Foreign-Affiliated Companies Contributing to Local Economies

October, 2018

Japan External Trade Organization

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Concentration of bases in Tokyo

Out of 3,217 respondents in Ministry of Economy, Trade and Industry (METI)'s Survey of Trends in Business Activities of Foreign Affiliates, companies located in Tokyo account for 67.4% (2,167) of the total, followed by those in Kanagawa (322 companies), Osaka (172 companies), Hyogo (80 companies) and Aichi (70 companies).

Yokohama and Kobe, which have both developed as international cities because of their major trade ports, are well-known for their numbers of foreign-affiliated companies.

Top 10 prefectures where foreign-affiliated companies are based

<table>
<thead>
<tr>
<th>Rank</th>
<th>Prefecture</th>
<th>Number of manufacturing companies</th>
<th>Number of non-manufacturing companies</th>
<th>Total number of companies</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tokyo</td>
<td>219</td>
<td>1,948</td>
<td>2,167</td>
<td>67.4</td>
</tr>
<tr>
<td>2</td>
<td>Kanagawa</td>
<td>96</td>
<td>226</td>
<td>322</td>
<td>10.0</td>
</tr>
<tr>
<td>3</td>
<td>Osaka</td>
<td>36</td>
<td>136</td>
<td>172</td>
<td>5.3</td>
</tr>
<tr>
<td>4</td>
<td>Hyogo</td>
<td>18</td>
<td>62</td>
<td>80</td>
<td>2.5</td>
</tr>
<tr>
<td>5</td>
<td>Aichi</td>
<td>22</td>
<td>48</td>
<td>70</td>
<td>2.2</td>
</tr>
<tr>
<td>6</td>
<td>Saitama</td>
<td>26</td>
<td>42</td>
<td>68</td>
<td>2.1</td>
</tr>
<tr>
<td>7</td>
<td>Chiba</td>
<td>14</td>
<td>51</td>
<td>65</td>
<td>2.0</td>
</tr>
<tr>
<td>8</td>
<td>Shizuoka</td>
<td>16</td>
<td>10</td>
<td>26</td>
<td>0.8</td>
</tr>
<tr>
<td>9</td>
<td>Fukuoka</td>
<td>5</td>
<td>17</td>
<td>22</td>
<td>0.7</td>
</tr>
<tr>
<td>10</td>
<td>Ibaraki</td>
<td>14</td>
<td>6</td>
<td>20</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>96</td>
<td>109</td>
<td>205</td>
<td>6.4</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>562</td>
<td>2,655</td>
<td>3,217</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: 51th Survey of Trends in Business Activities of Foreign Affiliates (2017), Ministry of Economy, Trade and Industry
66% of secondary investments are taking place in prefectures other than Tokyo

In the “Survey on Japan’s Investment Climate” (valid response from 260 companies, 2017) conducted by JETRO, Tokyo, Osaka, Kanagawa and Aichi and other prefectures with large markets ranked highly as locations for additional investment. The share of locations outside of Tokyo reached 66%.

In respect to business function, “sales” and “customer service” are common to most prefectures. “R&D” was chosen in Kanagawa and Hyogo, “manufacturing” in Aichi and Okinawa, and “logistics” in Fukuoka, which reveals the characteristics of each region. The result suggests the possibility of attracting business bases by taking advantage of the strength of each region.

