



# II Toward Improvement of Business Environment

Since the start of the current administration, the government has set promotion of inward FDI in Japan as one of the pillars of its Growth Strategy, and has worked out various policies to make Japan "the most business friendly country in the world."

Above all, the government's commitment on reform to create an open market by implementing "bedrock regulations" reforms including the full liberalization of the electricity and gas markets for the first in 60 years has been a strong message to foreign companies to encourage their investment in Japan.

In addition, as innovations spread to every industry and community through the "Fourth Industrial Revolution" that is rapidly making progress in recent years, the government is introducing new reforms that are not bound by the existing framework.

This chapter will describe these initiatives by the government and their results as well as measures contributing to improvement of the business environment and attraction of foreign companies.

## 1. Further improving the business environment in Japan

### (1) New social demonstration to allow "try first" approach: establishment of "regulatory sandbox" system

In the "Growth Strategy 2017" (Cabinet Decision on June 9, 2017), the government announced a "regulatory sandbox" system to encourage development of business models through trial and error in order to foster new innovative businesses.

The system is expected to be used when companies start new businesses that are not envisaged by existing regulations in fields such as IoT, AI, Big Data, drones and autonomous vehicles, which have been developing rapidly. The system is compared to playing in a sandbox because innovative services and products are developed through trial and error accepting small failures. Under the system, social demonstration pertaining to a new business is carried out for a limited period of time and by participants who agree to take part in the project after receiving an explanation on the demonstration content and risks in order to "think while running" on new rules based on data and knowledge obtained through the process. It is groundbreaking in that it encourages "trying first" in Japan where people find it difficult to accept unprecedented things. Unlike the National Strategic Special Zone system that is limited to a specific area and requires submission of an amendment bill to the Diet and its deliberation there, the new system promotes demonstration experiments at the project level. Flexible response will be made to advance demonstrations, but data obtained in the process of a

failure is also a valuable asset. The government will provide careful hands-on support including securing of data obtained through demonstrations to use the results for development of rules and policy planning in the future.

It is said that a similar system has already been introduced in the field of FinTech in the UK and Singapore. In Japan, the 8th Council on Investments for the Future (held on May 12, 2017) discussed its introduction to services to watch over seniors and children using high-speed power line communications. In addition to establishment of the "sandbox" regulation system for individual projects, the "Growth Strategy 2017" will establish a framework to ensure prompt and smooth implementation of demonstration experiments of automated driving, drones and other near-term technologies by fundamentally reviewing relevant preliminary regulations and procedures also in the National Strategic Special Zones.

### (2) 20% reduction in costs of administrative procedures

Japan's administrative procedures have long been pointed out by business operators as a "considerable burden." Foreign-affiliated companies are no exception. In the "Survey on Japan's Investment Climate" of foreign-affiliated companies conducted by JETRO every year, "complicated administrative procedures and regulations" have always been among the top obstacles for doing business in Japan.

In order to improve the situation, the government states in the Japan Revitalization Strategy 2016 (Cabinet Decision on June 2, 2016) that it will "decide areas of focus where the government should promote regulatory reforms, simplification of administrative procedures, and evolution of information technology in an integrated and unified manner, and, on a full-scale basis, decide the goals to reduce regulatory and administrative procedural costs within FY2016, and promote systematic efforts to accomplish them." It is the first time for the government to conduct direct setting of a numerical target regarding reduction of administrative procedural costs.

Consequently, since September 2016, the Subcommittee for Administrative Burden Reduction under the Council for Promotion of Regulatory Reform reviewed existing efforts in Japan and abroad to obtain suggestions for Japan and studied and grasped business operators' needs for administrative procedural cost reduction from their perspective. Based on the study, it was decided on policies to reduce the costs of administrative procedures by at least 20% by March 2020 at the Council for Promotion of Regulatory Reform meeting on March 29, 2017.

For reduction of administrative procedure costs, the council

adopted three principles: thorough digitalization of administrative procedures (digital-first principle), no second request for the same information to businesses (once-only principle), and unification of documentary formats. It was also decided to select nine priority fields including: procedures for obtaining permission or approval for business license, those for social insurance, national tax, local tax, procedures for subsidies, and cooperation provisions for surveys or statistics research.

The “Growth Strategy 2017” (Cabinet Decision on June 9, 2017) appraised this as “a big step” and indicates that “it is necessary that we make a big change from ‘administrative procedures’ of government viewpoints to ‘public service’ from the perspective of the businesses, review every procedure and make efforts across the ministries to improve user friendliness.”

### **(3) Final Report of Working Group for Revising Regulations and Administrative Procedures**

In the Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub (adopted by the Council for Promotion of Foreign Direct Investment in Japan on May 20, 2016) and the Basic Policy on Economic and Fiscal Management and Reform 2016 (Cabinet Decision on June 2, 2016) the government states that for the purpose of fundamentally simplifying regulations and administrative procedures associated with inward FDI in Japan, it will draw conclusions within one year.

For this purpose, the Council for Promotion of Foreign Direct Investment in Japan that is a cabinet meeting set up the Working Group for Revising Regulations and Administrative Procedures consisting of experts, business persons, foreign-affiliated company executives and other people appointed by the Minister of State for Economic and Fiscal Policy. The Working Group has been discussing the issue since August 2016.

Based on the discussions, the Working Group compiled a final report on concrete initiatives for implementation by related ministries on April 24, 2017. The final report was approved at the Council for Promotion of Foreign Direct Investment in Japan on May 10, 2017. In light of indications made by foreign companies and others in surveys as well as opinions of members, the working group took concrete measures with a sense of urgency, which led to various reviews.

Below are the key points of the final report:

## **Incorporation and registration of companies**

### **① Expansion of the scope of holders of bank accounts for proof of payment and the list of financial institutions to which contribution can be paid**

When a foreign company incorporates a subsidiary stock company in Japan, the contribution in money for the capital must be paid to the bank account (in Japan) of the incorporator or the person appointed as representative director of the subsidiary. From March 2017, the contribution may be paid also to the bank account of a person appointed by the incorporator.

In reality, founder of foreign companies or the prospective representative directors living in a foreign country (the requirement that one of the representative directors must be living in Japan was eliminated in March 2015) have difficulties in opening a bank

account in Japan because they do not have addresses in Japan. As a result, the payment of the contribution cannot be executed, and smooth implementation of the procedure for corporate foundation is hindered.

To address this issue, regarding the scope of financial institutions to which contribution in money can be paid under the Companies Act, the Director-General of the Civil Affairs Bureau of the Ministry of Justice issued a notification to clarify and to inform the parties concerned that contribution can be paid to overseas branches of Japanese banks. The Financial Services Agency has requested Japanese banks that have bases all over the world (so-called megabanks) to develop a framework and each bank has taken action.

### **② Signature certificate**

When a foreigner who does not have a seal certificate applies for corporate registration, a signature certificate issued by the authorities of the home country may be needed as the substitute for a seal certificate. The applicant had to acquire a signature certificate in his/her home country or in Japan (the country's consul in Japan). Therefore, if a foreigner lived in a third country, he or she needed to go to the home country or Japan to acquire a signature certificate, which was a great burden.

To address this issue, the Civil Affairs Bureau of the Ministry of Justice notified that, regarding a foreigner's signature certificate for corporate registration, those issued by the home country's authorities in a third country (such as the home country's consul in his/her country of residence) are also permitted. In addition, a signature certificate issued by a Japanese notary was permitted as a relief measure from February 2017 if a signature certificate could not be acquired from the home country's consul in Japan even when it can be acquired in his/her country of origin.

### **③ Facilitation of procedures to open a bank account after incorporation**

Because it takes time to open a bank account for a Japanese company newly founded as a foreign company's subsidiary or because the opening of such a bank account may be denied, foreign companies that wish to begin business in Japan in earnest often suffer time or economic loss.

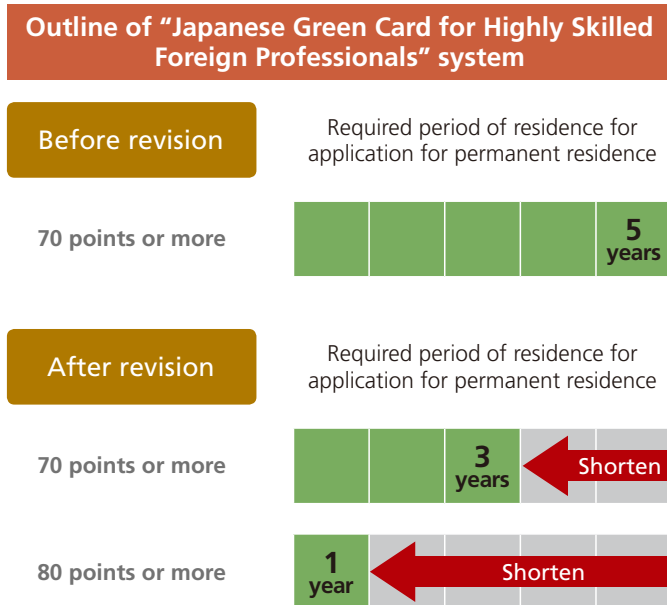
To address this issue, the Financial Services Agency requested the three megabanks to promptly develop a support system for smooth opening of bank accounts for domestic subsidiaries or branches of foreign companies, such as by listing of bank branches where such procedures will be handled smoothly, information sharing, and appropriate processing of clerical affairs. Responding to the request, the three megabanks have developed such a framework and clarified the contact point for consultation. A list of contact points has been placed on the website of JETRO in March 2017.

## **Status of residence**

### **④ Japanese Green Card for Highly-Skilled Foreign Professionals**

In order to invite more highly skilled foreign professionals to Japan, the Japanese Green Card for Highly-Skilled Foreign Professionals

Chart 2-1 Japanese Green Card for Highly-Skilled Foreign Professionals



system was established in April 2017 to greatly shorten the residence period of five years necessary for an application for permission of permanent residence, to make it the most quickly obtainable green card in the world (Chart 2-1).

As a result, foreign nationals are allowed to apply to the permission of permanent residence only after one-year residence in Japan if their score is 80 points or more in the points-based system for highly-skilled foreign professionals, or after three-year residence in Japan if their score is 70 points or more. To facilitate the use of the points-based system, revision was made in April 2017 to increase the evaluation items including bonus points to people who are engaged in an advanced project in a growth field (IT, etc.) with the involvement of a relevant ministry or agency, or who graduated from a top-class university, for example.

The requirements for the acceptance of domestic workers accompanying highly-skilled foreign professionals will be reviewed so that they can also bring over such workers after coming to Japan. Necessary measures will be taken by around the fall of 2017.

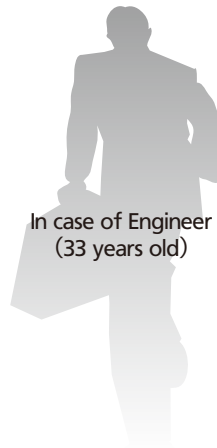
### ⑤ Online procedures for status of residence

It was burdensome to carry out the procedures for status of residence, including those to be carried out at the Immigration Bureau. In addition, it takes time to carry them out because the Immigration Bureau is congested. To solve this issue by starting the online system for carrying out the procedure for status of residence in FY2018, it was decided to proceed with the preparations after studying the whole vision and details of the online system.

Although the standard period for handling the procedure for status of residence had been publicly announced, it was difficult to estimate time necessary for the completion of the procedures because it may take a certain period of time from application to authorization. To address this issue, Ministry of Justice began to publish data on the results of procedure periods from FY2017. In

### Example of point calculation

Points are calculated based on age, annual salary, academic background, professional career, research achievement, etc. 70 or more points holders receive preferential treatment.



34 years old or younger	10 points
Annual salary 7 million yen	25 points
Master's degree	20 points
Job experience of three years	5 points
Passed level N2 of Japanese-language proficiency test	10 points
Graduated from a top-tier university	10 points
<b>Total</b>	<b>80 points</b>

[Source] Points-based Preferential Immigration Treatment for Highly Skilled Foreign Professionals  
[http://www.immi-moj.go.jp/newimmiact\\_3/en/index.html](http://www.immi-moj.go.jp/newimmiact_3/en/index.html)

addition, when considering establishing an online system for the procedure for status of residence, introducing a system for online check of the status of progress for processing (application accepted, under examination, result notified, etc.) will also be considered.

### Promote one-stop administrative services

#### ⑥ Expansion of services at the Tokyo One-Stop Business Establishment Center

In April 2015, the Tokyo One-Stop Business Establishment Center was founded at JETRO headquarters as one of the efforts using National Strategic Special Zones. The Center has booths that integrate procedures related to corporate foundation. However, because limitations were imposed on its services, such as not accepting applications related to national taxes and commercial registration, its further improvement of convenience was an issue.

For this purpose, it has been made possible to submit electronic applications in six fields, including registration, taxation, and pension procedures and accept all eight types of applications at the Center.

The Tokyo One-Stop Business Establishment Center limited the acceptance of applications for status of residence to "business manager" and "intra-company transferee" and applications had to be submitted within six months after corporate foundation. Now, categories of "engineer, specialist in humanities, international services" were added to the types of status of residence and the time limit for application will be expanded by stages.

### Import

#### ⑦ Reducing companies' burden of classification by reorganization of "national subdivisions" of the statistical code

It sometimes takes a lot of time to classify and check the statistical codes of commodities used for customs clearance, and the procedure has become a burden to companies. To address the issue, it was decided to reduce companies' burden of classification by reorganizing national subdivisions of the statistical code (HS code, etc.)

Specifically, the national subdivisions of toys were merged in FY2017, while the national subdivision of commodities related to apparel and clothing which is not often required for collecting trade statistics will be considered toward consolidation in FY2018, beginning with T-shirts in FY2017.

Related ministries shall work on reduction of the national subdivisions of the commodities other than apparel and clothing.

### Others

#### ⑧ Exhibiting of unapproved medical equipment at trade shows

Regarding exhibiting unapproved medical devices, it was difficult to understand the cases in which such devices can be displayed without coming into conflict with the Pharmaceuticals and Medical Devices Act. Based on studies by the Ministry of Health, Labour and Welfare on how to clarify and disseminate rules on whether to exhibit unapproved medical devices, guidelines on exhibiting unapproved medical equipment were revised. Regarding trade shows for overseas businesses without Japanese subsidiaries to gain domestic businesses that will produce and sell their products in Japan (so-called business matching,) the new guidelines clarify that display is allowed under certain conditions including (i) specifying that the product is not approved and cannot be sold or granted and (ii) clarifying regarding production method, effect-efficacy and performance should be based on facts including data of precise and objective experiments.

### (4) FY2017 Tax Reform

#### ① Revision of the scope of payment obligations of the inheritance and gift taxes concerning foreign assets

On March 27, 2017, the Act on Partial Revision, etc. of the Income Tax Act, etc. was enacted and the scope of payment obligations of the inheritance and gift taxes concerning foreign assets was revised (Chart 2-2).

It was sometimes the case that if a foreign person died in Japan, Japan's inheritance tax was applied not only to the assets in Japan but also to the assets existing outside of Japan including real estate

and financial assets in the mother country, regardless of whether the expat was living alone: leaving family members outside of Japan, or living together with family members. This had been a cause for foreign professionals to be reluctant to come to Japan as an expat.

In this revision, inheritance tax, etc. on the assets possessed outside of Japan by highly-skilled foreign workers who meet certain conditions were reviewed to prepare more comfortable working conditions for them in Japan. As a result, foreign assets will be exempt from taxation in the case of inheritance between foreign nationals (Note) with a status of residence in Japan that is temporary.

The revision has been applied to inheritances and gifts from April 1, 2017.

(Note)Those who have status of residence as defined by Appended Table I of the Immigration Control and Refugee Recognition Act and have registered addresses in Japan for a total of 10 years or less during the past 15 years

#### ② R&D tax system

The Act on Partial Revision, etc. of the Income Tax Act, etc. that was enacted recently fundamentally revised the research and development tax system that is a tax credit system for experimental research.

What is remarkable among the revision points is that those pertaining to development of new "services" based on the Fourth Industrial Revolution utilizing big data, etc. are included in the categories to be supported by the R&D tax system in addition to existing "manufacturing" R&D in the manufacturing industry.

This is a measure to support the creation of new businesses through the Fourth Industrial Revolution leveraging IoT, Big Data, artificial intelligence and other technologies. The measure applies to projects that covers all of the following: (i) automatic data collection using sensors, etc., (ii) analysis by experts using information analysis techniques and (iii) design of a new service using a regularity found based on data analysis, and (iv) confirmation of reproducibility of the service. Examples of covered service development may include service to provide more precise and real-time natural disaster prediction by analyzing combinations of image and meteorological data collected using drones, and healthcare service to recommend an optimum fitness plan/diet or hospital visit by collecting and analyzing data of individuals' health state including exercise, sleep, diet, body weight and heartbeat using wearable devices.

The revision of the definition of costs of experimental research has made the R&D tax incentive available also for service development to create value using data as a key factor in the age of the Fourth Industrial Revolution. Driving innovation further is expected in the service development field by the revision.

#### Chart 2-2 An example of revision pertaining to scope of taxation

##### 1. In the case that a foreign expatriate in Japan dies:

- (1) If an expatriate who is living alone leaving his/her family members outside of Japan dies, the levy is limited to the assets in Japan which are to be inherited by his/her relatives outside of Japan .
- (2) If an expatriate who is living in Japan together with his/her family members dies, the levy is limited to the assets in Japan which are to be inherited by his/her family members.

##### 2. In the case that a relative living outside of Japan of an expatriate in Japan dies:

- (3) If a relative living outside of Japan of an expatriate who is living in Japan dies, the levy is limited to the assets possessed in Japan by the relative.

## (5) Deregulation in the tourism sector

May 26, 2017, the Act for Partial Revision of the Licensed Guide Interpreters Act and the Travel Agency Act was enacted. It is expected to be enforced in FY2017. In the past, only people with the national qualification of Licensed Guide Interpreter were permitted to provide paid guide interpreter service for foreign tourists, but now people without the qualification will be also permitted to provide the service.

The number of foreign tourists visiting Japan exceeded 10 million first in 2013 and reached 24 million in 2016 making a new record for four consecutive years. About 70% of the tourists come from East Asia, but, according to the Japan Tourism Agency, Licensed Guide Interpreters are saturated in large cities and their language is rather concentrated in English. With travelers' needs for guide interpreter diversifying, the mismatch has become an issue.

The past Licensed Guide Interpreters Act provided that guides providing paid interpreter and tourist guide service needed the national qualification. Given that this does not fit reality, the government made the deregulation which was the first since 1949 when the system was established. The revision changed the qualification of Licensed Guide Interpreter from a monopoly of duties to monopoly of name. The amendment also sets out for a new program of "regional guide interpreters" who work in specific areas to combat the shortage of guide interpreters in provincial regions.

Regarding so-called "home lodging" to take lodgers using a vacant room of a private home or a room of an apartment, the Act on Home Lodging Business to establish the rules of this activity came into effect on June 9, 2017. Ways to provide lawful private

home lodging service in Japan were limited, including some special provisions and the system of private home lodging in National Strategic Special Zones. After enforcement of the act, landlords will be permitted to provide home lodging service up to 180 days a year by notification to the local government.

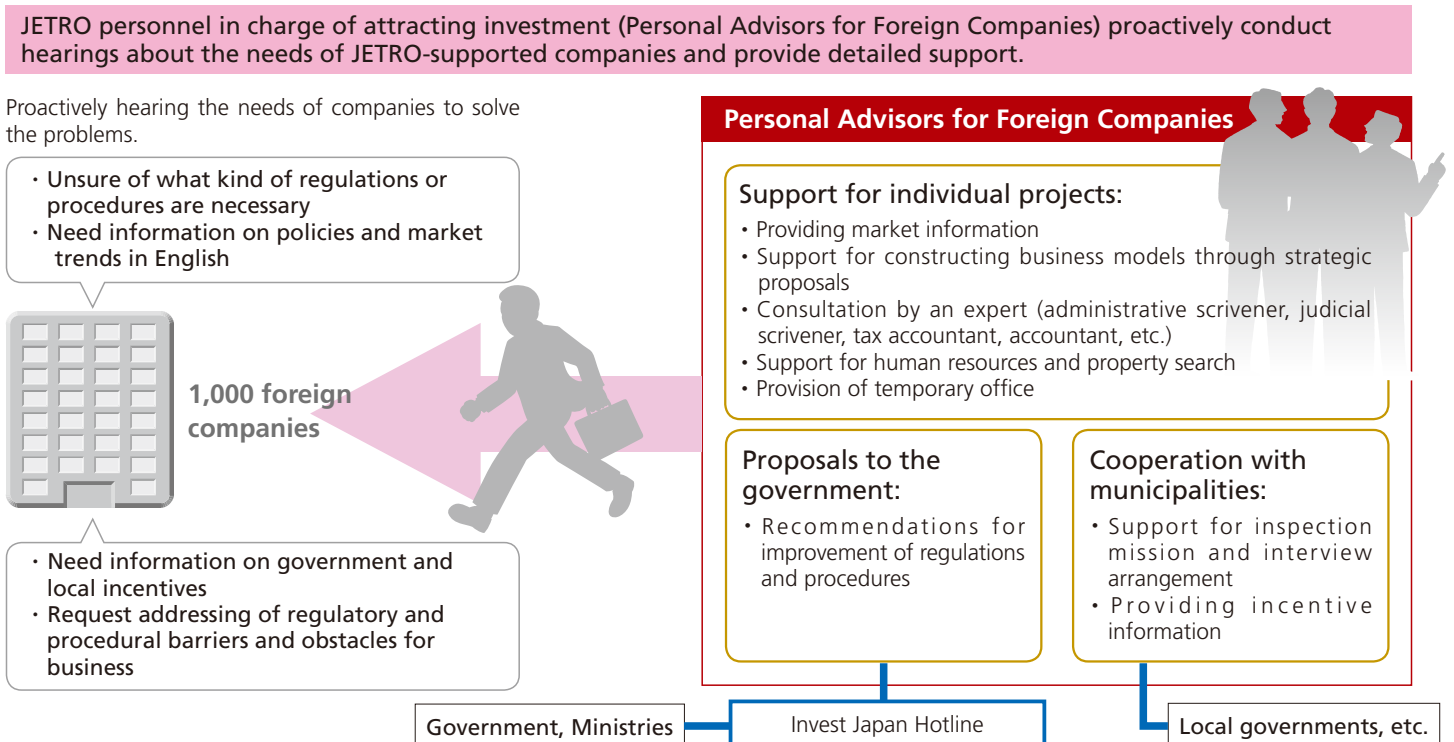
In response to the enactment of the new act, leading foreign-affiliated companies providing home lodging service gave comments welcoming the change one after another. It is expected that home lodging services will play a role as a new way to cater to rapidly increasing foreign tourists.

## (6) Personal Advisors System for Foreign Companies

In order to provide foreign companies with finely tuned support and solutions in relation to regulations and administrative procedures, the government introduced the "Personal Advisors System for Foreign Companies" (Chart 2-3). Under this system, persons in charge of attracting investment at JETRO actively identify the needs of about 1,000 companies selected for the support and speedily respond them. This initiative is also incorporated in the "Growth Strategy 2017" (Cabinet Decision on June 9, 2017). JETRO will take measures such as disseminating English information on 10 focused fields (Note), enhancing consultations for foreign companies and resolving individual issues by persons in charge and teams of specialists through cooperation with related ministries and agencies.

(Note)10 fields of focus: environment/energy, life science, tourism, service, ICT, manufacturing/infrastructure, status of residence, tax, labor/social insurance and incorporation

Chart 2-3 Outline of the Personal Advisors System for Foreign Companies



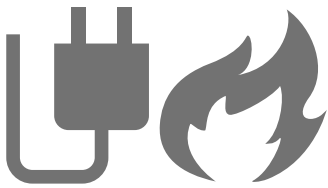


2. Past business environmental improvement efforts and their progress

(1) Progress of reform of the “bedrock regulations”

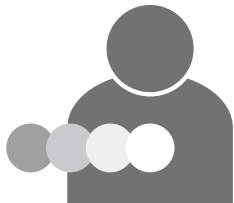
① Energy field

Full liberalization of the electricity retail market (April 2016)  
 Full liberalization of the gas retail market (April 2017)



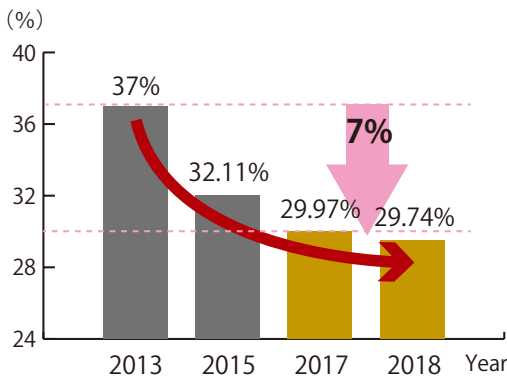
② Medical field

Introduction of an early approval system of regenerative medicine (November 2014)



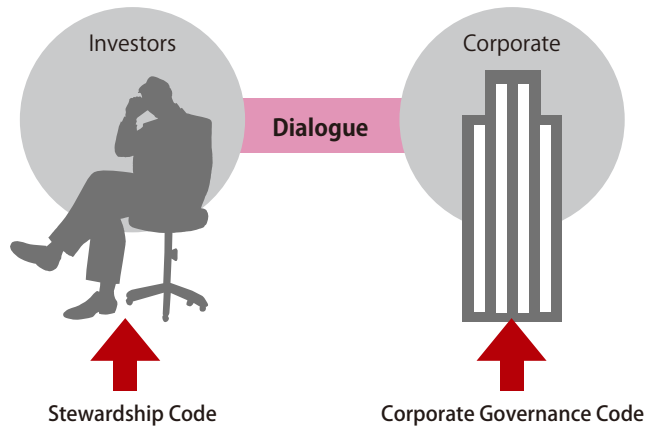
③ Reduction of the effective corporate tax rates

About 7% reduction in three years from FY2013 to 2016  
 Scheduled to be reduced to 29.74% by FY2018



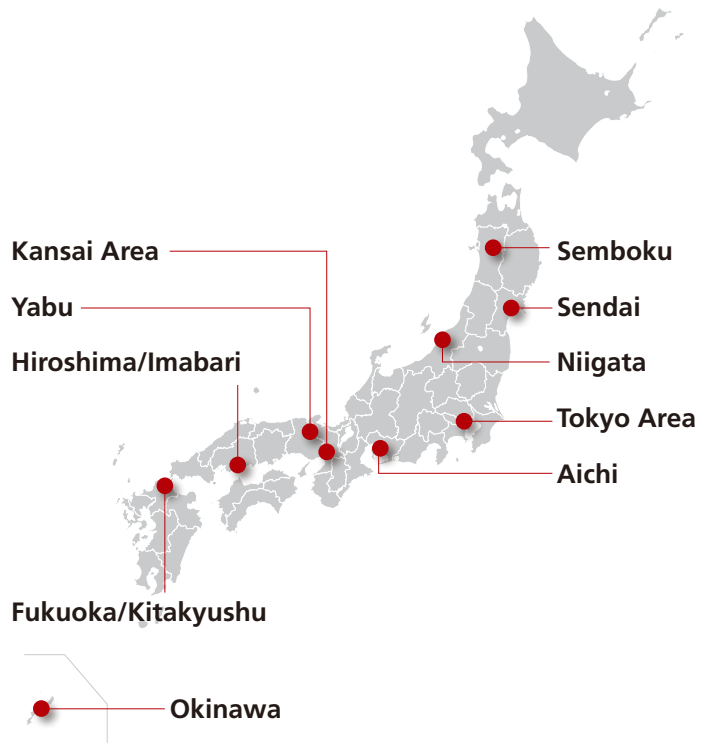
④ Enhancement of corporate governance

Formulation of Japan's Stewardship Code (February 2014)  
 Start of application of the Japan's Corporate Governance Code (June 2015)



⑤ Utilization of National Strategic Special Zones

The system was established for advanced reform of the “bedrock regulations.” Since the enactment of the law in December 2013, 10 areas have been established as special zones. More than 70 deregulation initiatives including national measures have been realized up to now. 253 projects (as of September 2017) have been certified in 10 zones and are rapidly making visible progress.



## (2) Five Promises for Attracting Foreign Businesses to Japan

The Council for Promotion of Foreign Direct Investment in Japan that was held with attendance of the Prime Minister on March 17, 2015, adopted "Five Promises for Attracting Foreign Businesses to Japan" to address issues frequently suggested by foreign companies as "obstacles to convenience."

They are, (1) Overcome language barriers at retailers and restaurants, (2) Facilitate better Internet connectivity, (3) Accommodate business jets at local airports, (4) Enhance educational environment for expatriate children, and (5) Strengthen advisory and consultation services to support foreign businesses, in order to develop an environment for foreign companies to do business easily and improving the living environment for foreigners.

Progress of efforts to realize the five promises is as follows (as of the end of FY2016).

### Chart 2-4 Progress of the "Five Promises for Attracting Foreign Businesses to Japan" (as of the end of FY2016)

#### First promise: Overcome language barriers at retailers and restaurants

Item	Progress
Multilingual retailers	<ul style="list-style-type: none"> <li>"Multilingual Guidelines for In-store Signs in the Retail Industry" developed in FY2015 were disseminated to distribution groups. Dissemination of the guidelines will continue.</li> </ul>
Multilingual medical care	<ul style="list-style-type: none"> <li>Eight medical centers, to which interpreters specialized in medical fields were assigned, were newly selected bringing the total to 27. Budget for 10 such centers are prepared for FY2017. The medical institutions will be selected from among applicants.</li> <li>In December 2015, two foreign doctors passed Japanese national examinations for medical practitioners using the English language in a National Strategic Special Zone in Tokyo. They started examination of foreign patients in September 2016.</li> </ul>
Multilingual restaurant	<ul style="list-style-type: none"> <li>Following the basic edition compiled in the previous fiscal year, the advanced edition of the "Guidebook for Inbound Services" was compiled in FY2016. Inbound service seminars were held at five places across Japan.</li> <li>As of February 2017, about 70% of stores of major food service chains have prepared multilingual menus, etc.</li> </ul>
Speech translation system	<ul style="list-style-type: none"> <li>Efforts were made to further improve the accuracy of the multilingual speech translation system and expand the technology to fields other than travel phrases.</li> <li>The multilingual speech translation application was downloaded about 621,000 times by the end of March 2017.</li> </ul>

#### Second promise: Facilitate better Internet connectivity

Item	Progress
Free Wi-Fi	<ul style="list-style-type: none"> <li>Free Wi-Fi service has been expanded for foreigners visiting Japan. As of February 2017, SoftBank is providing the service at 400,000 spots across the country; NTT BP and Wire and Wireless are offering 150,000 spots and 200,000 spots respectively.</li> <li>Usability is improved for Japan Free Wi-Fi website introducing free Wi-Fi spots along with invitation to register free Wi-Fi spot information. 143,000 spots have been registered as of March 2017.</li> </ul>

#### Third promise: Accommodate business jets at local airports

Item	Progress
Accommodate business jets at local airports	<ul style="list-style-type: none"> <li>Immigration lanes were increased by 44 in 14 airports in FY2015. In July 2015, an additional 15 immigration officers were assigned impromptu to branch offices having jurisdiction over local airports, and examination task forces of 20 members in total were deployed at two immigration offices.</li> <li>In FY2016, immigration lanes were increased by 6 in 4 airports. In September, 62 immigration officers were urgently assigned in addition to the increase of 155 officers. In October, Bio Cart for prior acquisition of information for personal identification (fingerprint and face picture) was introduced to Kansai international, Takamatsu and Naha Airports.</li> </ul>

#### