

VI Regional Revitalization: Regional Invigoration by Foreign-affiliated Companies

1. Regional initiatives to attract foreign-affiliated companies

Nearly 70% of foreign-affiliated companies in Japan are headquartered in Tokyo, continuing their overconcentration in the Japanese capital (Chart 6-1). A survey of foreign-affiliated companies by JETRO in Chapter 4 indicates that factors to which these companies give priority in selecting investment destinations in Japan include “distance from customers,” “well-developed infrastructure (transportation, logistics, information and communication, energy and other infrastructure),” “market size (market characteristics),” “costs (including land and personnel costs),” and “access to or distance from other business bases in Japan.” Given the survey result, it is natural for foreign-affiliated companies to expand into megacities, particularly the Tokyo metropolitan region. Some foreign-affiliated companies establish multiple business bases in Japan, paying attention to geographical business coverage, establishment of closer relations with customers, logistics networks, knowledge accumulation or regional resources. Thus, foreign-affiliated companies are expanding production, research and development, logistics, sales and other functions into other prefectures than Tokyo.

Chart 6-1 Top 10 prefectures where foreign-affiliated companies are based

Rank	Prefecture	No. of Companies	Ratio (%)
1	Tokyo	2,284	68.5
2	Kanagawa	319	9.6
3	Osaka	164	4.9
4	Hyogo	85	2.6
5	Aichi	70	2.1
6	Saitama	63	1.9
7	Chiba	61	1.8
8	Shizuoka	28	0.8
9	Fukuoka	25	0.8
10	Ibaraki	18	0.5

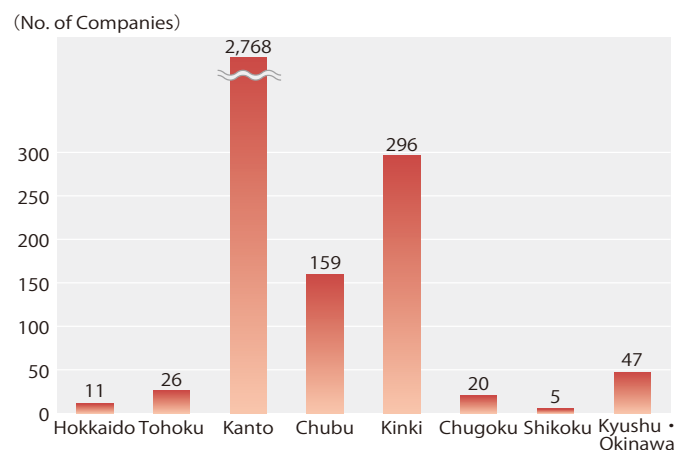
[Note] 3,332 companies responded.

According to the abovementioned JETRO survey, about 80% of responding foreign-affiliated companies in Japan are planning to expand investment in Japan within five years. More than 60% of them are considering investing in regions other than Tokyo.

Since attracting foreign-affiliated companies is viewed as a regional economic revitalization measure contributing to creating jobs and introducing cutting-edge technologies and innovative business management know-how, local governments have started making full-fledged efforts to attract these companies. In the first step for attracting foreign-affiliated companies, local governments must grasp regional potential and possibility and identify industry sectors that could view regional characteristics as business chances, competitors in value chains in these sectors and companies that these governments’ regions lack or want to attract. Attracting foreign-affiliated or domestic companies in either case has close relations with regional industrial policies, in other words, how these local governments want to develop their own regions.

This chapter introduces local governments that have taken advanced initiatives to attract foreign-affiliated companies belonging to industry sectors they want to introduce.

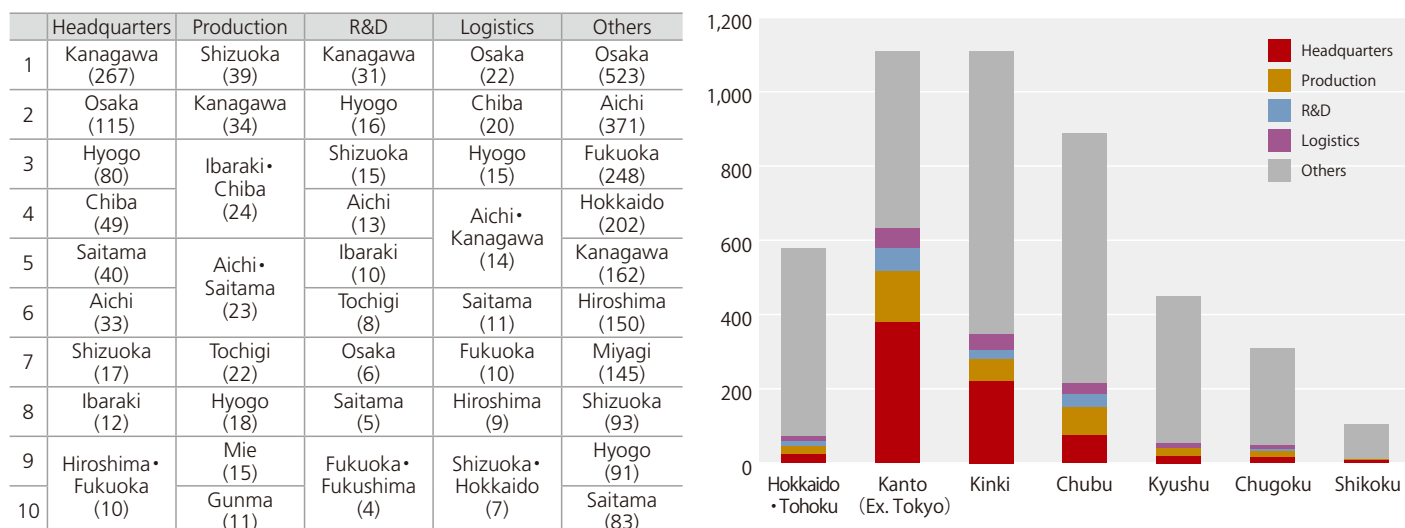
Number of foreign-affiliated companies by region



[Source] “49th Survey of Trends in Business Activities of Foreign Affiliates (2015)” (Ministry of Economy, Trade and Industry)

*The survey treated subsidiaries and affiliates, rather than consolidated groups, as individual companies. However, it did not cover business sales offices, branches or representative offices.

Chart 6-2 Foreign-affiliated companies' investment in prefectures by function (excluding Tokyo)



[Source] Prepared by JETRO based on "List of Foreign-affiliated Companies in Japan 2015" (Toyo Keizai Inc.)

(1) Fukuoka City -- Using National Strategic Special Zone deregulation to support foreign entrepreneurs with Startup Visa and other incentives

On December 9, 2015, Fukuoka City became the first Japanese local government to initiate the "Startup Visa (Entrepreneurial Incentives for Foreigners)" through deregulation under the National Strategic Special Zone program. Usually, any foreigner willing to acquire the "Business Manager" residential status in Japan is required to open a business office, and to hire two or more permanent employees, or have capital/investment exceeding 5 million yen when submitting an application for the status to the Immigration Bureau. These requirements represent a high hurdle.

Under the "Startup Visa" initiative, any foreigner, without fulfilling the aforementioned prerequisites, can obtain the six-month "Business Manager" visa by submitting a New Business Implementation Plan to Fukuoka City, which would confirm the plan before the Immigration Bureau evaluates the foreigner's application for the visa based on the confirmation. If approved, foreign entrepreneurs are provided with six-months to fulfill the prerequisites and complete procedures while developing their business. New businesses must be started up in Fukuoka City for cutting-edge industries as designated by the city.

Furthermore, Fukuoka City created the **Office and Residential Rent Subsidy Program for Foreign Startups** in fiscal 2016 to provide subsidies covering part of residential or office rents for foreigners starting up businesses in Fukuoka City.

Under the fiscal 2016 tax reform outline, a measure is expected to be created to reduce corporate tax on startups in the Fukuoka City National Strategic Special Zone ("Tax Reduction for Startups").

Although details haven't been announced yet, the measure to help entrepreneurs start up new businesses in Fukuoka City will reduce taxable income by 20% for five years from the founding of new businesses. As a result, an effective corporate tax rate covering national and local taxes for corporations subject to the tax reduction will fall to a 24-25% range close to Chinese and South Korean levels. Those subject to the tax reduction will be limited to startup companies whose main office would have to be located in the Special Zone for innovative businesses in the IoT (Internet of Things), international, healthcare or agriculture area.

Fukuoka City issued the "Startup City Declaration" in 2012 in a bid to enhance the international competitiveness of local industries and expand employment, and has been developing a "startup -friendly" environment and creating venture business clusters. The various support programs for foreign entrepreneurs are extensions of this policy.

Due to its geographical proximity to other Asian countries, Fukuoka City frequently receives residential status applications from people from these countries. Direct flights are operated between Fukuoka Airport and some 20 international cities. Taking advantage its geographical strengths Fukuoka City is expected to have more foreigners starting up new businesses in the city, invigorate exchanges among foreign and Japanese ventures and eventually lead to the foundations of internationally competitive companies.

Fukuoka City has continued to see a net population inflow and hit an all-time high in tax revenue in fiscal 2015 for the third straight year. It is ranked seventh among "the top 25 most livable cities in the world" for 2016 as released by the U.K. information magazine "Monocle." The development of a "startup-friendly" environment and comfortable living environment for foreigners is expected to lead more foreign-affiliated companies to expand into Fukuoka City.

<Startup Visa (Entrepreneurial Incentives for Foreigners)>

http://www.city.fukuoka.lg.jp/keizai/r-support/business/startupviza_english.html

<Office and Residential Rent Subsidy Program for Foreign Startups>

http://www.city.fukuoka.lg.jp/keizai/r-support/business/rent_subsidy_english.html

<Tax Reduction for Startups>

http://www.city.fukuoka.lg.jp/soki/kikaku/business/startuphoujingenzei_en.html

(2) Kanagawa Prefecture -- Supporting industrialization of regenerative medicine and cell therapy in a special zone neighboring Haneda Airport

On August 25, 2016, Kanagawa Prefecture held a ceremony to open the Life Innovation Center (LIC) as the base for industrializing regenerative medicine and cell therapy at the “KING SKYFRONT,” International Strategic Zone for life science and environment fields in Kawasaki City’s Tonomachi district.

Kawasaki City has developed KING SKYFRONT since 2008 to attract companies and R&D laboratories. KING SKYFRONT was designated as an International Strategic Zone in 2011 and as a National Strategic Special Zone in 2014, qualifying for tax cuts, fiscal and financial incentives and various deregulation measures. By 2020, a direct access road (bridge) will be developed between KING SKYFRONT and Haneda Airport, which is located on the opposite shore of Tama River. When the road is opened, the 24-hour operating international airport will be a 15-minute walk from KING SKYFRONT.

Facilities operating in the district include the CIEA (Central Institute for Experimental Animals) Regenerative Medicine and New Drug Development Research Center, famous for the research and development of humanized mice, the Life Science & Environment Research Center (LiSE), a multiplex facility accommodating research institutes and private corporations with cutting-edge technologies, and the Innovation Center for NanoMedicine (iCONM) for research on the industrialization of nanomedicine. Governmental and industrial research institutes and private corporations have decided to expand into the district. A major US pharmaceutical company, Johnson & Johnson, has opened a research and training center in the district for healthcare professionals to learn operation of advanced medical devices developed by the company, attracting about 10,000 visitors from Japan and other countries annually.

The LIC in a four-story building with a total floor space of 16,000 square meters has the space and equipment to serve as a one-stop center for the commercialization or industrialization of regenerative medicine and cell therapy covering from research and development to cell cultivation, processing, quality control and shipments. It has small and large rooms for venture businesses and universities and a production space for mass cell cultivation requiring large amounts of electricity. By August 2016, 20 companies decided to become tenants at the LIC, accounting for 90% of the total floor space.

Kanagawa Prefecture has adopted a “Healthcare New Frontier Policy” to combine pursuing cutting-edge medical technologies with the curing of “ME-BYO” (presymptomatic state/ conditions between being healthy and sick) for making mental and physical conditions healthier to create new healthcare markets and industries for Japan facing a super-aging society. The LIC serves as the core of the policy, focusing on the commercialization or industrialization of regenerative medicine and cell therapy.