Location of secondary investment (top two options):

- Tokyo: 34%
- Osaka: 16%
- Kanagawa: 14%
- Aichi: 9%
- Fukuoka: 5%
- Hyogo: 3%
- Hokkaido: 3%
- Okinawa: 1%
- Other: 13%

n=270

Source: Survey on Japan’s Investment Climate, JETRO
Examples of contributions to the local economy by foreign-affiliated companies

Foreign-affiliated companies has been making significant contributions to local economies through direct investment in Japan:

- Improvement of productivity
- Export promotion
- Expansion of inbound tourism
- Job creation
- Diversification of work styles
- Promotion of CO2 emissions reduction and renewable energy
- Maintaining and increasing industrial competitiveness
- Collaboration with Japanese companies
- Collaboration with universities
- Diversification of work styles
Addressing challenges by improving productivity

Utilizing IoT and big data, contributing to address social challenges in Japan

Beckhoff Automation (Germany)  TOYOTA manufacturing  Chubu  Kanto

- Invented “open protocol” in communication protocols between industrial devices
- Allowed factories to freely select and use devices necessary for the improvement and refinement of manufacturing systems from products provided by a wide range of manufacturers.
- Toyota Motor’s adoption of EtherCAT for all of its factories was made public—a turning point for networked systems on factory floors.

TOYOTA

GE Healthcare (United States)  Medical institutions  Chubu

- Developed an algorithm and a system to optimize hospital assets by combining location, usage and asset data of ultrasound diagnostic equipment.
- Improved utilization rate of medical equipment
- Improving hospital management

GE Healthcare (United States)

Analog Devices, Inc (United States)  Strawberry farm (Ibaraki)  Agriculture  Chubu

- Installed sensors that automatically measure environmental data (temperature, humidity, illumination, carbon dioxide concentration, etc.), in greenhouses, enabled remote monitoring of the data through smartphones and tablets.
- Smart farming solution
- Visualizing optimal production
- Succession of know-how in aging farm households

Analog Devices, Inc

Mr. Tada, President and CEO of the company

TOYOTA

Shaking hands with Toyota, which decided to adopt EtherCAT (real-time Ethernet system and technology)
VIPSHOP (China)  
- Established a procurement base (Tokyo) and distribution center (Inzai, Chiba) of popular Japanese brand products among Chinese consumers.

JD.com 京東（China）
- Established a Japanese corporation in Tokyo in order to strengthen sourcing of Japanese products and direct transactions with Japanese companies.
- Starting sales of fresh Japanese food to China in partnership with Yamato Global Logistics, a leading domestic distribution company.

Comparison of total purchase amount of Chinese tourists visiting Japan and that of China’s cross-border EC from Japan

(Billion yen)

- Exceeded ¥1 trillion
- 2015: Purchase by tourists visiting Japan (¥8,088 billion)
- 2016: Cross-border EC (¥7,956 billion)
- 2015: Cross-border EC (¥7,832 billion)
- 2016: Cross-border EC (¥10,366 billion)

Source: “Consumption Trend Survey for Foreigners Visiting Japan,” Japan Tourism Agency; “Infrastructure Development pertaining to a Data-driven Society in Japan (a market survey on e-commerce),” Ministry of Economy, Trade and Industry

Overseas e-commerce (EC) companies establishing procurement bases in Japan and contributing to expansion of overseas market for Japanese companies

Hoping to contribute to regional vitalization in Japan by selling in China “hidden treasures” rooted in local Japanese communities.

Contributing to export promotion of local products

Overseas e-commerce (EC) companies establishing procurement bases in Japan and contributing to expansion of overseas market for Japanese companies
Contributing to inbound tourism in Japan

Expansion of overseas airline services and online travel companies in Japan contributing to increase in foreign visitors

Foreign visitors to Japan (2013 – 2017)

<table>
<thead>
<tr>
<th>Year</th>
<th>(Thousand people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>10,364</td>
</tr>
<tr>
<td>2014</td>
<td>13,413</td>
</tr>
<tr>
<td>2015</td>
<td>19,737</td>
</tr>
<tr>
<td>2016</td>
<td>24,040</td>
</tr>
<tr>
<td>2017</td>
<td>28,691</td>
</tr>
</tbody>
</table>

Source: JNTO
※ Estimates for 2017

Entry of foreign airlines

**SCOOT (Singapore)**
(Narita, Kansai, New Chitose)

**SPRING JAPAN (China)**
(Haneda, Kansai, Nagoya, etc.)

**Juneyao Airlines (China)**
(Haneda, Kansai, Nagoya, Shinchitose)

**Iberia (Spain)**
(Narita)

Expansion of online travel agencies in Japan

**Ctrip International Japan (China)**

- The largest online travel agency in China.
- Through its various operations, the company deals with about half of the 7,350,000 Chinese who visit Japan in 2017.
- Cumulative downloads for Ctrip’s mobile app have reached approx. 1.7 billion.

