, while those in emerging regions were solid, especially in Asia. Japan saw a remarkable increase, more than tripling from the previous year. It ranked 17th in the world, at 30.8 billion US dollars.
- In addition to the aforementioned large-scale semiconductor projects, greenfield projects in Japan included some investments by Singaporean and US companies related to the construction of data centers.
- Among the major inbound M&A deals, value of transactions were large in the logistics, healthcare and real estate sectors. There were cases of companies executing management buyouts (MBOs), with the support of foreign investment funds, to turn around their operations.

## 3. The Japanese government has set a target of 100 trillion yen in FDI stock by 2030 and set out priority programs and tax reforms.

- The Council for Promotion of Foreign Direct Investment in Japan discussed in May priority issues to be addressed in the future and how to respond to them, and developed the Priority Program for Attracting Foreign Direct Investment. The program includes 10 policy measures based on 4 pillars: (1) expanding investment opportunities in Japan, (2) securing highly skilled human resources in Asia and other regions, (3) promoting collaboration between domestic and foreign companies, and (4) improving business and living environments.
- As part of the fiscal 2024 tax reforms, the government decided to establish (1) a tax system to promote domestic production in strategic sectors and (2) a tax system for innovation centers (innovation box tax system) to promote domestic investment. For (1), electric vehicles, semiconductors, etc. are designated as strategic sectors, and tax credits are provided according to production and sales volumes. For (2), a 30% income deduction is provided for income derived from intellectual property rights originating in Japan.
- Building on these and other measures, the Japanese government has set a target of 100 trillion yen in FDI stock by 2030.

Note: This report is based on information as of September 2024.

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# 1

## Global Trends in Inward FDI



While global economic stagnation, rising geopolitical tensions,  
and rising interest rates restrain inward FDI,  
greenfield investment in emerging countries and regions remains strong.

## Section 1: Global Inward FDI Flow in 2023

### ■ Global economic stagnation and heightened geopolitical tensions discourages inward FDI

According to the United Nations Conference on Trade and Development (UNCTAD), global inward FDI in 2023 declined for the second consecutive year, down 1.8% from the previous year to 1,331.8 billion US dollars (based on the directional principle). The global economic slowdown, rising geopolitical tensions, and rising interest rates, among other factors, may have contributed to the restraints. In particular, the U.K. experienced

a significant decrease from the previous year, resulting in a net withdrawal. Europe as a whole, including EU member states, saw a turnaround from the significant withdrawal in the previous year to an inflow surplus. Japan ranked 21st in the world, with 21.4 billion US dollars, down 37.3% from the previous year.

Chart 1-1: Trends in Global Inward FDI Flow

(Million US dollars, %)

	2021	2022	2023	
				Growth rate (YoY)
World	1,621,808	1,355,749	1,331,813	-1.8
Developed Economies	731,843	426,198	464,397	9.0
Japan	34,294	34,194	21,433	-37.3
Israel	18,950	23,031	16,422	-28.7
Korea	22,060	25,045	15,178	-39.4
Europe	178,748	-105,878	16,493	*
European Union	266,502	-84,831	58,645	*
France	34,109	75,979	42,032	-44.7
Germany	51,218	27,411	36,698	33.9
United Kingdom	-71,174	14,912	-89,247	*
Russia	38,639	-15,205	8,364	*
North America	449,818	378,527	361,271	-4.6
United States	389,436	332,352	310,947	-6.4
Developing Economies	889,965	929,551	867,417	-6.7
East Asia	334,030	315,115	286,214	-9.2
China	180,957	189,132	163,253	-13.7
Hong Kong	140,186	109,685	112,676	2.7
Southeast Asia	208,447	223,134	226,317	1.4
Singapore	126,674	141,118	159,670	13.1

Note: The figure for "Japan" in the table is calculated by UNCTAD using the directional principle. The data do not correspond to those in Chart 2-1 (asset and liability principle). Items marked with \* in the table are not shown as one of the comparative data is negative.

Classification is as defined by UNCTAD.

Source: Based on UNCTAD data.

Chart 1-2: Top 10 Countries/Regions Receiving Inward FDI in 2023

(Million US dollars, %)

		2023	
			Growth rate (YoY)
1	United States	310,947	-6.4
2	China	163,253	-13.7
3	Singapore	159,670	13.1
4	Hong Kong	112,676	2.7
5	Brazil	65,897	-10.2
6	Canada	50,324	9.0
7	France	42,032	-44.7
8	Germany	36,698	33.9
9	Mexico	36,058	-0.7
10	Spain	35,914	-20.0
⋮			
21	Japan	21,433	-37.3

Note: "Japan" in the table is calculated by UNCTAD using the directional principle. The data do not correspond to those in Chart 2-1 (asset and liability principle).

Source: Based on UNCTAD data.

## Section 2: Global Greenfield Investment in 2023

### ■ Strong investment in emerging countries/regions, particularly in Asia

According to the UNCTAD, the amount of greenfield investment announced for 2023 was 1,380.4 billion US dollars (up 5.4% year on year), roughly maintaining the previous year's level. Investment in developed countries and regions declined 8.2% year on year, but investment in emerging countries and regions was strong, mainly in Asia with a 20.5% increase year on year. Among them, East Asia (excluding Japan and South Korea)

recovered to the level prior to the previous year's decline with 46.3 billion US dollars (up 64.9% year on year). Investment in Africa also remains solidly strong with 174.7 billion US dollars in 2023, albeit at a 10.8% decrease. Japan saw a remarkable increase, more than tripling from the previous year, in response to the significant decline in the previous year. It ranked 17th in the world.

Chart 1-3: Global Greenfield Investment (announced basis)

(Million US dollars, %)

	2021	2022	2023	
				Growth rate (YoY)
World	829,693	1,309,067	1,380,401	5.4
Developed economies	536,858	687,018	630,989	-8.2
Europe	321,247	391,326	358,482	-8.4
European Union	227,166	265,275	262,327	-1.1
Germany	62,937	47,432	56,723	19.6
France	14,658	22,241	31,428	41.3
United Kingdom	65,807	107,133	65,224	-39.1
Russia	14,928	299	1,197	300.3
North America	133,780	198,607	178,076	-10.3
United States	109,279	175,127	141,793	-19.0
Other developed economies	81,831	97,086	94,431	-2.7
Australis	14,475	70,111	44,121	-37.1
Japan	24,785	9,042	30,831	241.0
Developing economies	292,835	622,048	749,412	20.5
Asia (including Middle east)	170,863	312,643	451,328	44.4
East Asia	44,926	28,103	46,340	64.9
China	35,807	21,855	37,538	71.8
Hong Kong	3,921	2,996	4,260	42.2
Southeast Asia	67,874	112,964	175,217	55.1
Singapore	13,306	18,279	11,355	-37.9
Indonesia	9,234	24,292	60,604	149.5
South Asia	21,064	83,859	108,580	29.5
India	16,684	81,030	83,364	2.9
Latin America and the Caribbean	69,706	112,057	122,308	9.1
Brazil	23,541	21,423	36,195	69.0
Africa	52,211	195,957	174,745	-10.8

Note: Japan and Korea are classified as "Other developed economies," not as "East Asia."

Data refers to estimated value of capital investment. Data does not include those through financial center in Caribbean countries/region.

Classification is as defined by UNCTAD.

Source: Based on UNCTAD data.

Chart 1-4: Top 10 Countries/Regions Receiving Green Investment in 2023

(Million US dollars, %)

		2023	
			Growth rate (YoY)
1	United States	141,793	-19.0
2	India	83,364	2.9
3	United Kingdom	65,224	-39.1
4	Indonesia	60,604	149.5
5	Germany	56,723	19.6
6	Australia	44,121	-37.1
7	Egypt	41,904	-61.2
8	China	37,538	71.8
9	Malaysia	36,844	56.5
10	Canada	36,283	54.5
⋮			
17	Japan	30,831	241.0

Source: Based on UNCTAD data.

## Section 3: Impact of Structural Changes in Global Value Chains (GVCs)

### ■ Unstable international situation changes GVC structure

In recent years, global companies have been required to strengthen and restructure their supply chains in a timely manner in order to deal with various international challenges and a competitive business environment that is necessary to use of the latest technologies, and this has led to changes in the structure of global value chains (GVCs). As a specific background, for instance, those are caused by the disruption of the existing economic structure due to the Covid-19 pandemic, the high demand for measures to deal with climate change, and the

impact on procurement and distribution channels due to friction and disputes among nations.

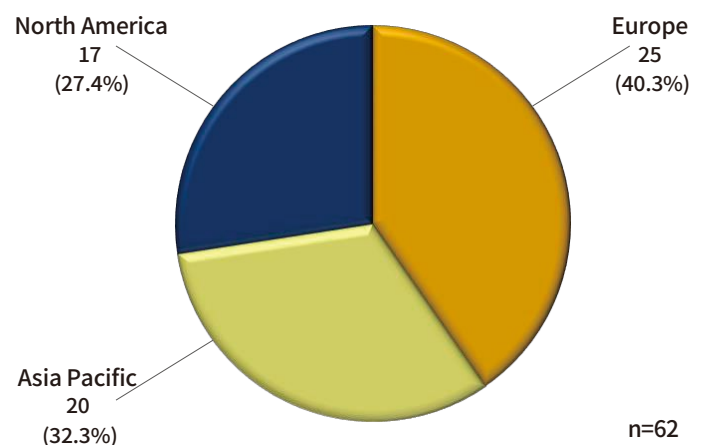
JETRO has implemented a survey "Impact of Structural Changes in Global Value Chains (GVCs)" to reveal the responses of global companies to these highly volatile events and how they perceive the Japanese market. Based on the result of this survey, the factors that determine Foreign investment by global companies are considered in this section and in Section 6 of Chapter 2.

#### The outline of JETRO's survey "Impact of Structural Changes in Global Value Chains (GVCs)"

Target	Target companies	<ul style="list-style-type: none"> <li>Foreign companies mainly active in the following 10 sectors and related industries. Companies that do not fit into this category are classified as "Others".</li> <li>"Bio-Pharmaceutical", "Storage battery", "AI/Sensors, etc. (Industrial Robots/Automation)", "Autonomous driving (Automobiles)",</li> <li>"AI/Sensors and other ICT (Special vehicles)", "Metaverse/Digital twin (industrial purpose)", "Semiconductors", "Biomaterial", "Hydrogen fuel (Mobility)", and "Wind power (offshore)".</li> <li>62 companies in total (The target companies include those that JETRO supported or is supporting for investment in Japan).</li> </ul>
	Target persons	<ul style="list-style-type: none"> <li>Authorized persons to decide investment plans (manager class or higher)</li> </ul>
Survey method		<ul style="list-style-type: none"> <li>Interviews (online/ in person) based on the questionnaire</li> </ul>
Period		<ul style="list-style-type: none"> <li>December 18, 2023 to February 16, 2024</li> </ul>

Industry classification of respondents	Number of valid responses
Bio-Pharmaceutical	6
Storage battery	5
AI/Sensors, etc. (Industrial Robots/Automation)	8
Autonomous driving (Automobiles)	4
AI/Sensors and other ICT (Special vehicles)	1
Metaverse/Digital twin (industrial purpose)	6
Semiconductors	6
Biomaterial	2
Hydrogen fuel (Mobility)	4
Wind power (offshore)	6
Others	14
<b>Total</b>	<b>62</b>

Regional classification of countries where the respondent's head office locates



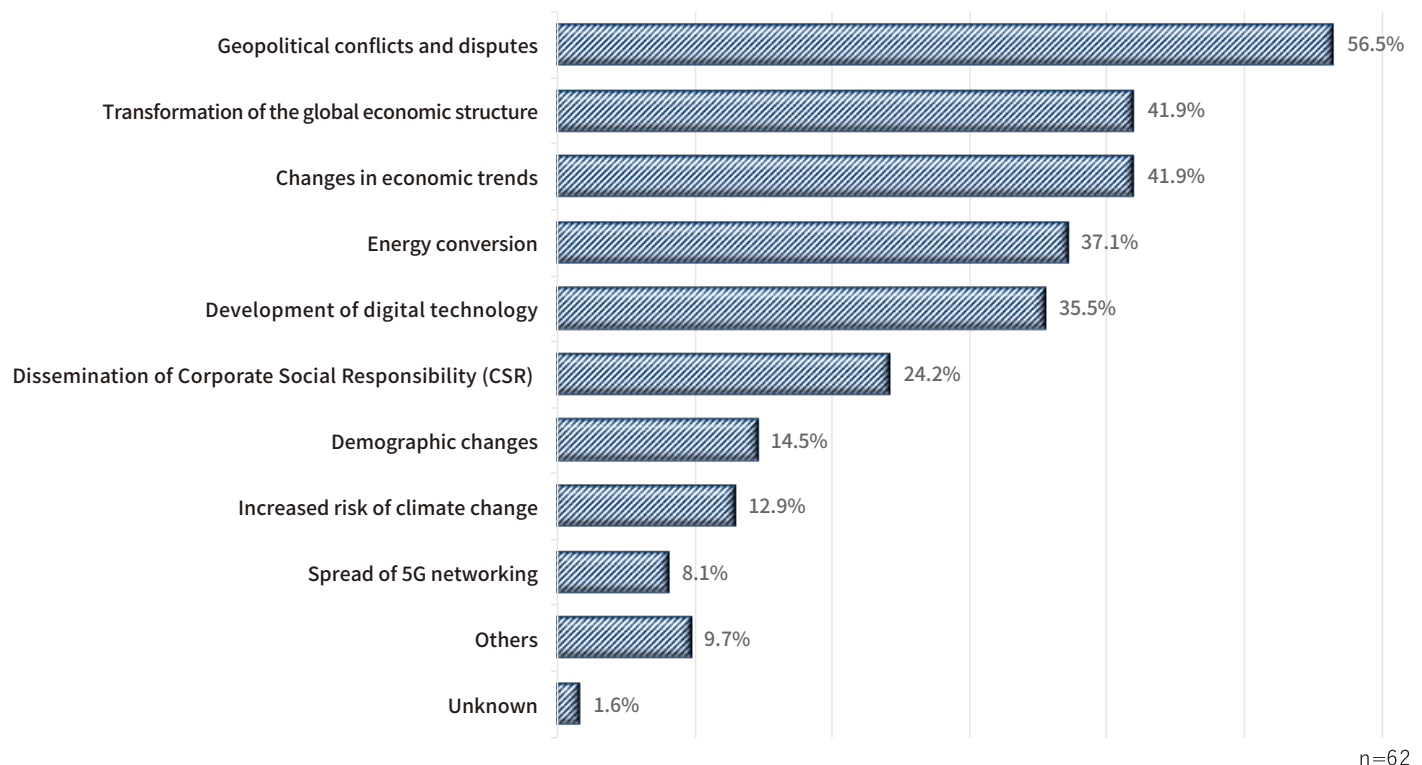
Note: The total does not necessarily equal 100% due to round off.

## ■ "Geopolitical conflicts and disputes" have a major impact on foreign investment strategies of global companies

The various events that lead to structural changes in GVCs can have a significant impact on the foreign investment strategies of global companies. In the survey, more than half (56.5%) of the respondent companies view "geopolitical conflicts and disputes" as one of the events that affect their business. Some companies

mentioned the actual impacts, such as "business activities have been disrupted by the China-related supply chain problems and rising tensions in Southeast Asia," and "the war between Russia and Ukraine has forced us to close our offices in Russia."

Chart1-5: Events That Affect the Company's Business Operations



Note: In the form of prioritizing up to three choices from among the choices.  
Companies that selected at least one option were considered valid.

Source: JETRO's survey "Impact of Structural Changes in Global Value Chains (GVCs)"

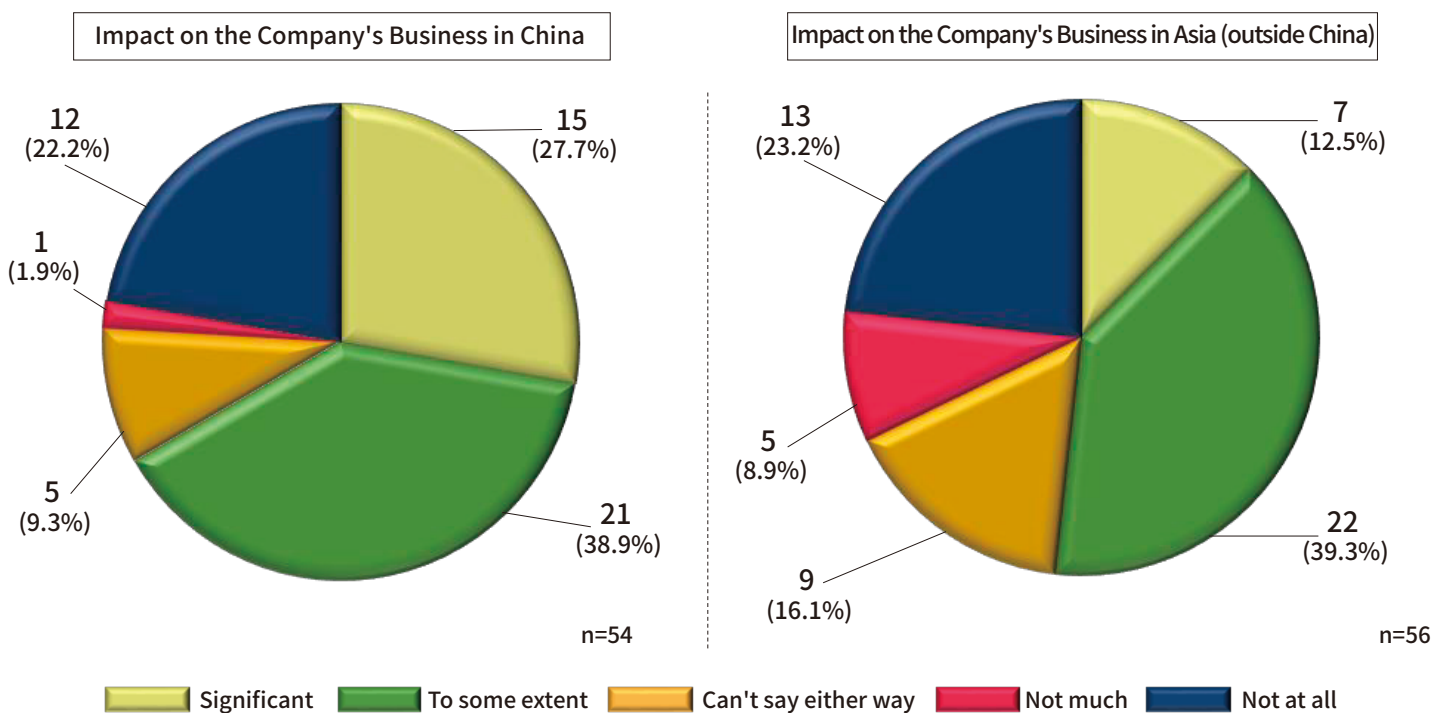


## ■ Many companies have been affected in their China/Asia operations

Recent U.S.-China conflict, as an example, which is one of the Geopolitical conflicts, and it affects global companies' operations in China/Asia. When asked whether the heightened geopolitical risk caused by the U.S.-China conflict is affecting their own businesses in China and other Asian countries, among

the responded companies, about 67% of them in China and about 52% in Asia (other than China) answered "significant" or "to some extent." On the other hand, approximately 20% of the companies responded that they had had no impact.

Chart 1-6: Impact of the US-China Conflict on Business in China/Asia



Note1: The sum does not necessarily equal 100% due to rounding to one decimal place.

Note2: Calculated excluding non-responses.

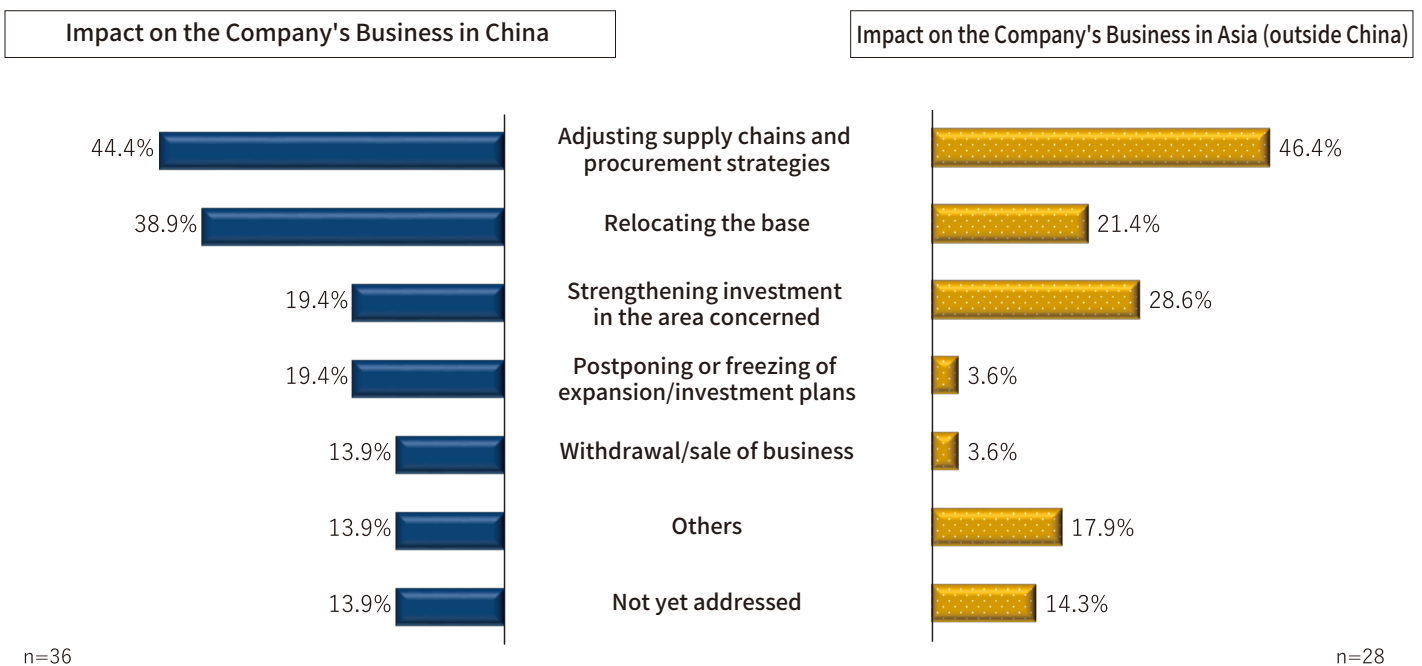
Source: JETRO's survey "Impact of Structural Changes in Global Value Chains (GVCs)"

## ■ Supply chain and procurement strategies need to be adjusted both inside and outside China

Of the companies which responded "affected", just under half responded that they "had adjusted their supply chains and procurement strategies in the area concerned" as one of their countermeasures. In terms of specific measures, it showed a tendency to downsize its business in China, such as "changed its investment destination from China to other Asian regions" and

"adjusted each production amount to direct production in China to only the Chinese market, and for other bases in Southeast Asia to take responsibility for production for other regions." On the other hand, there was a company that responded that they "are expanding investment in China targeting specific industries and markets."

**Chart 1-7: Impact of the U.S.-China Conflict on Business in China and Asia (Details)**



Note 1: Multiple selections are allowed. Companies that selected at least one option were considered valid.

Note 2: This question was asked to companies that answered "significant" or "to some extent" to the question of whether the increasing geopolitical risks due to the U.S.-China conflict are affecting the business in China and other Asian countries.

Source: JETRO's survey "Impact of Structural Changes in Global Value Chains (GVCs)"

Chart 1-8: Specific measures of global companies' in light of the impact of the U.S.-China conflict.

Countermeasures in China	Specific details
Adjusting supply chains and procurement strategies	<ul style="list-style-type: none"> <li>Overcoming geopolitical risks requires strategic adaptation, including diversification, prudent investment, and proactive supply chain management.</li> <li>The company tried to merge with another company in the Chinese market, but it had to cancel the plan because it could not obtain the permission.</li> </ul>
Relocating the base	<ul style="list-style-type: none"> <li>The sales channel in China was temporarily cut off. The company is considering alternative bases in Thailand and Indonesia for establishing a sales structure in each region.</li> <li>For protecting its intellectual property, the company moved its base from China to Singapore.</li> </ul>
Strengthening investment in the area concerned	<ul style="list-style-type: none"> <li>Through a joint venture with a Chinese company, the company built a material procurement system in China. It is expanding its investment in China, targeting the Chinese automotive market, where electrification is particularly important. Focusing on local production in China, the company plans production activities tailored to local needs.</li> </ul>
Postponing or freezing of expansion/investment plans	<ul style="list-style-type: none"> <li>China has laws that require servers to be located in China and localized (Cybersecurity Law, Data Security Law, and Personal Information Protection Law), but the company has difficulty complying with these laws.</li> <li>Currently, the company has stopped investing in its Chinese bases.</li> </ul>
Withdrawal/sale of business	<ul style="list-style-type: none"> <li>As a result of heightened tensions between the U.S. and China, the company had been forced to withdraw or scale back its operation in China, and it began withdrawing from China as real estate risks had become more apparent since 2019.</li> </ul>
Not yet addressed	<ul style="list-style-type: none"> <li>The company is considering relocating some of its business bases to other countries, but has not yet taken any actual steps.</li> <li>Although the production capacity in China is large, no major problems have arisen so far.</li> </ul>

Countermeasures in other Asian countries	Specific details
Adjusting supply chains and procurement strategies	<ul style="list-style-type: none"> <li>By making production in China only for the Chinese market (China for China), the Southeast Asian sites are required to meet the demands of the rest of the world (including digitalization and establishing new factories), so existing factories are being optimized and adjusted.</li> <li>In response to the deteriorating political relations between India and China, the company is scaling back procurement and collaborations in China.</li> <li>Partnerships with local players in Asia are being reorganized to avoid risk.</li> </ul>
Strengthening investment in the area concerned	<ul style="list-style-type: none"> <li>The company has shifted its investment destination from China to other parts of Asia (Thailand).</li> <li>Investment is increasing in India, and the business has been concentrated in India.</li> </ul>
Relocating the base	<ul style="list-style-type: none"> <li>Investments in APAC region, particularly in India, Thailand, and Singapore, are increasing, so that losses incurred in one country can be offset by business in other countries.</li> </ul>
Others	<ul style="list-style-type: none"> <li>The bases in East Asia are preparing for a slowdown in the Chinese economy, by changing supply chains and hiring personnel. In addition, it is mitigating financing risks by combining investors, financial institutions, and credit institutions.</li> </ul>
Not yet addressed	<ul style="list-style-type: none"> <li>If geopolitical risks in Asia worsen in the future, the company will respond by withdrawing from the market, but so far no such measures have been taken.</li> </ul>

Source: JETRO's survey "Impact of Structural Changes in Global Value Chains (GVCs)"

# 2

## 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

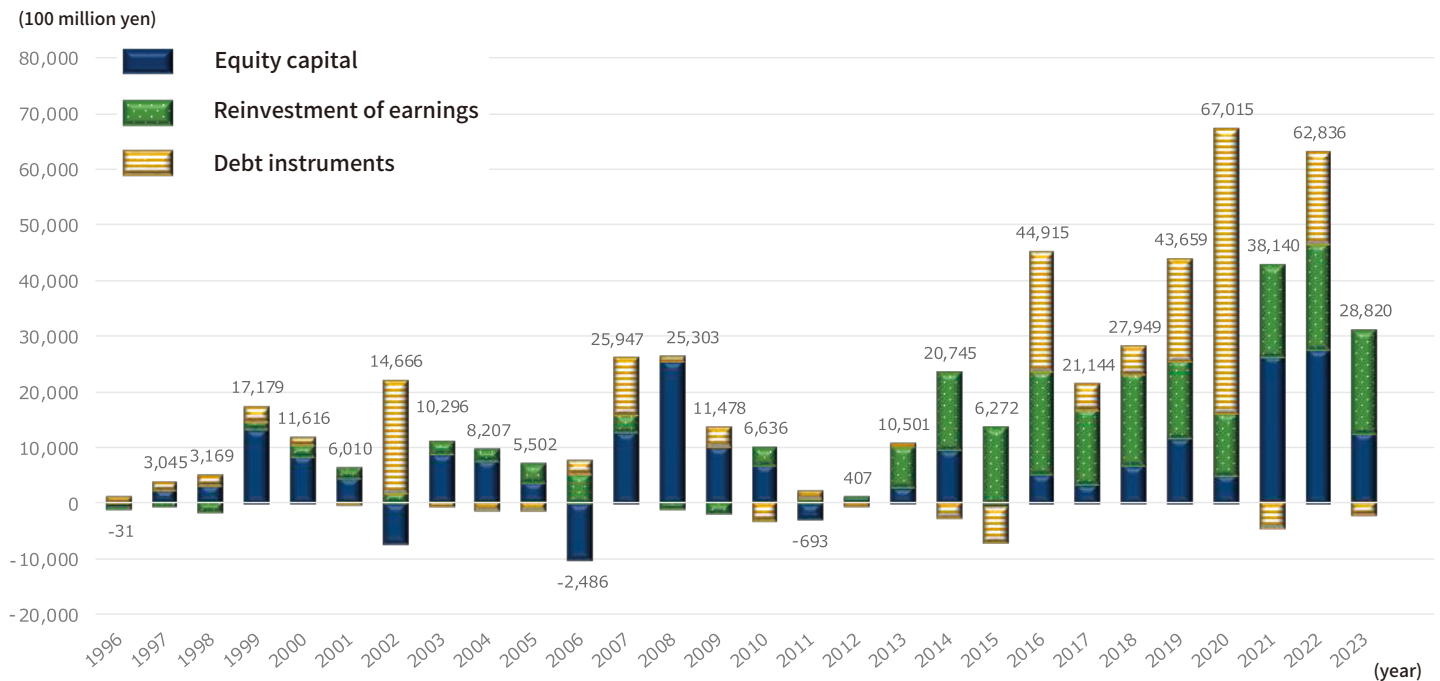
## 1. Trends in Flow

### ■ 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

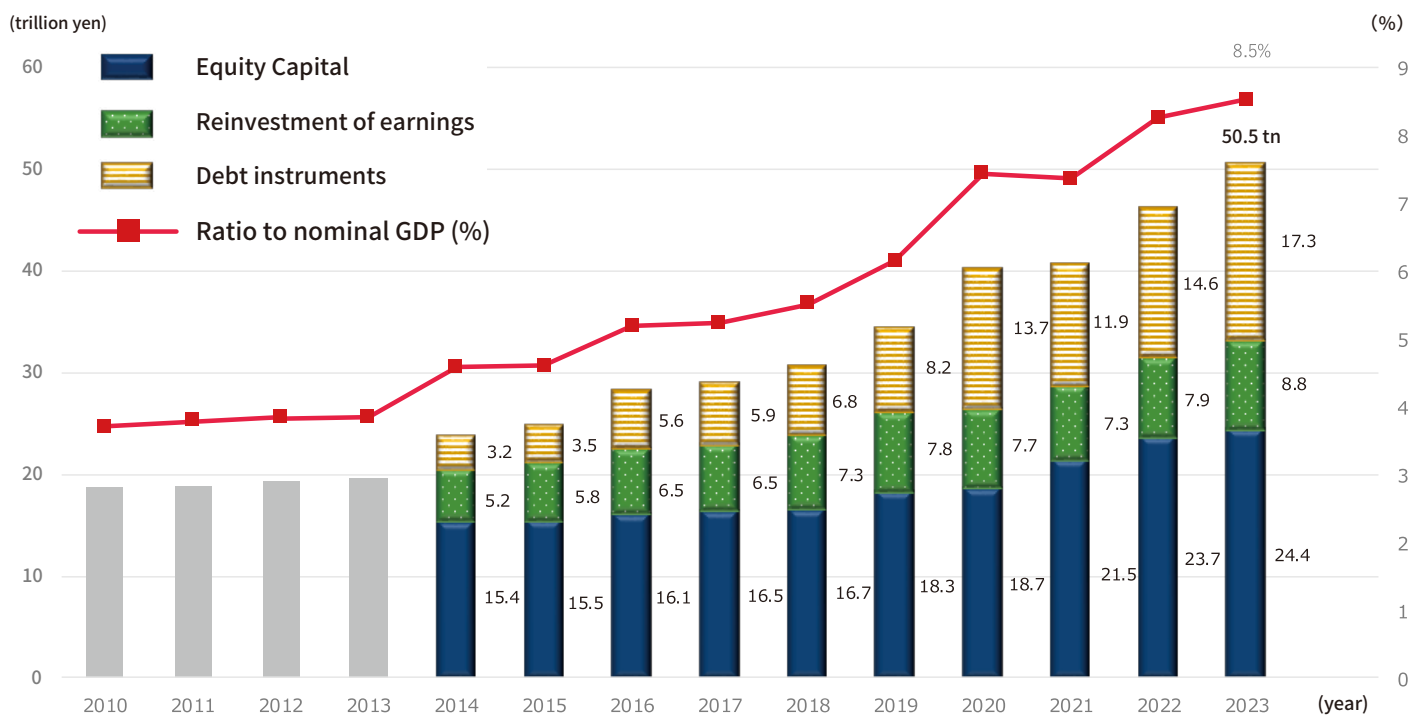
## 2. Trends in Stock

### ■ 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

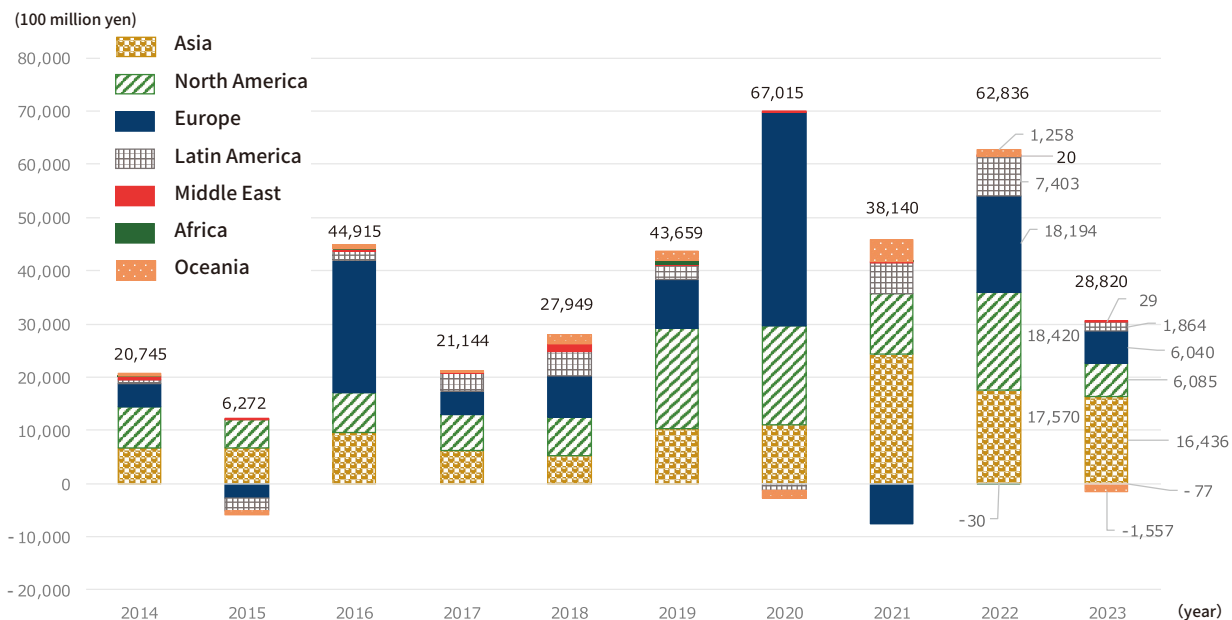
### 1. Flow

#### ■ 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)

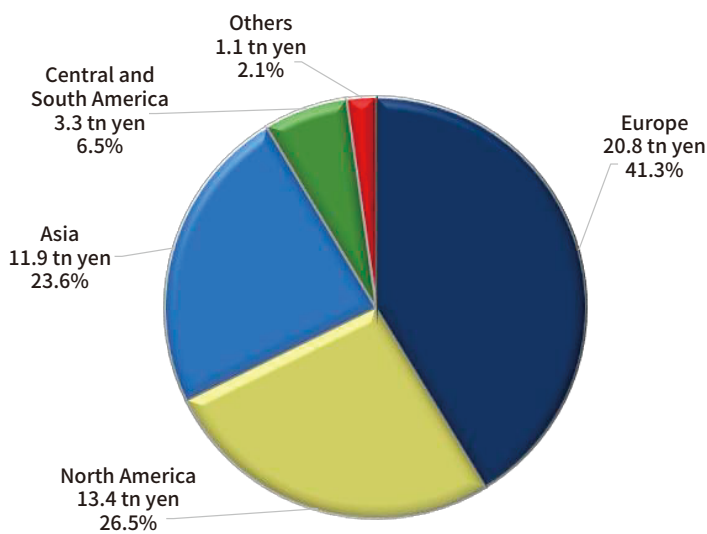
## 2. Stock

### ■ 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

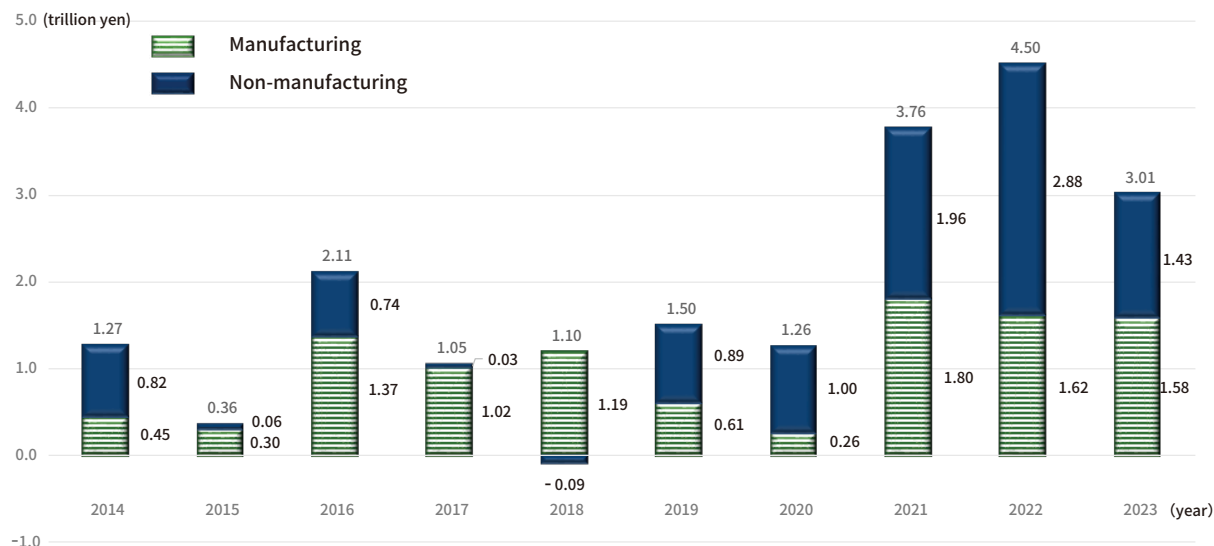
### 1. Flow

#### ■ 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

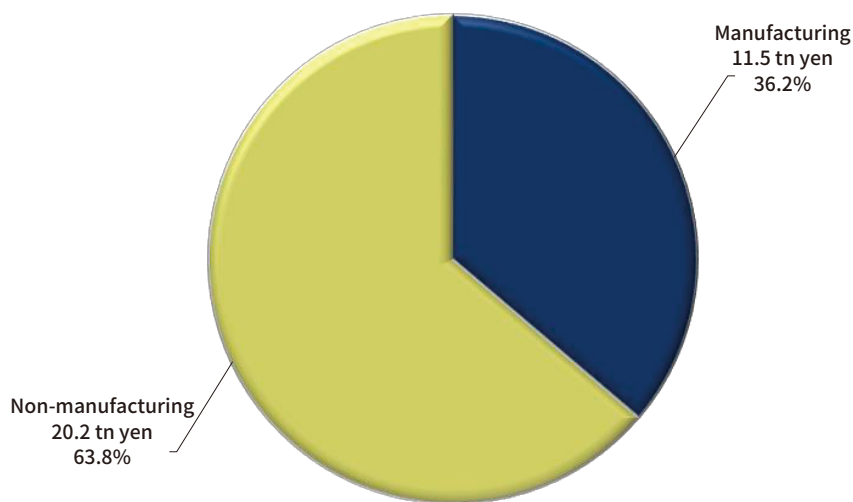
## 2. Stock

### ■ 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

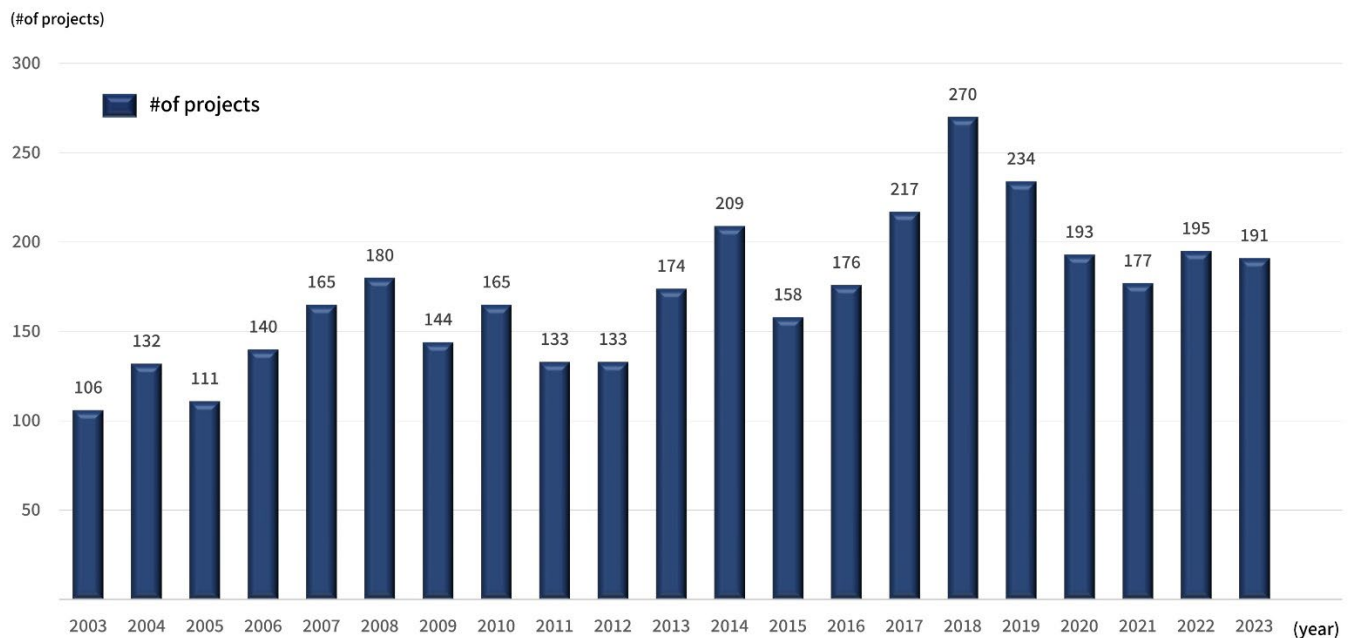
### 1. Changes in the Number of Cases

#### ■ 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

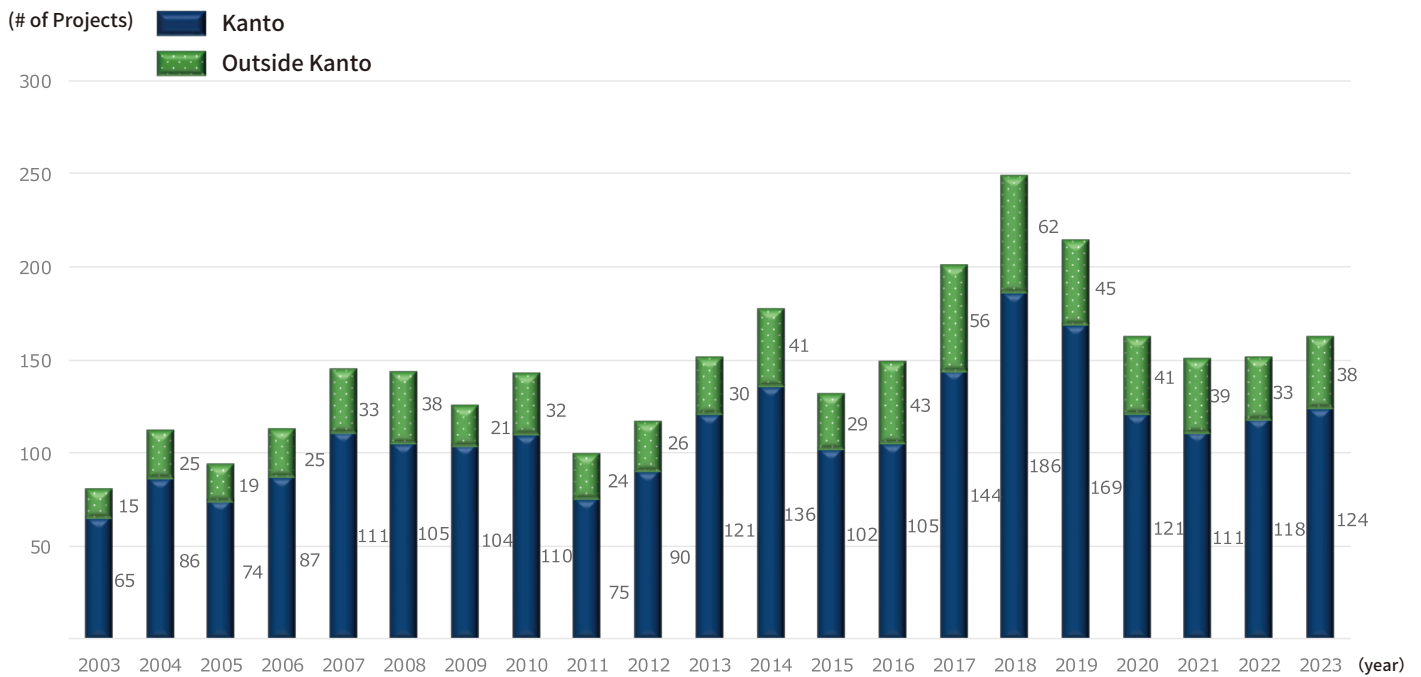
## 2. Trends in Investment by Region (Kanto region and non-Kanto region)

### ■ 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

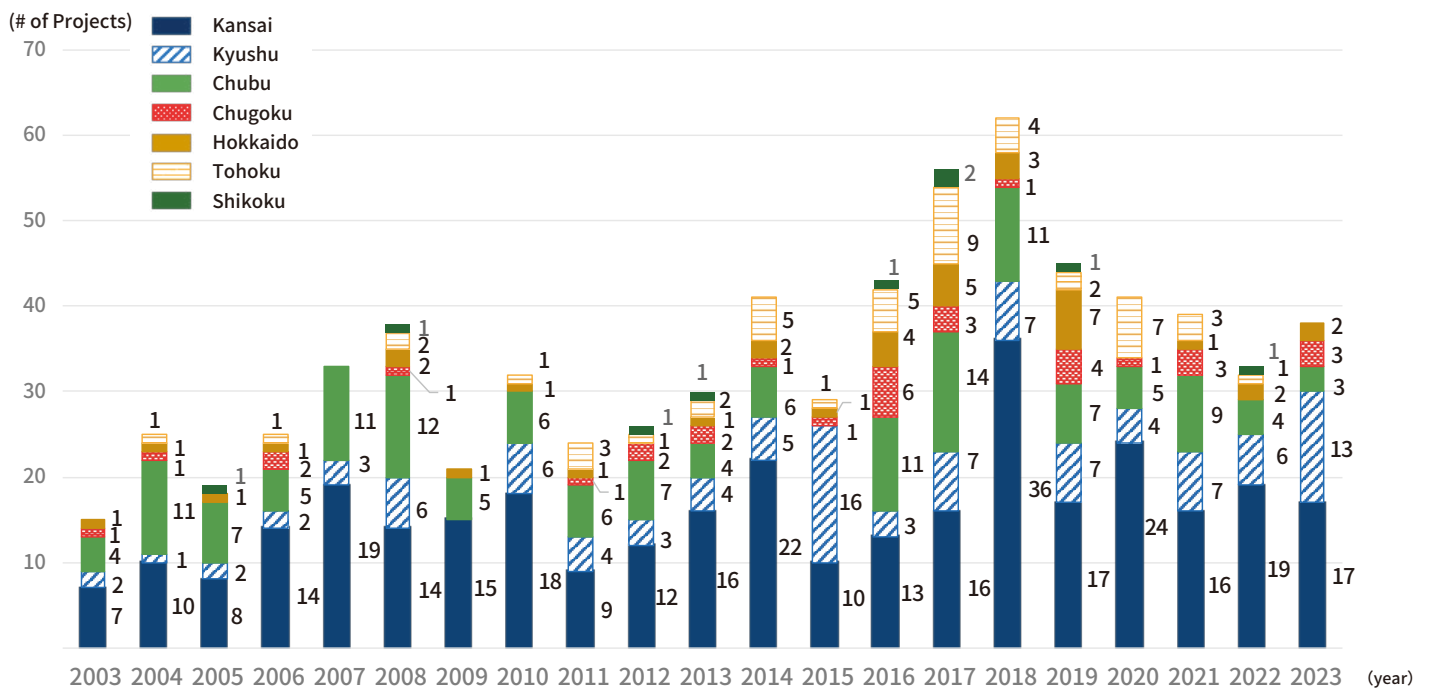
### 3. Trends in the Number of Greenfield Investments in Japan by Region (Outside Kanto Region)

#### ■ 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<sup>\*1</sup>, 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 <sup>2</sup> ) 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."

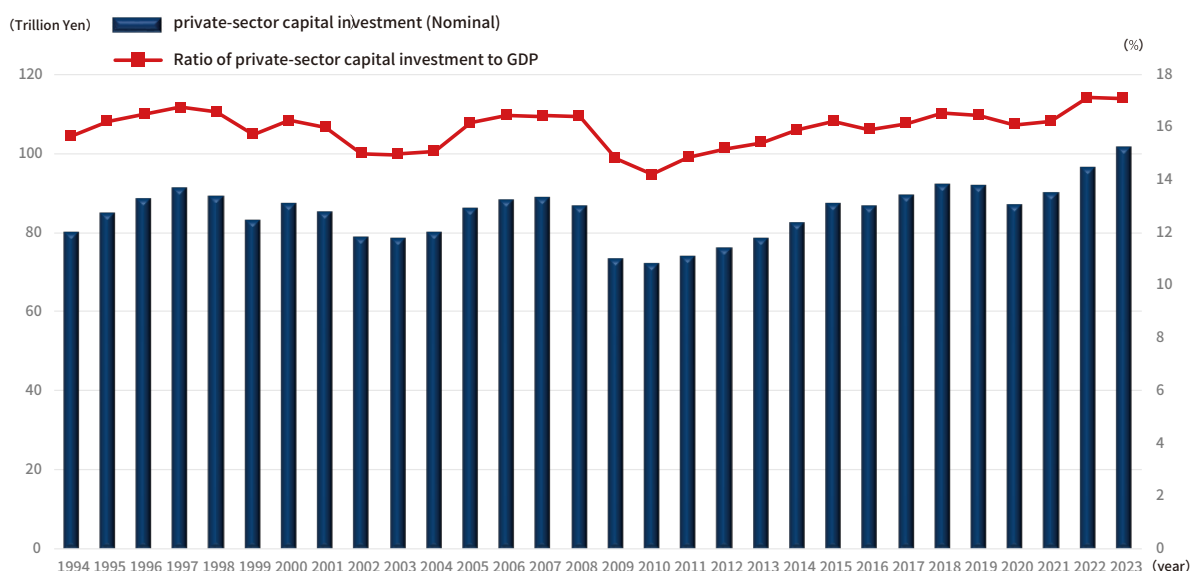
Looking at the changes in private-sector capital investment since 1994 (see Chart), the "ratio to GDP" fell sharply in the three years following the Lehman's collapse in 2008, but then it has gradually recovered, remaining at the 16% level since 2015, which is the level before the Lehman's collapse. 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 Package<sup>1</sup>, 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

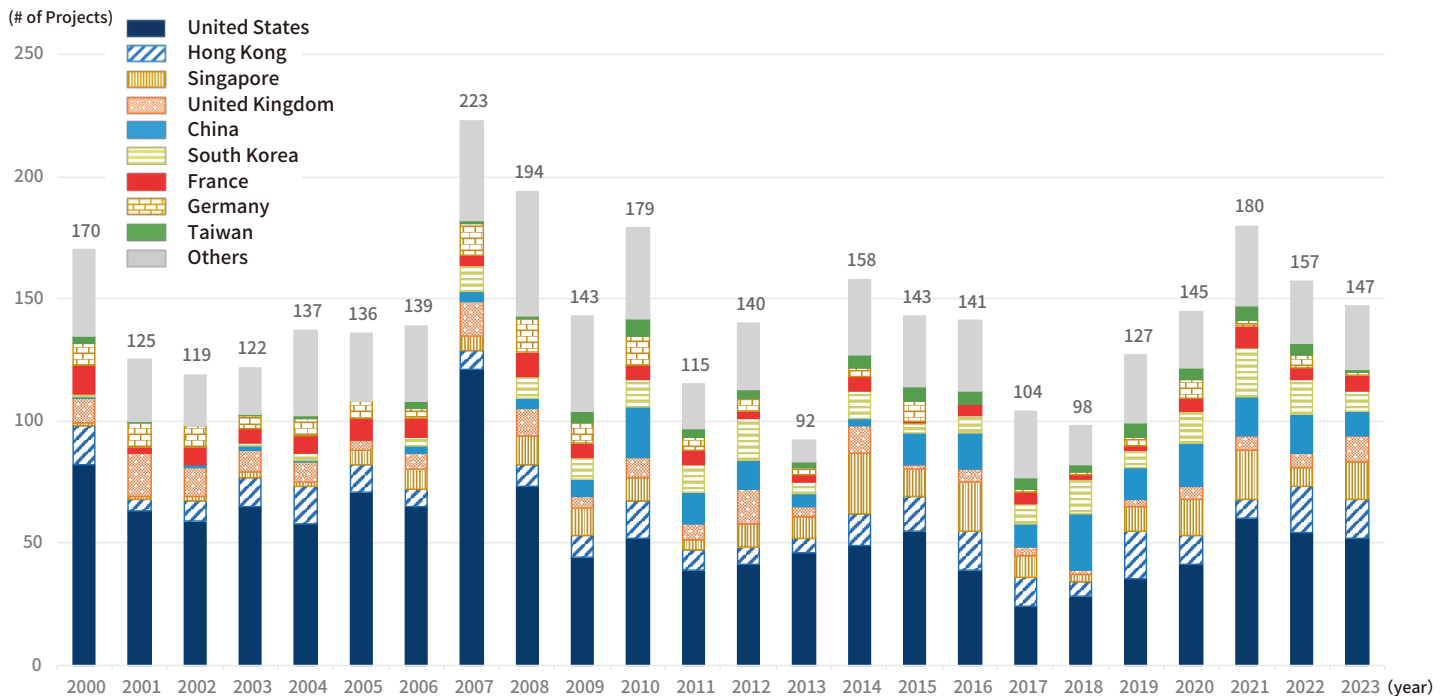
### 1. Number of M&A Deals and Top 5 Countries and Regions

#### ■ 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&amp;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.

(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 (3) Major Inbound M&amp;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.

(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 (4) Major Inbound M&amp;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.

(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 (5) Major Inbound M&amp;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&amp;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 year<sup>1</sup>. 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.

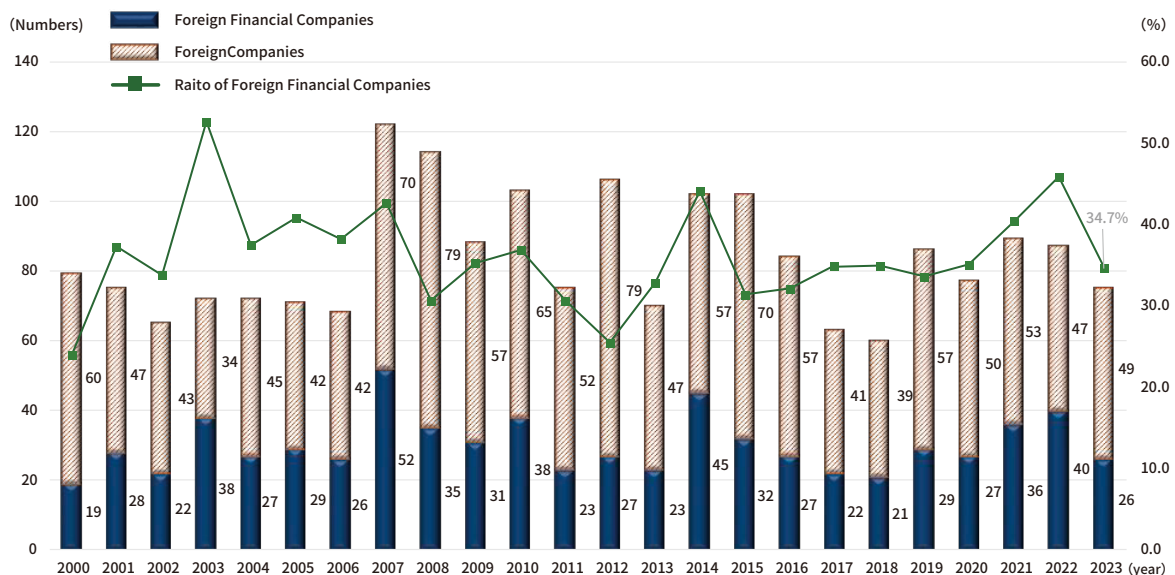
Until now, foreign investment funds have often been associated with Western investment funds such as Carlyle, Bain, Goldman Sachs, and CVC Capital. Recently, however,

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-developed<sup>2</sup>. 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)<sup>3</sup>.

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

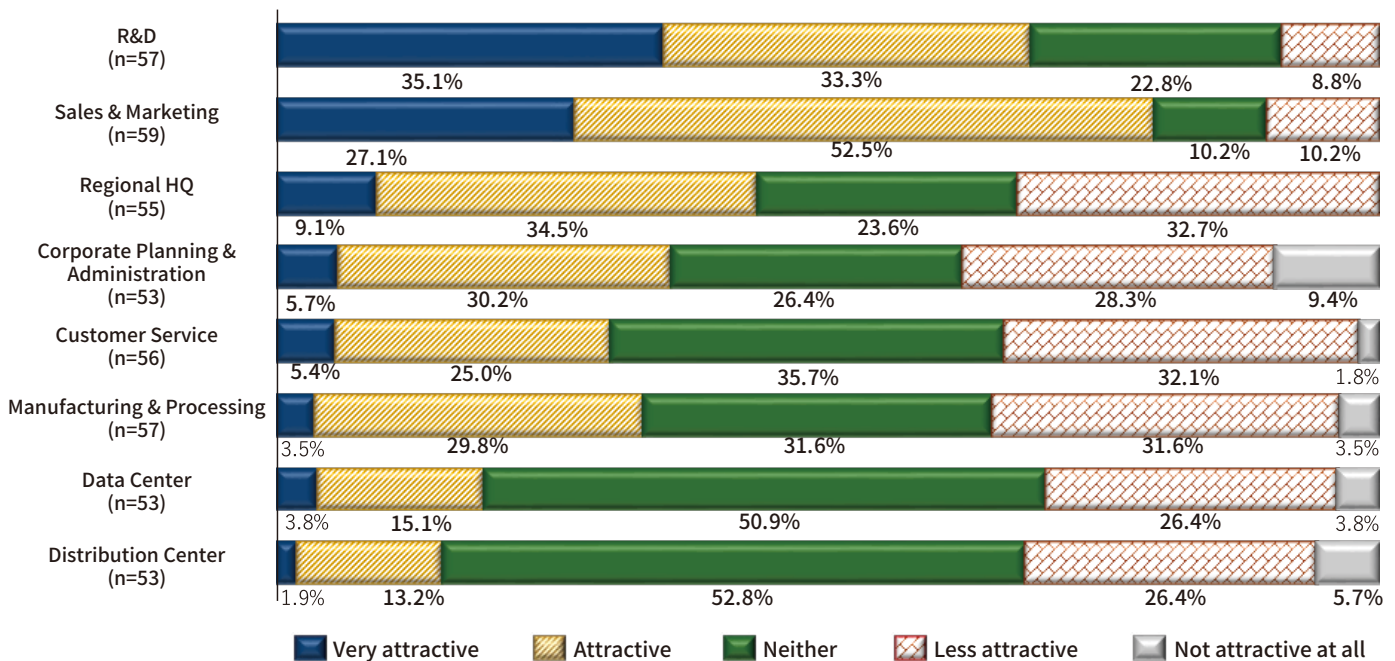
### ■ Business in Japan highly rated as "R&D" base and "Sales and Marketing" base

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."

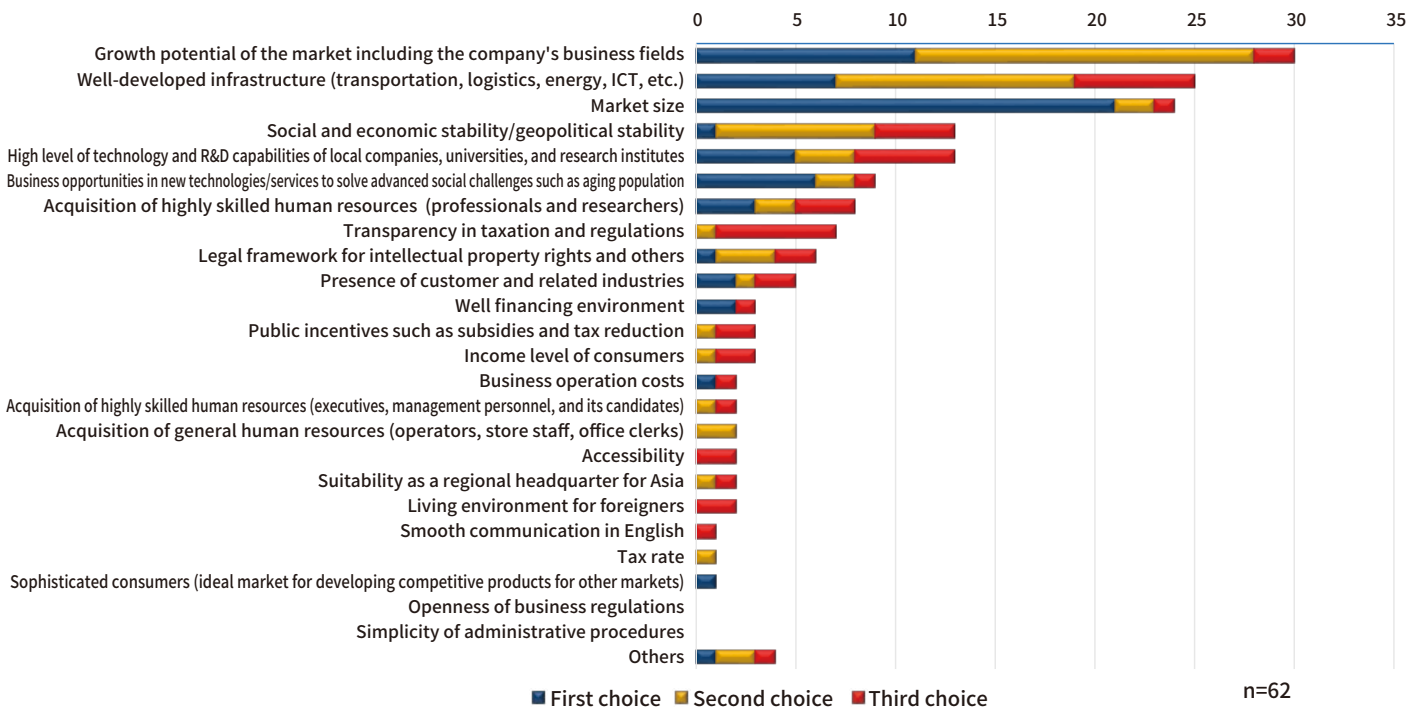
In June 2022, TSMC, a major Taiwanese semiconductor contract manufacturer, opened the "TSMC Japan 3DIC R&D Center" in the "Tsukuba Center of the National Institute of Advanced Industrial Science and Technology (AIST)" in Tsukuba City, Ibaraki Prefecture. It is said to be TSMC's first overseas R&D center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

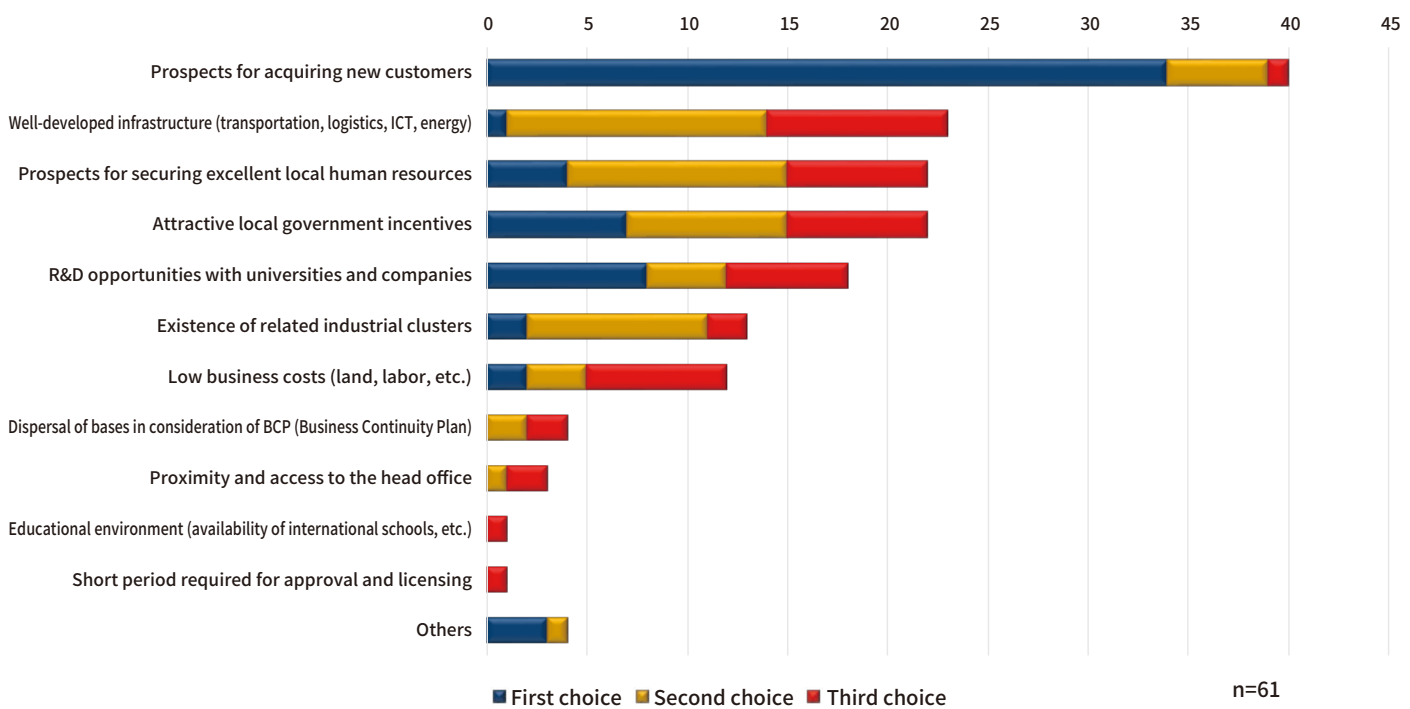
Source: Results of JETRO's survey on the impact of structural changes in global value chains (GVCs)

## ■ 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"> <li>Customer acquisition is a top priority.</li> <li>Check possibility to acquire new customers to meet the needs of the local market.</li> <li>It is important to be close to key customers and to do business with them directly and frequently.</li> </ul>
Well-developed infrastructure (Transportation, logistics, ICT, energy)	<ul style="list-style-type: none"> <li>It is important to have good public transportation and public infrastructure.</li> <li>Well-developed infrastructure is very important for operational efficiency.</li> <li>Japan's well-developed transportation infrastructure is one of its attractive features.</li> </ul>
Prospects for securing excellent local human resources	<ul style="list-style-type: none"> <li>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.</li> <li>Because of the need to strengthen promotion in Japan, the company is placing emphasis on whether it can secure competent local human resources.</li> </ul>
Attractive local government incentives	<ul style="list-style-type: none"> <li>It is important that tax incentives are provided.</li> <li>Currently, there are concerns that incentives for clean energy are insufficient.</li> </ul>
R&D opportunities with universities and companies	<ul style="list-style-type: none"> <li>Having the opportunities to cooperate with universities for research and development is significant.</li> </ul>
Existence of related industrial clusters	<ul style="list-style-type: none"> <li>The existence of related industrial clusters is very important because it leads to interactive cooperation.</li> </ul>
Low business costs (land, labor, etc.)	<ul style="list-style-type: none"> <li>The government subsidies and preferential policies are expected.</li> <li>Low business costs at the time of starting a business are an important factor.</li> </ul>
Others	<ul style="list-style-type: none"> <li>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.</li> <li>It is important that there are companies becoming appropriate partners for joint ventures and business alliances in Japan.</li> </ul>

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

# 3

## Recent government measures



The Japanese government has set a target of 100 trillion yen in FDI stock by 2030 and is taking various measures to achieve this goal.

# Section 1. Basic Policy on Economic and Fiscal Management and Reform 2024

## ■ Aiming to make strategic investments in areas such as green technologies, digital, and economic and energy security

The wages have risen to the highest level in 33 years and corporate capital investment is at an all-time high in Japan, despite the growing need to address economic security and strengthen international competitiveness amid the increasing uncertainty in the international situation. Under these circumstances, the Basic Policy on Economic and Fiscal Management and Reform 2024 was approved by the Cabinet in June 2024.

The Basic Policy states that the government will improve income and productivity based on wage increases and review fiscal reconstruction plans with the cooperation of both the public and private sectors in order to realize the "transition to a new growth-oriented economic stage." It also includes the Economic and Fiscal Revitalization Plan covering the period up to 2030 and has set a target of a "nominal gross domestic product (GDP) of 1,000 trillion yen" by around 2040. In addition to stabilizing prices, the goal is to take measures to address the population

decline that is expected to accelerate after 2030, as well as to overcome deflation and move to a new economic stage.

Moreover, it states that the public and private sectors are to work together for increase in wages and investment to realize a growth economy driven by them. Particularly, as to investment, it suggests that the both sectors cooperate to make strategic investments in areas such as green technologies, digital, science, technology and innovation, and economic and energy security, taking a long-term perspective. It has also identified eight items as the direction of the government's economic and fiscal policy and its specific measures. From the viewpoint of promoting investment in Japan, we will take up herein the following items among them: "Responding to social issues through increasing investment and implementing innovative technologies in society" (Chart 3-1) and "Responding to social issues through building startup networks and improving connectivity overseas" (Chart 3-2).

**Chart 3-1: Responding to social issues through increasing investment and implementing innovative technologies in society**

No.	Outline	Plans
1	Digital Transformation (DX)	<ul style="list-style-type: none"> <li>Developing a database for public basic information and promoting its use</li> <li>Developing quasi-zenith satellites and utilizing satellite data for organizing geospatial information and promoting their wider use and social implementation</li> <li>Promoting DFFT (Data Free Flow with Trust), strengthening Japan's AI competitiveness, and ensuring its safety in an integrated manner</li> <li>Exploring legislative measures for mass production of next-generation semiconductors, etc.</li> <li>Promoting digital government; digital transformation (DX) for health, long-term, and child care; DX for education; DX for transportation and logistics; DX for disaster risk reduction; and DX for tourism</li> </ul>
2	Green Transformation (GX) and Energy security	<ul style="list-style-type: none"> <li>Developing the national strategy for GX by the end of FY 2024 and revising the Strategic Energy Plan, etc.</li> <li>Promoting energy conservation, expanding the deployment of renewable energy, utilizing nuclear power, and implementing low-carbon hydrogen and its derivatives in society</li> <li>Realizing and implementing the Pro-Growth Carbon Pricing Concept, among other actions</li> <li>Realizing the AZEC(Asia Zero Emission Community) initiative and developing technology for domestic marine resources</li> </ul>
3	Development of Frontiers	<ul style="list-style-type: none"> <li>Implementing measures under the Space Technology Strategy, providing support through the Space Strategy Fund, and exploring the possibility of revising Act on Launching of Spacecraft, etc. and Control of Spacecraft</li> <li>Implementing measures based on the Ocean Development Strategy, building an MSIL (MDA Situational Indications Linkages) business platform, and strengthening the command function for ocean policy</li> </ul>
4	Promotion of Science, Technology and Innovation	<ul style="list-style-type: none"> <li>Promoting R&amp;D in such fields as fusion energy, quantum technology, AI, biotechnology, materials, semiconductors, 6G, and health and medicine, among other actions</li> </ul>
5	Promoting Japan as a Leading Asset Management Center	<ul style="list-style-type: none"> <li>Developing the Asset Owner Principles</li> <li>Promoting the Special Zones for Financial and Asset Management Businesses by leveraging the National Strategic Special Zones</li> <li>Exploring the possibility of raising the iDeCo (individual-type defined contribution pension plan) contribution limits, among other actions</li> </ul>

Source: Based on "Basic Policy on Economic and Fiscal Management and Reform 2024—Realizing a Growth-oriented Economy Driven by Wage Increases and Investment" (June 2024) by the Cabinet Office



Chart 3-2: Responding to social issues through building startup networks and improving connectivity overseas

No.	Outline	Plans
1	Supporting startups and building their networks	<ul style="list-style-type: none"> <li>• Developing human resources for startups and enhancing entrepreneurship education</li> <li>• Giving shape to the Global Startup Campus Initiative</li> <li>• Supporting startups through public procurement and expanding opportunities for matching between the government sector and startups</li> <li>• Invigorating M&amp;A toward diversifying exit strategies and submitting swiftly a bill that permits the reduction of financial debts through a majority vote</li> </ul>
2	Leveraging overseas vitality	<ul style="list-style-type: none"> <li>• Expanding a free and fair economic zone as well as maintaining and strengthening the rules-based multilateral trading system</li> <li>• Promoting trade DX, encouraging Japanese companies to expand their operations overseas, revising the Infrastructure System Overseas Promotion Strategy with a focus on 2030, and improving broad-based connectivity with the Global South</li> <li>• Implementing the Priority Program for Attracting Foreign Direct Investment, etc. for an achievement of the target of "100 trillion yen" in inward foreign direct investment by 2030 at an earliest date</li> <li>• Establishing the UHC (Universal Health Coverage) Knowledge Hub in Japan, promoting the international expansion of health and long-term care, including medical inbound, and contributing to the Vaccine Alliance, among other actions</li> <li>• Supporting the content industry in doing business overseas (e.g., training creators, luring shooting crews to Japan, and developing guidelines for regulation on transactions)</li> <li>• Developing systems for acceptance foreign nationals</li> </ul>
3	Promoting the EXPO 2025 OSAKA, KANSAI, JAPAN	<ul style="list-style-type: none"> <li>• Securing participating countries for the 2025 EXPO; constructing the venue; demonstrating, implementing, and showcasing technologies that help solve social issues; and building national momentum</li> </ul>

Source: Based on "Basic Policy on Economic and Fiscal Management and Reform 2024—Realizing a Growth-oriented Economy Driven by Wage Increases and Investment" (June 2024) by the Cabinet Office

## Section 2. Priority Program for Attracting Foreign Direct Investment

### ■ Strengthening activities to attract foreign investment and secure human resources aiming for 100 trillion yen in FDI stock by 2030

The Action Plan for Attracting Human and Financial Resources from Overseas (hereinafter the "Action Plan") was decided at the Council for Promotion of Foreign Direct Investment in Japan \*1, which compiled 100 policy measures for promoting FDI and set a target of increasing the FDI stock in Japan to 100 trillion yen by 2030.

The council established the FDI Task Force for Attracting Human and Financial Resources from Overseas to follow up the Action Plan, where they discussed matters for which efforts should be

accelerated and deepened. The Cabinet Office also conducted interviews with embassies in Tokyo, chambers of commerce and industry, local governments, financial institutions, and so forth.

From among the 100 measures set forth in the Action Plan and the feedback received in the interviews, the Priority Program for Attracting Foreign Direct Investment with 4 pillars and 10 policy measures was presented as the items to be particularly focused on and the policy responses to be taken in the future.

Chart 3-3: Priority Program for Attracting Foreign Direct Investment: 4 Pillars and 10 Policies

No.	4 pillars of priority programs	10 policy measures
1	Expanding investment opportunities in Japan	1) Ensuring implementation of the Comprehensive Economic Measures to End Deflation Completely, and its PR 2) Identifying the challenges for foreign companies in making follow-up investments in Japan 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)
2	Securing highly skilled human resources in Asia and other regions	4) Conducting comparative study with overseas on securing human resources in the semiconductors and key fields 5) Conducting needs survey on residential status and exploring possible measures based on the result of the survey 6) Attracting world-class researchers and expanding the acceptance of highly educated foreign students from Southeast Asia, India, and other countries, and supporting their employment in Japan
3	Promoting collaborations between domestic and foreign companies	7) Supporting the matching between Japanese startups with foreign venture capitals, disseminating compiled good cases of collaboration between foreign and Japanese companies (incl. SMEs), and considering further measures 8) Promoting compliance of standards with international ones on performance evaluation of VC funds made by investors and disclosure of indicators that are considered important for their management
4	Improving business and living environments that are in high demand by foreign companies	9) Promoting English-language documentation and one-stop procedures for establishing corporations 10) Speeding up and facilitating procedures for opening bank accounts

Source: Based on "Priority Program for Attracting Foreign Direct Investment in Japan" (May 2024) by the Cabinet Office

Note \*1: The Council for Promotion of FDI in Japan is a government-sponsored conference that promotes direct investment in Japan, while directly hearing the views of foreign company managers and others.

## Section 3. National Strategic Special Zones "Special Zones for Financial and Asset Management Businesses"

### ■ Aiming to activate investment specializing in financial and asset management in four cities in Japan

In June 2024, the Financial Services Agency announced that it would designate the four regions of Hokkaido and Sapporo, Tokyo, Osaka (Pref. and City), and Fukuoka (Pref. and City) as Special Zones for Financial and Asset Management Businesses.

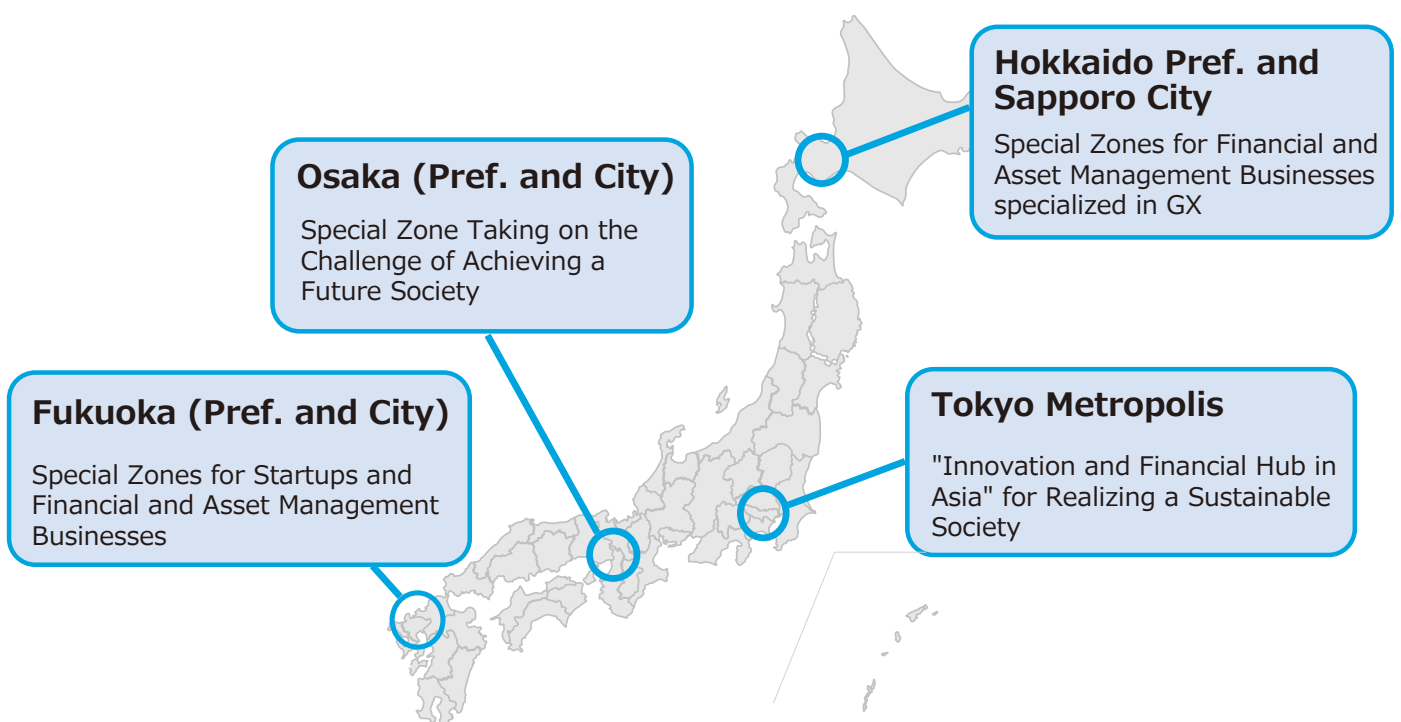
This special zone is designed to realize a "virtuous cycle of growth and distribution" that accelerates the flow of funds through the reform of asset management. By allowing special deregulation and support measures in the target areas, new investments will be attracted from both within and outside Japan, leading to the development of the financial industry and regional industries.

In the Special Zones for Financial and Asset Management Businesses, efforts will be made from the perspectives of (1) clustering domestic and foreign financial and asset management

companies, (2) having those financial and asset management companies support the fostering of regional growth industries, and (3) promoting and fostering growth industries themselves. Specifically, the national government will implement regulatory reform and operational measures not only for the financial sector but also with regard to the business and living environments and industries targeted for investment. In that process, for matters subject to regulatory reform for which demonstrative measures by limiting target areas are preferable, the system of National Strategic Special Zones is to be utilized.

Each of the four target regions has a special zone concept and vision that capitalizes on its unique characteristics. In order to realize these goals, each region will promote initiatives in cooperation with a wide range of stakeholders.

Chart 3-4: Concepts of Four Areas Designated as "Special Zones for Financial and Asset Management Businesses"



Source: Based on "Policy Package to Achieve Special Zones for Financial and Asset Management Businesses" by the Financial Services Agency

# 1. Hokkaido and Sapporo—Special Zones for Financial and Asset Management Businesses specialized in Green Transformation (GX)

## ■ Focusing on GX

Hokkaido prefecture and Sapporo City will fully utilize the prefecture's potential to produce the largest amount of renewable energy in Japan and Sapporo's attractive feature, a well-balanced harmony of city functions and nature, aiming to create an Asian and world financial center where funds, human resources, and information concerning GX concentrate. In addition, they will strengthen financial functions and build a supply chain for the GX industry and create employment

opportunities as a renewable energy supply base for the whole nation.

Under the initiative of the Team Sapporo-Hokkaido, a GX-financial consortium consisting of 21 organizations, which was established in June 2023 in collaboration among the industry, the academia, governments, and the financial sector, Hokkaido and Sapporo will promote the vitalization of financial transactions through GX investments.

**Chart 3-5: Special Zones for Financial and Asset Management Businesses (Hokkaido Prefecture and Sapporo City)**  
—Special Zones for Financial and Asset Management Businesses specialized in GX

No.	Targets	Specific Activities
1	Clustering of funds, human resources, and information related to GX	Against the backdrop of Hokkaido's renewable energy potential, the following eight projects related to investing in GX are being focused on, and AI will be utilized in promoting demonstration and implementation of each project. In addition, efforts will be made to secure highly skilled personnel for each project.  (1) Sustainable aviation fuel (SAF) (2) Hydrogen (3) Offshore wind (4) Storage batteries (5) Next-generation semiconductors (6) Electrical and hydrogen carriers (7) Submarine DC power grid (8) Data center
2	Strengthening/clustering of financial functions	In addition to building supply chains and creating jobs for GX industry, create and nurture startups that generate new technologies and innovations, and attract asset management companies and other financial functions from around the world to Hokkaido and Sapporo.

### Case Study:

#### Zero Carbon Challenger

as one of the measures to promote GX

The Zero Carbon Challenger is an initiative to achieve "Zero Carbon Hokkaido," which aims to achieve virtually zero greenhouse gas emissions by 2050.

Registered companies aim to promote decarbonization and economic revitalization at the same time. The Japan Finance Corporation's SME Program and Hokkaido are working together to create a new loan program, which is linked to this activity.

Source: Based on "Policy Package to Achieve Special Zones for Financial and Asset Management Businesses" by the Financial Services Agency and briefing materials of proposal for "GX Financial and Asset Management Special Zone" by Sapporo City

## 2. Tokyo—Innovation and Financial Hub in Asia

### ■ Aiming to become a global top-class financial city and conducting various promotional activities

Tokyo aims to further develop the environment as an international financial center and promote the development of sustainable finance and startups in Japan and Asia, contributing to the growth of Japan and Asia as a gateway to attract funds, talent, technology, and information around the world. For that purpose, the Tokyo metropolitan government has set up three pillars: the leading city for sustainable finance, the city where global Startups are born, and the city with the global standard for business in English.

In order to promote these initiatives and achieve a sustainable society, the Tokyo metropolitan government collaborates with the Organization of Global Financial City Tokyo (FinCity.Tokyo), which is the first public-private financial promotion organization in Japan, with diverse public and private players relating to finance and startups, and also with major overseas financial cities such as the city of London, the United Kingdom (concluded an agreement on exchange and cooperation).

**Chart 3-6: Special Zones for Financial and Asset Management Businesses (Tokyo)**  
—Innovation and Financial Hub in Asia

No.	Targets	Specific Activities
1	Leading city for sustainable finance	<ul style="list-style-type: none"> <li>(1) Relaxation of requirements for entry of foreign asset management companies</li> <li>(2) Establishment of a new registration system for fund management companies</li> <li>(3) Relaxation of regulations on investment management business for qualified investors</li> <li>(4) Relaxation of the mandated reporting on the net asset values of private placement funds for professional investors</li> <li>(5) Development of laws on issuance of digital securities by local governments</li> <li>(6) Expansion of the range of the finance and insurance industry subject to the credit-guarantee system</li> <li>(7) Abolishment of withholding tax on investment profits of foreign investors</li> <li>(8) Expansion of investment fund contributions to new asset management companies</li> <li>(9) Preferential treatment for investment in infrastructure funds</li> </ul>
2	City where global startups are born	<ul style="list-style-type: none"> <li>(1) Development of an environment of startup investment by public university cooperations</li> <li>(2) Further expansion of investment in startups by bank groups</li> <li>(3) Financing for startups by means of investment trust</li> <li>(4) Support for startups in the later stage through sovereign wealth funds</li> </ul>
3	City with the global standard for business in English	<ul style="list-style-type: none"> <li>(1) Enhancing procedures in English at the time of founding</li> <li>(2) Establishment of open status of residence to attract diverse talent</li> <li>(3) Promotion of information disclosure in English</li> </ul>

#### Case Study:

#### The Organization of Global Financial City Tokyo (FinCity.Tokyo)

FinCity.Tokyo is an organization that aims to boost the attractiveness of Tokyo's financial markets and raise its profile as a top-class global financial city, while conducting various promotional activities through private-public partnerships. With members comprising financial institutions, operating companies, industry groups, and government agencies, we are striving to showcase Tokyo as a convenient financial city, while providing relevant institutions with information on user experiences.

Source: Based on "Policy Package to Achieve Special Zones for Financial and Asset Management Businesses" by the Financial Services Agency and "Proposal for a Sustainable Society: Tokyo—Innovation and Financial Hub in Asia" by the Tokyo Metropolitan Government

### 3. Osaka—Special Zone Taking on the Challenge of Achieving a Future Society

#### ■ Strengthening initiatives for post Expo 2025 Osaka, Kansai

Osaka Prefecture and Osaka City aim to create an environment to enable startups and universities, etc. to boldly take on challenges, instead of wasting the opportunity of the EXPO 2025 OSAKA, KANSAI, JAPAN merely as a temporary event, with the final aim of achieving a future society where new innovations are created one after another. For that purpose, they will implement regulatory reform to satisfy the global standard and strengthen financial functions by attracting investments from overseas.

These activities will be led by the Global Financial City OSAKA Promotion Committee (participated in by 40 organizations as of February 2024), which was established in March 2021 and is an all-Osaka collaboration of Osaka Prefecture, Osaka City, and related organizations in industry, government, and academia. For the time being, efforts will be intensively made to attract human resources, companies, and funds from Asia and the rest of the world and cluster startups that will be investment targets.

**Chart 3-7: Special Zones for Financial and Asset Management Businesses (Osaka Prefecture and City)**  
—Special zone taking on the challenge of achieving a future society

No.	Targets	Specific Activities	Shared Initiatives to Realize the Targets 1 and 2
1	Global city that develops by leveraging finance	<ul style="list-style-type: none"> <li>(1) Promote financial initiatives for attractive community development</li> <li>(2) Encourage diversity in financing to revitalize startups and local communities</li> <li>(3) Strengthen hub functions to improve resilience</li> <li>(4) Revitalize domestic financial markets</li> </ul>	<ul style="list-style-type: none"> <li>(1) Establish attractive living conditions for foreign nationals</li> <li>(2) Create a business environment that attracts companies and people from within Japan and abroad</li> <li>(3) Disseminate information and conduct promotion activities</li> <li>(4) Collaborate with overseas entities</li> <li>(5) Osaka Prefecture and City to implement innovative and impactful initiatives</li> </ul>
2	Front-running city in finance	<ul style="list-style-type: none"> <li>(1) Create cutting-edge, innovative financial products and markets</li> <li>(2) Implement initiatives for an advanced city in sustainable finance</li> <li>(3) Encourage a review of regulations related to financial services</li> <li>(4) Nurture highly skilled professionals in the field of finance</li> </ul>	

#### Case Study:

#### Osaka Global Finance One-Stop Service Center

To realize Osaka as a global financial city, the Center offers one-stop services in both Japanese and English for professional inquiries on financial licenses and other matters, and consultation on business and daily life to foreign financial companies and foreign investors wishing to set up operations in Osaka.

Source: Based on "Policy Package to Achieve Special Zones for Financial and Asset Management Businesses" by the Financial Services Agency and "Global Financial City OSAKA Strategy" by the Global Financial City OSAKA Promotion Committee

## 4. Fukuoka—Special Zones for Startups and Financial and Asset Management Businesses

### ■ Attracting foreign and domestic investments with the geographical advantage of proximity to Asia

Fukuoka Prefecture and Fukuoka City will cluster global financial institutions and their affiliated companies, and highly-skilled financial specialists by leveraging the characteristics of Fukuoka as a gateway to Asia. While capturing the vitality of Asian countries, they provide growth funds for startups in Fukuoka and Kyushu, as well as for companies in growth industries clustered within the prefecture, thereby strengthening the ecosystem.

These activities will be promoted by TEAM FUKUOKA, an

industry-government-academia collaboration established in September 2020 to attract global financial functions. As of the end of April 2024, twenty-four companies have been attracted from inside and outside Japan, and the area will continue to focus on asset management companies, fintech firms, and operations for BCPs (Business Continuity Plans), which are highly compatible with Fukuoka's regional characteristics, and will continue to work on attracting companies and improving the environment.

**Chart 3-8: Special Zones for Financial and Asset Management Businesses (Fukuoka Prefecture and City)**  
—Special Zones for Startups and Financial and Asset Management Businesses

No.	Targets	Specific Activities
1	Establishing internationally competitive systems	(1) Tax system (tax reform in FY 2021: corporate tax, income tax, and inheritance tax) (2) Providing administrative services in English and simplifying the procedures (3) Relaxing residence status (4) Building a one-stop support system
2	Providing a comfortable business environment	(1) Securing a high-value-added office environment (2) Securing English-speaking specialized professionals (3) Nurturing local highly skilled professionals to support the asset-management business and FinTech (4) Strengthening the functions of Fukuoka Airport's international routes
3	Providing a comfortable living environment	(1) Securing residences for foreign highly skilled professionals (2) Enhancing international schools (3) Enhancing daily support (including medical support) in English
4	Conducting promotional activities	(1) Promotional activities utilizing networks and other tools

#### Case Study:

#### TEAM FUKUOKA

An all-Fukuoka organization of industry-academia-government collaboration to promote the attraction of international financial functions to Fukuoka City. The team staff, who are well-versed in the finance industry and fluent in English and Chinese, provide support as a "one-stop" center to foreign financial institutions considering a business expansion into Fukuoka City.

Source: Based on "Policy Package to Achieve Special Zones for Financial and Asset Management Businesses" by the Financial Services Agency and "TEAM FUKUOKA Direction of Attracting International Financial Functions" by the TEAM FUKUOKA Office

## Section 4. Partial Revision of the Industrial Competitiveness Enhancement Act

### ■ Aiming to strengthen domestic investment in strategic areas such as green technologies and digital

Japan is now in a changing tide of wage increases and domestic investment at their highest levels in 30 years due to changes in the macro environment such as the expansion of geopolitical risks and new industrial policies referred to as New Direction of Economic and Industrial Policies that provide large-scale, long-term, and systematic support to help solve human and social issues such as climate change and digitalization.

Sustaining these changes can generate inflation accompanied by wage increases and economic revitalization. To achieve this, it is necessary to realize structural reform of the economy by strengthening innovative efforts such as "expanding strategic domestic investment" and "promoting innovation and metabolism that lead to expanded domestic investment," which

is a prerequisite for strengthening supply capacity through domestic investment and putting the Japanese economy on a growth track.

The Industrial Competitiveness Enhancement Act will be partially revised to implement large-scale and long-term tax measures for investment and production in strategic sectors and tax measures to strengthen location competitiveness as R&D centers, expanding strategic domestic investment, and at the same time to provide intensive support for medium-sized enterprises and startups that are the driving force of the economy, promoting innovation and rejuvenation that will lead to increased domestic investment. It will take effect in April 2025.

**Chart 3-9: Points of the Revision to Promote Domestic Investment and Achieve Structural and Sustainable Wage Increases (Excerpt of only points on Promotion of Foreign Investment in Japan)**

No.	Points of Revision	Specific Details
1	Establishing a tax system to promote domestic production in strategic sectors	The Strategic Sector Domestic Production Promotion Tax System, a new unprecedented investment promotion measure has been established in response to the growing competition for investment in strategic sectors around the world, in order to strongly promote domestic investment in strategic sectors, especially those with high costs at the production stage. Specifically, tax credits based on production and sales volume will be provided for electric vehicles, green steel, green chemicals, sustainable aviation fuel (SAF), and semiconductors (microcomputers and analogs) for an applicable period of 10 years.
2	Establishing the innovation center tax system (Innovation Box Tax System)	The Innovation Box Tax System, an innovation center taxation system will be established and the applicable period will be set at seven years. The tax system provides a 30% income deduction for license income and transfer income arising from intellectual property rights (patents, copyrights for AI-related programs) that have been independently researched and developed in Japan, in order to strengthen the location competitiveness of innovation centers and to develop a business environment comparable to that of overseas.

Source: Based on "Revision points of tax system in related to Economy, Trade and Industry (FY 2024)" by the Ministry of Economy, Trade and Industry



## Reference

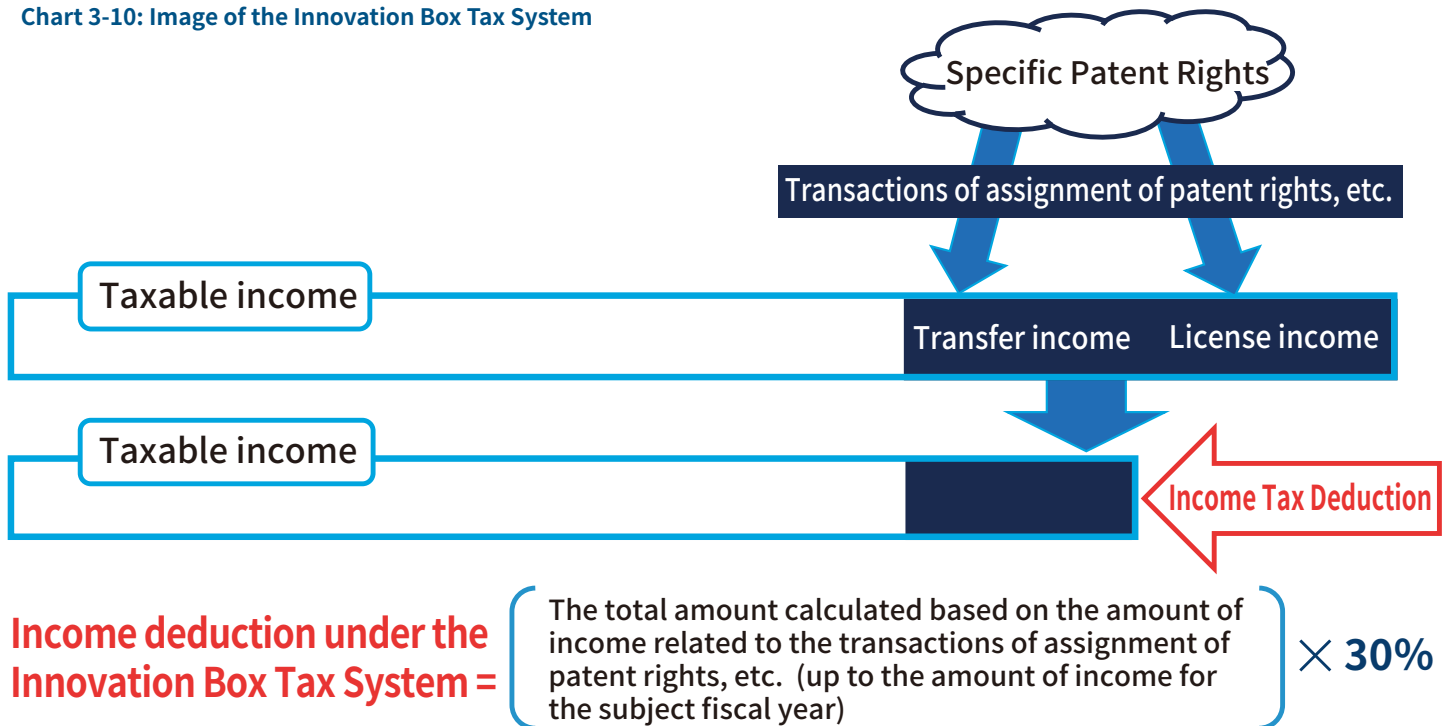
## Innovation Box Tax System

### ■ To strengthen location competitiveness as R&D, The Innovation Box Tax System will take effect in April 2025

The Innovation Box Tax System, an innovation center tax system will be established, with the aim of strengthening location competitiveness as R&D centers and encouraging investment in intangible assets by the private sector amid intensifying international competition for innovation.

The System is a tax system that applies an income deduction of 30% to license income and transfer income arising from intellectual property rights (patents and copyrights to AI related software) due to the tax reform in FY 2024. This tax system will take effect in April 2025 and last for a period of seven years.

Chart 3-10: Image of the Innovation Box Tax System



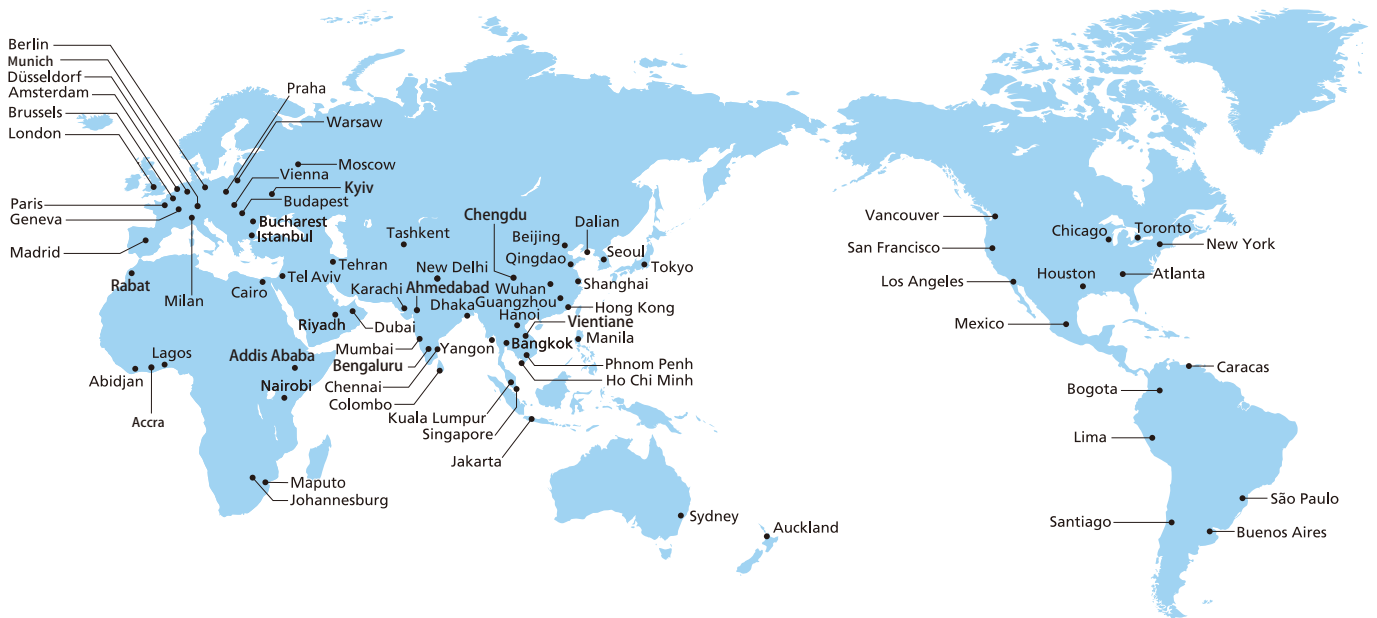
Source: Based on 5. Establishment of Innovation Box Taxation System, "Summary of Revisions to Corporate Tax Laws and Regulations" by the National Tax Agency

# Worldwide JETRO network

## Regional network: Osaka Headquarters and 49 offices



## Overseas network: 76 offices in 56 countries



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