The LIC has attracted tenants with its proximity to Haneda Airport. The proximity to the international airport will allow them to immediately export products while maintaining cell quality and saving transportation costs. For the future, tenants can expect healthcare tourism in which foreign patients will visit the LIC for healthcare using regenerative medicine and cell therapy.

An open laboratory the LIC provides is another major incentive. It is difficult for individual companies to introduce high-priced experimental equipment required for research and development for the commercialization of regenerative medicine and cell therapy. Kanagawa

prefecture makes such equipment available at the open laboratory for free joint use by tenants lasting until March 2017.

However, the biggest attraction of the LIC for tenant companies is the network of promising companies, researchers and industry people gathering at the LIC. Kanagawa prefecture promotes accumulating companies that may constitute the value chain of the industrialization of regenerative medicine and cell therapy inside the LIC and provides support for data analyses for clinical trials and research to help LIC tenants develop efficient clinical trial plans.

Kanagawa prefecture hopes to create new research projects and businesses by promoting interactions among LIC tenants. People operating in the LIC would be assets. LIC tenants would be able to meet key persons for commercializing regenerative medicine and cell therapy. Such opportunities would produce new technologies. Those leaving the LIC would still be connected to the LIC network. The prefectural government plans to support the LIC to achieve such virtuous cycle.

<Life Innovation Center>

<http://www.pref.kanagawa.jp/mlt/f531223/p906486.html>

(3) Mie Prefecture -- Attracting foreign-affiliated companies with abundant incentives suitable for target industries

Mie Prefecture is located in central Japan known for the concentration of Japanese automobile and aircraft industries. In the northern part of the prefecture, particularly, Japan’s leading companies and plants in transportation machinery, electrical machinery, oil and chemical, healthcare and food, and other industries are accumulated. On the strength of a major electronics plants (related to electronic components and devices) and other factors, Mie boasts the highest real economic growth among Japanese prefectures. Over recent years, the prefecture has given priority to the aircraft industry as well.

In Mie Prefecture where manufacturers are accumulated, foreign-affiliated companies have also located manufacturing and R&D bases. In the semiconductor area, a Japanese subsidiary of Cabot Microelectronics in the United States has established a manufacturing and R&D base in Mie Prefecture. Recently, a consortium between Toshiba and US-based Western Digital (WD) has decided to invest an additional 1.5 trillion yen in Yokkaichi City for mass production of three-dimensional memory. In 2015, Taiwan-based United Microelectronics Corporation (UMC) invested some 10 billion yen in a semiconductor wafer plant of Fujitsu Semiconductor in Kuwana City, acquiring a stake of about 16% in the plant.

Mie Prefecture has been offering various incentives to lead companies to locate manufacturing bases and R&D bases in the prefecture. Its “Subsidy for Foreign Affiliated Enterprises Planning to Establish an Asian Base in Mie” has set a subsidization rate at 20% of invested depreciable assets for foreign-affiliated manufacturers (maximum 500 million yen), double the rate for Japanese companies, and also covers 50% of annual office rents. The prefecture also has a **subsidy for R&D facility** covering 10% of investment for constructing R&D facilities and a **mother plant location subsidy** for manufacturers covering 15% of investment leading to mother manufacturing plants(*) in Mie Prefecture.

(Note*: A mother plant has accumulated a high level of technological know-how, engineering abilities, management skills and investment decisions to support projects for setting up overseas plants.)

Mie Prefecture also offers unique incentives for attracting businesses that are not seen in any other Japanese prefecture. Among them is a **mileage system** regarding subsidy qualification requirements. Even if one-time investment slips below a required level for subsidies, a company can accumulate investment points based on the total amounts

or number of employees for multiple projects for five years to the required level and apply for subsidies.

Furthermore, the prefecture has been providing a **subsidy for promoting head office function transfer** to encourage companies to relocate their headquarters functions to Mie since April 2015. The subsidy is flexibly applied to companies that transfer head office “functions” to the prefecture even without transferring their company registration to the prefecture on a document basis.

With the advantage of the accumulation of leading industries for the next generation and various incentives for prioritized industries, Mie Prefecture hopes to continuously encourage foreign-affiliated companies to locate R&D bases in the prefecture and lead to various business developments such as joint development with local firms.

Mie Prefecture has also given priority to attracting the services industry. The prefecture boasts rich tourism resources including such signature agricultural products as Matsusaka beef and Iseebi lobsters, sightseeing spots like Ise Shrine, Kumano Kodo pilgrimage routes on the World Heritage list, Iga known as a hometown of ninjas and the Suzuka Circuit. In March 2016, Aman Resorts based in Singapore opened the “Amanemu” hot spring resort hotel in the Ise-Shima National Park. It is the second hotel in Japan managed by Aman that runs resort hotels in the world. In May 2016, the Group of Seven major countries held the Ise-Shima Summit in the prefecture, attracting attention from throughout the world and contributing to increasing awareness of the prefecture in the world.

Mie Prefecture has established subsidies for the services industry from early on in a bid to attract foreign capital hotels to the prefecture. In fiscal 2013, it created a **services industry location subsidy** to cover 10% of invested depreciable assets, the first subsidy for the services industry in Japan. The prefecture hopes that the location of foreign capital hotels in the prefecture would contribute to increasing new visitors including foreign wealthy people and give back foreign firms’ networks, know-how and brands to the local communities. For foreign-affiliated companies planning investment in tourism industry in the prefecture like hotels, Mie Prefecture provides briefings on local tourism market, guided trips to tourism resources and referral service to real estate and other local business providers.

<Mie Prefecture subsidy systems>

<http://www.pref.mie.lg.jp/KIGYORI/HP/p0013000007.htm> (Japanese)

<http://www.pref.mie.lg.jp/KIGYORI/HP/000183749.htm> (English)

*partially translated

(4) Karatsu City (Saga Prefecture)-- Taking advantage of inter-region exchange to attract French cosmetic firms

Karatsu City is Saga Prefecture’s second largest city after Saga City, having strong economic relations with neighboring Fukuoka Prefecture. Karatsu has historically prospered as a key port for trade with the Asian continent including China.

Karatsu City has taken advantage of the geographical advantage of its proximity to the Asian market and its potential as an area for producing medicinal plants for cosmetics to launch the Karatsu Cosmetic Valley Initiative to attract cosmetics-related companies.

In preparation for attracting foreign companies, Karatsu City created the Japan Cosmetic Center (JCC), an industry-academia-government organization, in November 2013, starting collaboration with Cosmetic Valley in France. The Cosmetic Valley is within 150 kilometers from its center of Chartres in central France, boasting an accumulation of some 800 cosmetics-related companies including leading global brands L’Oreal,

Chanel and Yves Saint Laurent. Karatsu City has used JETRO’s Regional Industry Tie-up Program for promoting business exchanges with overseas business clusters to step up the JCC’s networking and business matching with Cosmetic Valley companies.

Through the exchanges, Mr. Alban Muller, honorary president of Cosmetic Valley and President of the Alban Muller International Group, a cosmetic material company known as a pioneer in French natural cosmetics, has recognized high business potentials in Karatsu City and decided to expand into Karatsu. To this end, the Alban Muller International Group reached a broad agreement with Japanese cosmetic material distributor, Matsumoto Trading Co. in June 2015 to set up French-Japanese joint venture Alban Muller International Asia.

At present, the JCC has 177 member companies related to cosmetics, beauty care and cosmetic materials (as of August 2016). The JCC has hired cosmetic industry experts to promote diverse projects including business-academia cooperation in developing cosmetic materials and products, initiatives for accumulating companies, and international business expansion. The JCC has tied up with Italian and Spanish cosmetic industry associations as well as France’s Cosmetic Valley. In August 2016, it concluded a cooperation agreement with Taiwan Beauty Valley (TBV), a cosmetic industry association in Taiwan. The JCC and TBV will cooperate in bilateral trade, contract production, and research and development for business development in the Asian market including China.

While attracting foreign-affiliated companies, the JCC proactively encourages domestic companies to locate business bases in Karatsu and builds networks among them in order to establish a sustainable system as a cosmetic industry cluster. As Karatsu City produces camellia oil, mandarin oranges, white cloud ears, tea seeds, dong quai and other material plants for beauty and health products represented by natural cosmetics, the JCC intends to make the city a cosmetic material supply base. As functions of inspection, certification, import and export agent and international distribution are required to explore overseas markets after manufacturing cosmetics, Karatsu City has tried to expand these functions and resolve structural problems with the industry cluster by involving domestic companies in the JCC. Forming an eco-system for the cosmetic industry in the region will result in the development of sustainable economy in the region and also keeping foreign-affiliated companies settle there.

The forward-thinking initiative of Karatsu City has just started and has had some challenges. However, it has various implications as a regional initiative for attracting foreign-affiliated companies. The Japanese cosmetics market has matured and features keen competition. Average annual market growth is 4% so that no one can expect much for the domestic market. However, the growing Asian market is expected to grow about 220% in 10 years. Furthermore, safe, secure “Made-in-Japan” products are popular in the Asian market, as indicated by foreign tourists’ massive cosmetics purchases in Japan. Therefore, it is crucial to sell cosmetic materials and products manufactured in Karatsu in the rapidly expanding Asian market as well as the domestic market. If the Karatsu business model is successfully established, Karatsu may be positioned as a gateway to the Asian market. This will be a key point for attracting foreign companies including European and American firms.

Karatsu City has accurately grasped its regional characteristics, identified a target industry and tried to attract foreign companies required for developing an industry cluster. The business model to take advantage of Japan’s excellent manufacturing technologies, product development capabilities and quality control to add values to foreign-brand products for sales in the Asian market will serve as a reference for other Japanese regions planning to attract foreign companies.

2. Local government incentives specialized for foreign/foreign-affiliated companies

Local governments have prepared various incentives to attract foreign/foreign-affiliated companies, including subsidies for

office rent, personnel, company registration, and research and development costs. The table below is a list of local government incentives specialized for foreign/foreign-affiliated companies.

<see the JETRO website for details>

https://www.jetro.go.jp/en/invest/incentive_programs.html

Chart 6-3 Local government incentives specialized for foreign/foreign-affiliated companies

As of August 2016

Prefecture/ city	Name	Summary
Fukushima Pref.	Subsidy for Investment Support Project for Foreign Corporations Entering into Fukushima Prefecture for Business	Subsidizing portion of rent expenses, consultant commissioning fees, expenses required for incorporation (registration of corporation, acquisition of resident status, etc.) Eligible companies are those establishing facilities for manufacturing, R&D and/or sales in Fukushima Prefecture for the first time in the fields of pharmaceuticals, medical equipment, renewable energy and/or robotics (Subsidy rate of 3/4, with up to 28m yen per company)
Chiba Pref.	Office Lease Subsidies for Foreign-Affiliated Companies in Chiba Prefecture	Subsidizing portion of rent for offices or other facilities (1/3 of annual rent x 1 year, maximum 600,000 yen for companies with a number of employees between 1- 5 and 1.8m yen for more than 5)
Chiba City	Facility Rent Subsidy for Foreign-Affiliated Companies	Subsidizing portion of rent (1/2 of rent x 3 years, cumulative total limit of 3m yen), reduction of corporate inhabitant tax (municipal tax) (1/2 x 3 years)
Tokyo Metropolis	Special Zone for Asian Headquarters Establishment Subsidy	Subsidizing portion of expenses related to the establishment of a new Asian regional headquarters or R&D center (up to 1/2 of actual expenses paid to experts such as administrative scriveners and recruitment agencies, maximum 5m yen per company)
	Program to Increase Foreign Entrepreneurs	Deregulation of a "business manager" visa requirement for foreign nationals wishing to start business in Tokyo (period of residence is 6 months)
Kanagawa Pref.	Rent Subsidy	Subsidizing portion of rent for factories, R&D centers or offices (1/3, maximum 6m yen)
	Foreign Firm Setup Support Program	Subsidizing half of the cost required for procedures for setting up a company (maximum 2m yen)
Shizuoka Pref.	Office Rent Subsidy for Foreign-Affiliated or Foreign Companies	Subsidizing portion of office rent (1/2 of monthly rent x 1 year, maximum 500,000 yen in total)
Niigata Pref.	Subsidy for Office Rent for Foreign-Affiliated Companies	Subsidizing portion of rent (1/2 x 3 years, maximum 3m yen [up to 1m yen per year for 3 years])
Niigata City	Foreign Company Business Promotion Subsidy	Subsidizing registration fees (maximum 150,000 yen per company) and rent (1/2 of monthly rent x 2 years, maximum 50,000 yen per month)
	Niigata City National Strategic Special Zone - Entrepreneurial Incentives for Foreigners	Deregulation of a "business manager" visa requirement for foreign nationals wishing to start business in Niigata City (period of residence is 6 months)
Aichi Pref.	GNI Business Start-up Support Program	Subsidizing expenses for location and commencement of operations of foreign-affiliated companies in Greater Nagoya Area (1. Consultation fees and expenses paid for specialists for company registration and visa applications 2. Expenses for personnel recruitment 3. Expenses for brokerage costs of an office). Total amount of incentives (1, 2, 3 above) is as follows: (I) Foreign company whose prospective investment amount is more than 10 million yen : up to 500,000 yen; (II) more than 5 million yen and less than 10 million yen : up to 300,000 yen; and (III) less than 5 million yen : up to 200,000 yen.
Gifu Pref.		
Mie Pref.		
Nagoya City		

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Mie Pref.	Subsidy for Foreign Affiliated Enterprises Planning to Establish an Asian Base in Mie	Subsidizing 20% of depreciable assets invested by foreign-affiliated companies when establishing manufacturing bases (factories) (maximum 500m yen), subsidizing portion of office rent (1/2 x 3 years, maximum 5m yen per year)
Osaka Pref.	Osaka Prefecture's Subsidies for Investment Promotion (Subsidy for Foreign-affiliated Companies)	Subsidizing portion of investment of foreign-affiliated companies establishing new corporate headquarters or Asian regional headquarters in Osaka Prefecture (5% of investment on building and capital goods or 1/3 of office rent, with limitation depending on number of full-time employees)
	O-BIC Support Program for Foreign Companies	Subsidizing expenses for registration (up to 100,000 yen per company) and acquisition of resident status (up to 50,000 yen per company)
Hyogo Pref.	Tax Incentives	Reduction of corporate enterprise tax (1/3x5 years)
	Subsidies for Office Rent	Subsidizing portion of office rent (up to 1/2 x 3 years, maximum 1,500 yen/square meter per month and 2m yen per year)
	Subsidies for New Employment	Subsidies for new employment : 300,000 yen/person (In designated areas, 600,000 yen/person for new employment, 300,000 yen/person for new non-regular employment) (maximum 300m yen)
	Subsidies for the Costs of Establishing a Japanese Headquarters	Subsidizing 1/2 of cost (cost for corporate registration: maximum 1m yen, costs for market research: 200,000 yen)
Kobe City	Rental Assistance for Overseas Corporations and Foreign-Affiliated Firms	[Hyogo Prefecture and Kobe city in partnership] Subsidizing portion of office rent (up to 1/2 x 3 years, maximum 1,500 yen/square meter per month and maximum 2m yen per year) [Kobe city/additional subsidies] Subsidizing portion of office rent (up to 1/4 x 3 years, maximum 750 yen/square meter per month and maximum 9m yen per year)
Fukuoka Pref.	Subsidy for Visit to Fukuoka	Subsidizing portion of travel expenses by foreign-affiliated companies to or within Japan (eligible companies are those in fields of automobiles, IT, semiconductors, biotechnology, environment and robots, which are considering entry into Fukuoka Prefecture). 1. Travel from regions in Japan other than Fukuoka Prefecture: up to 100,000 yen per company 2. Travel from foreign countries other than Europe/America: 150,000 yen per company 3. Travel from Europe/America: up to 200,000 yen per company
	Incentives to Encourage Establishment of its Subsidiary in Japan	Subsidizing portion of registration fee (foreign-affiliated companies in fields of automobiles, IT, semiconductors, biotechnology, environment and robots; 1/2 of registration fee, maximum 150,000 yen)
Fukuoka City	Business Establishment Support Programs in Fukuoka City (for Foreign and Foreign Affiliated Enterprises)	① Subsidizing portion of office rent [Basic type] (1/4 x 1 year, maximum 15m yen), [Large-scale type] (1/4 x 2 years, maximum 25m yen) ② Subsidies for new employment [Regular employment] 500,000 yen/person for citizens of Fukuoka City, 1m yen/person for researchers who are citizens of Fukuoka City [Other type of permanent employment] 150,000 yen/person for citizens of Fukuoka City, 50,000 yen for non-citizens of Fukuoka City (Maximum 50m yen) ③ Subsidizing 1/2 of cost (cost for marketing research, interpretation fees, obtaining approvals and registering for licenses, or cost of recruiting employees) (Maximum 3m yen)
	Office and Residential Rent Subsidy Program for Foreign Startups (FY2016)	Subsidizing portion of rent (1/2 x 1 year, maximum 70,000 yen per month for residence, maximum 50,000 yen per month for office space)
	Startup Visa (Entrepreneurial Incentives for Foreigners)	Deregulation of a "business manager" visa requirement for foreign nationals wishing to start business in Fukuoka City (period of residence is 6 months)

[Note] Only listing the local government incentives that are limited to foreign/foreign-affiliated companies.

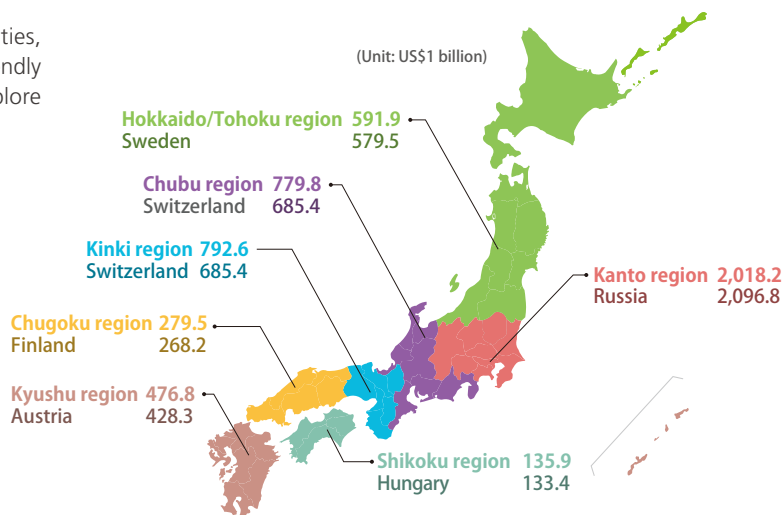
[Source] Website of each local government

3. Attractiveness of Japan's local regions: unlimited business opportunities await

Japanese local regions provide abundant business opportunities, many potential partners capable of innovations and business-friendly climates. Local regions in Japan are places where you can explore new possibilities for your business.

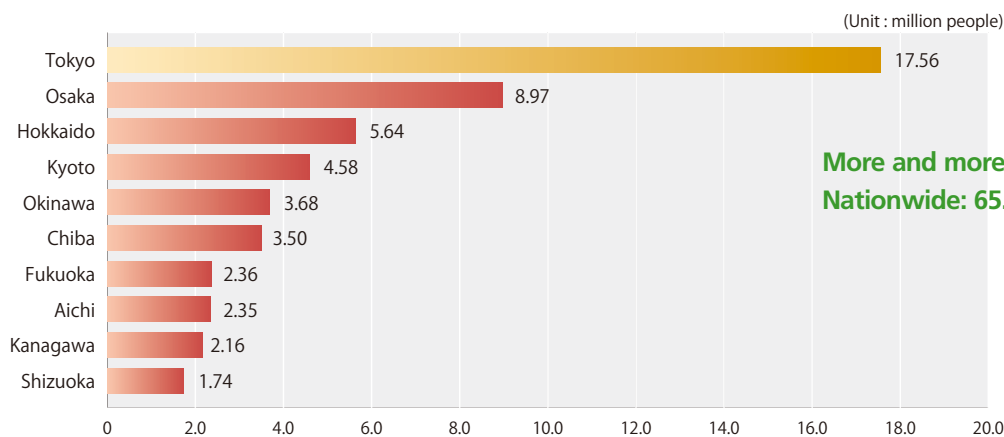
Japan's local regions offer enormous and attractive markets. Even one region has national-level GDP.

Chart 6-4 International comparison of regional GDP in Japan (nominal, FY 2013)



[Source] "Annual Report on Prefectural Accounts for FY 2013" issued in FY 2016, Cabinet Office

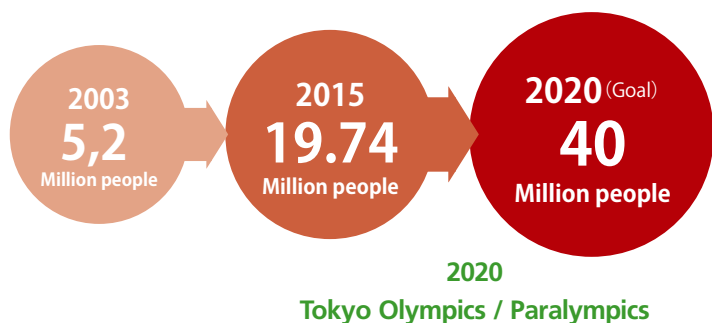
Chart 6-5 Total number of foreign tourists who are staying in accommodations in local cities (by prefecture)



**More and more foreign tourists visit local regions
Nationwide: 65.6 million people overnight stays**

[Source] "Statistics of Overnight Trips (2015)," Japan Tourism Agency

Chart 6-6 Surging foreign travelers to Japan



[Source] Japan National Tourism Organization (JNTO)

Chart 6-7 Market size of the living assistance industries

2020 10 trillion yen

Healthcare business in local regions in Japan is drawing attention from the world.

[Source] "Japan Revitalization Strategy - Japan is Back -", cabinet decision on June 14, 2013, Prime Minister of Japan and His Cabinet

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Chart 6-8 Top global niche companies spread throughout Japan

Innovative companies exist throughout Japan. Collaboration between foreign companies and local companies/universities in Japan is a gateway to the global market.

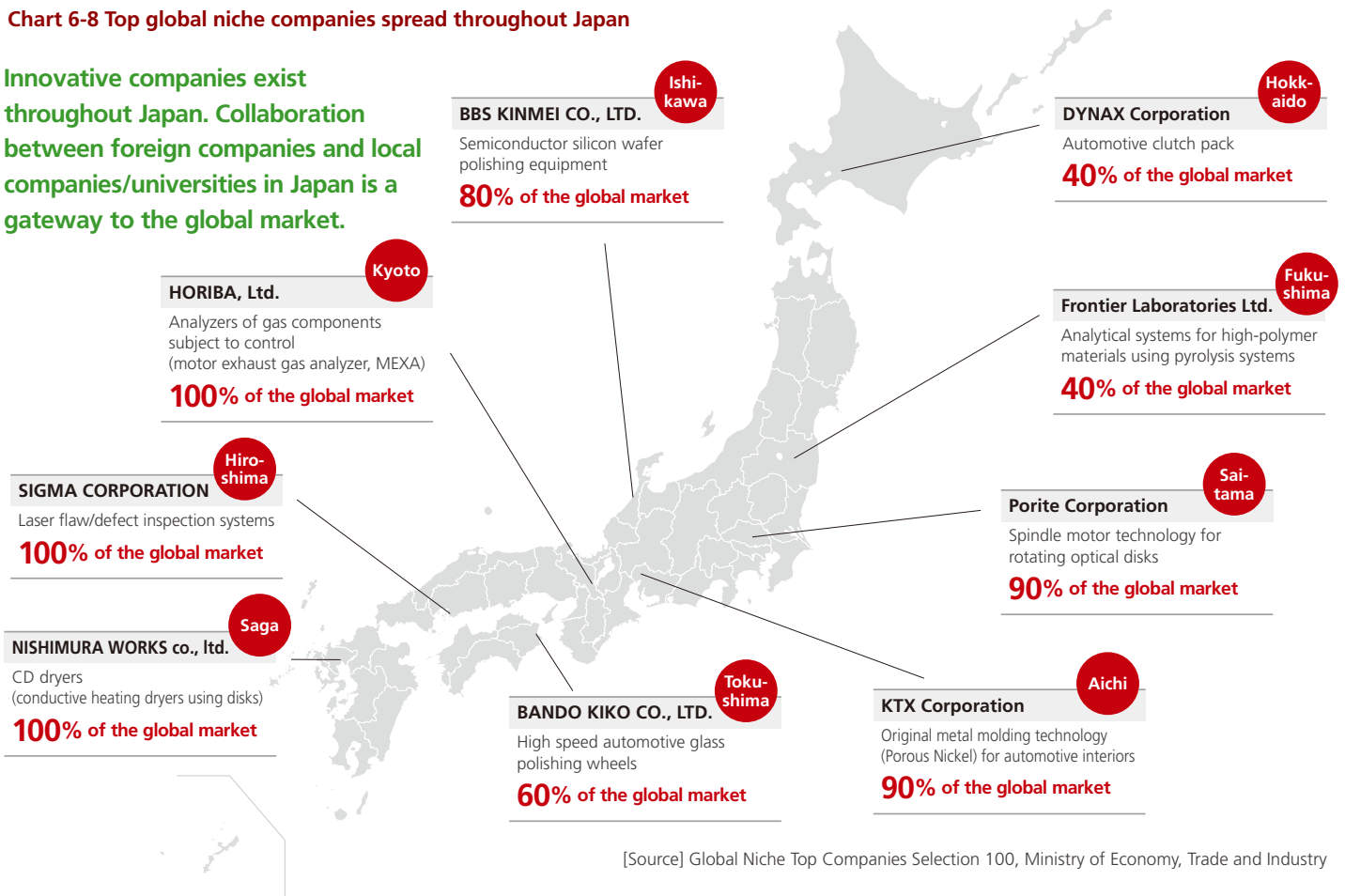


Chart 6-9 Easy access to major business hubs in Asia from Kansai International Airport



Chart 6-10 Lower business cost in local regions than in capital regions

**Inexpensive office and house rent in local regions in Japan in comparison to major Asian cities
(Shanghai, Hong Kong, Taipei, Seoul, Singapore) (Unit US\$)**

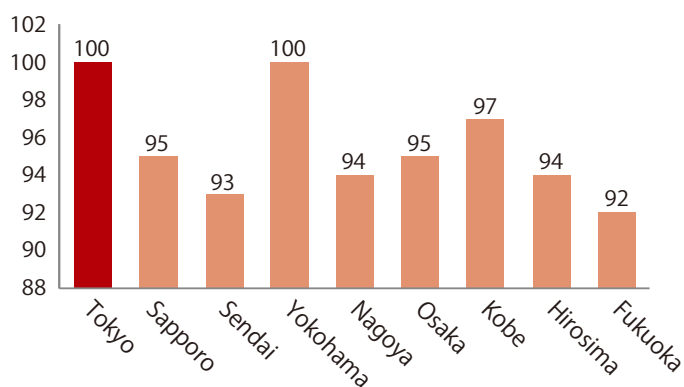
	Tokyo	Sendai	Nagoya	Yokohama	Osaka	Hiroshima	Fukuoka	Shanghai	Hong Kong	Taipei	Seoul	Singapore
Monthly office rent (per m ²)	25	29	36	33	29	25	23	51	156	12	51	76
Monthly shop/show room rent (per m ²)	49	43	38	59	30	24	37	145	389	43	21	239
Housing rent for resident representatives	2,532	958	1,676	2,971	2,539	1,215	786	1,688	3,161	1,864	1,936	5,193

[Source] Created from JETRO "26th Investment-Related Cost Comparison of Major Cities/Areas in Asia and Oceania (June 2016)"
<https://www.jetro.go.jp/world/reports/2016/01/42952cecdce53c3.html>

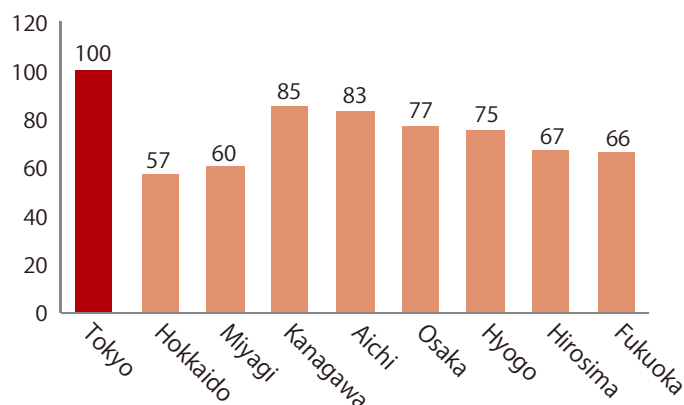
*The rent was calculated based on slightly different conditions for each city. For details, please refer to the website.

Chart 6-11 Price comparison with that of Tokyo (100)

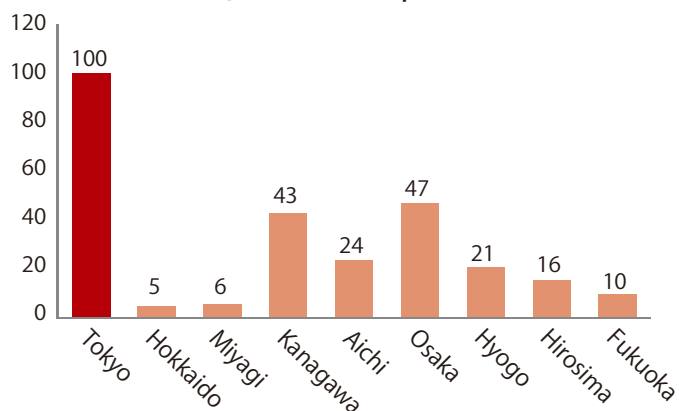
1) Consumer price regional difference index



2) Annual salary (manufacturing sector)



3) Industrial land prices



[Source] Created from:

- 1) The 2013 Average Consumer Price Regional Difference Index, Portal Site of Official Statistics of Japan (e-Stat)
- 2) The Basic Survey on Wage Structure in 2014, Ministry of Health, Labor and Welfare
- 3) Land Price Research by Prefectural Government, Ministry of Land, Infrastructure, Transport and Tourism

The government's efforts and JETRO's inward investment promotion activities The transition in 14 years

2003	January	The government decided on the target to "double the inward FDI stock compared to the value as of the end of 2001, in 5 years"
	May	The government held up "Invest Japan" as slogan and set up "Invest Japan Offices" in the relevant ministries. The "Invest Japan Business Support Center (IBSC)", a one-stop center for information about investing in Japan, was set up in JETRO.
2006	March	The government set up a new goal to "double the inward FDI stock as percentage of GDP (to about 5%) by the end of 2010"
2007	May	The regulation on "flexible merger consideration (triangular merger)" in the Companies Act was enforced
2010	June	"New Growth Strategy" was approved by the cabinet (it's goal was to "double the flow of people, things and money into Japan")
2011	January	"Subsidy Program for Projects Promoting Asian Site Location in Japan" was created (the secretariat was placed in JETRO)
	August	The "Comprehensive Special Zone Law" was enforced (creating industrial clusters in regions through taking preferential measures such as tax and regulation reforms)
	December	The "Great East Japan Earthquake Reconstruction Special Zone Law" was enforced (providing incentives such as tax and regulation reforms regarding investment in the affected areas)
	December	"Program for Promoting Japan as an Asian Business Center and Direct Investment into Japan" was approved. Goals were set to increase the numbers of high added-value business bases and doubling the number of employees at foreign-affiliated companies
2012	April	The corporate tax rate was lowered (40.69% → 38.01%)
	May	The Points-based Preferential Immigration Treatment for Highly Skilled Foreign Professionals was started
2013	June	The "Japan Revitalization Strategy" was approved by the cabinet (it set up clear goal to increase the inward FDI stock to 35 trillion yen by 2020, and included the strengthening of industrial specialist program and Invest Japan Hotline in JETRO)
2014	March	The reconstruction special tax was abolished. (corporate tax: 38.01% → 35.64%)
	April	The Council for Promotion of FDI in Japan was founded
	June	The "Japan Revitalization Strategy (Revised in 2014)" was announced (it clearly stated the role of JETRO to cooperate with Japanese embassies and local governments to attract FDI into Japan)
2015	March	The second meeting of the Council for Promotion of FDI in Japan was held, and Prime Minister Abe announced the "Five Commitments for Attracting Foreign Businesses to Japan"
	April	The "Tokyo One-Stop Business Establishment Center (TOSBEC)" was opened in the Tokyo Area of the National Strategic Special Zones (in JETRO Tokyo HQ)
	June	The "Japan Revitalization Strategy (Revised in 2015)" was approved by the Cabinet (it stated that the role of JETRO is to enhance PR & dispatch of information and to work on promotion of target fields by cooperating with Japanese embassies and local governments)
	September	The "New Three Arrows" of Abenomics was announced, aiming to create a strong economy, more support for childcare and social security
2016	Feb	The Subsidy Program for Global Innovation Centers was established (JETRO serves as the secretariat)
	Apr	Effective corporate tax rates were lowered (32.11 → 29.97) The third meeting of the Council for Promotion of FDI in Japan was held The "Investment Advisor Assignment System" was established. In the system, State Ministers act as advisors to companies that have made significant investments in Japan
	May	The fourth meeting of the Council for Promotion of FDI in Japan was held. The "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub" and establishment of the Working Group for Revising Regulations and Administrative Procedures were approved by the Council
	Jun	The "Japan Revitalization Strategy 2016" was approved by the Cabinet (it states that the promotion activities and support for individual companies will be increased through the strengthening of JETRO's structure)
	Aug	The first meeting of the Working Group for Revising Regulations and Administrative Procedures was held

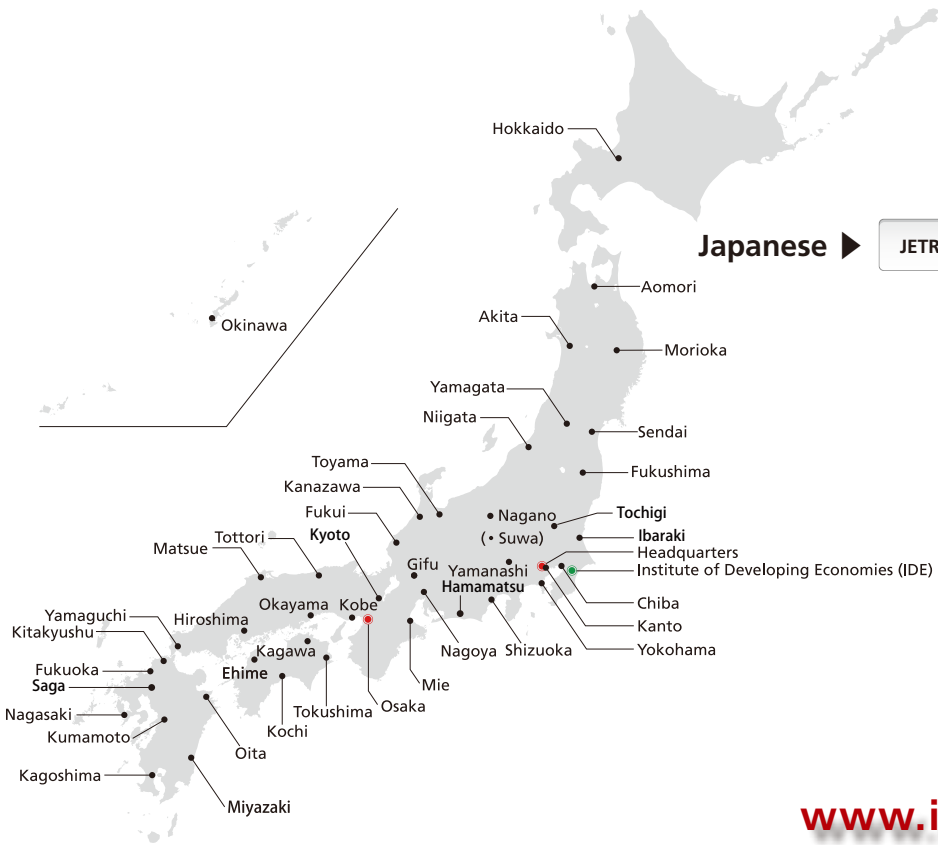


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[JETRO's Global Network]



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November 2016