**China UnionPay (China)**

- Affiliated business of the China UnionPay Group, established a Japanese base with the aim of responding to the needs of the increasing number of UnionPay card merchants and card users. As of March 2018, more than 17,000 stores are using the company's services, and the company intends to increase this number.

**Global Tax Free (Korea)**

- The first tax refund company for foreign tourists in Asia. Established bases in Tokyo and Fukuoka, anticipating a growing demand for tax refund services.

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Contributing to regional job creation

### Approximately 519,000 regular employees in foreign-affiliated companies (2016) (51st Survey of Trends in Business Activities of Foreign Affiliates)

#### Examples

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Country</th>
<th>Company outline</th>
<th>Domestic business base</th>
<th>Number of employees in Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pfizer Japan</td>
<td>US</td>
<td>Pharmaceutical manufacturer</td>
<td>Osaka, Nagoya, Fukuoka, etc.</td>
<td>Approx. 4,900</td>
</tr>
<tr>
<td>Microsoft Japan Co., Ltd</td>
<td>US</td>
<td>Software</td>
<td>Sapporo, Sendai, Nagoya, Osaka, etc.</td>
<td>Approx. 2,000</td>
</tr>
<tr>
<td>LUSH</td>
<td>UK</td>
<td>Cosmetics and soap retailer</td>
<td>96 shops throughout Japan</td>
<td>Approx. 1,800</td>
</tr>
<tr>
<td>IKEA Japan KK</td>
<td>Sweden</td>
<td>Furniture manufacturer</td>
<td>Funabashi, Sendai, Tachikawa, etc.</td>
<td>Approx. 2,700</td>
</tr>
<tr>
<td>Bosch</td>
<td>Germany</td>
<td>Auto parts manufacturer</td>
<td>Utsunomiya, Hamamatsu, etc.</td>
<td>Approx. 5,200</td>
</tr>
<tr>
<td>3M Japan Group</td>
<td>US</td>
<td>Chemical manufacturer</td>
<td>Sapporo, Sendai, Nagoya, Osaka, Hiroshima, etc.</td>
<td>Approx. 2,700</td>
</tr>
<tr>
<td>Valeo Japan Co., Ltd.</td>
<td>France</td>
<td>Automobile related-system/components manufacturer</td>
<td>Gunma, Fukuoka, etc.</td>
<td>Approx. 2,200</td>
</tr>
</tbody>
</table>

Source: “Compendium of Foreign-affiliated Companies - Data by Company” conducted by Toyo Keizai Inc. and website of respective companies
Promoting diverse work styles and business models

Promoting diversification of work styles through new business models and improved productivity

Salesforce.com (United States) - Wakayama / Telecommuting IT - Kansai

- Leading IT company. Established base in Shirahama, Wakayama as a part of its initiative for work-style reform.

- The number of deals and total value of contracts exceeded that of the Tokyo office, demonstrating improved productivity.

Ikea (Sweden)

- Equal pay for equal jobs: Allowing diversified work styles while guaranteeing all staff members treatment as permanent employees

Microsoft (United States)

- Workation (work + vacation): Making it possible to telecommute while on vacation
Promoting reduction of CO2 emissions, renewable energy

Contributing to improvement of Japan’s power electricity situation and reduction of CO2 emissions

Ciel Terre Japan (France)

- Ciel Terre provided the floating structure and anchor technology for **Japan’s first floating mega-solar power plant** in Okegawa, Saitama in 2013. Floating structures have been manufactured in Okayama since 2015.

- A total of 90 locations and 140 megawatts in Japan (as of August 2018), from which the company produces 20MW.

Hergo Sun Japan (Italy)

- **Infrastruttura S.p.A., parent company of Hergo Sun Japan,** is involved in planning and construction of renewable power generation plants (for PV and wind power). They are considered a pioneer in the field in Italy and are engaged in renewable energy business around the world.

- In March 2016, **the company completed its construction of a 1MW class solar power plant in Chichibu,** Saitama and began operation. The company became the first foreign-affiliated company to have won a public bid by a local government.
Maintaining and increasing regional industrial competitiveness

Setting up manufacturing/R&D bases in local areas and supporting local employment

**Micron Technology (United States)**

- Micron is an industry leader in innovative memory and storage solutions. Japan plays a critical role in the development and ramp of Micron’s low-power DRAM portfolio — products essential to smartphones and other mobile devices.

- **Hiroshima is home to Micron’s largest facility in Japan** and includes technology development, 300mm DRAM manufacturing, and test and probe capabilities.

- Micron’s Hashimoto Development Center includes technology development for DRAM, research and development, and systems integration activities.

- Tokyo is home to support functions for the company’s Japanese operations, including human resources, finance, legal, communication, sales and marketing, and IT.

- Micron employs approximately 3500 team members across the company’s three Japan sites.

**TERADYNE (United States)**

- Teradyne is a world-leading manufacturer of automated test equipment (ATE) for semiconductors, such as for image sensors, and employs 4,300 people.

- **Although the Kumamoto earthquake in 2016 wrecked their manufacturing and development bases in Kumamoto, they continued to operate** outside the plant premises.

- **A new plant was completed in January 2018.** The manufacturing division and the development divisions, which had been separated after the disaster, were consolidated in order to recover production capacity.
The Gene Therapy Research Institution Co., Ltd. (Kawasaki) and Agilis Biotherapeutics, LLC (US) established a joint venture, launching an R&D center in Kawasaki in February 2017.

Combining the advanced manufacturing technologies of Japanese companies with the skills and experience of Agilis in gene therapy, they research treatment for intractable central nervous system diseases such as AADC deficiency and Parkinson’s disease.

The ICT Company NTQ Solution successfully completed development of PC security Product: “iLuton” in collaboration with A.C.T (Fujisawa).

The product allows users to log on/off their PC screen automatically without any conscious action from their part.

Both companies plan to launch the product by the end of 2018.
Promoting R&D in collaboration with universities

Foreign companies partnering with Japanese universities to promote R&D of new technologies in the medical field

Siemens Healthcare KK (Germany)

- Joint research combining a new monitoring system utilizing the latest imaging technology of Siemens in the clinical study of iPS cell therapy at Kyoto University for Parkinson’s Disease patients.

- It has become possible to examine ultra-fine structure, anatomical and functional connectivity of brain through ultra-high field MRI, which is capable of recording greater imaging data than before, raising hopes for its application in improving the quality of medical care (providing a less invasive visualization of neurological information, which enables safe and frequent follow-up), monitoring regenerative medical treatment and early detection of other diseases.

Johnson and Johnson (United States)

- The world's largest healthcare company, J&J, signed an agreement as a strategic partner for the “Industry-Academia Cross-Innovation Initiative” launched by Osaka University. It became the first foreign-affiliated healthcare company to do so.

- It is supporting development, commercialization and practical application of promising research results and technologies, such as regenerative medicine that Osaka University possess. This partnership is attracting attention as a new mechanism for establishing an eco-system for medical innovation.

- J & J has also signed agreements with the University of Tokyo Center of Innovation (COI) and Kyoto University.

Photo provided by Siemens Healthcare

Ultra-high-field, 7T-MRI

Strategic partnering relationships in Osaka University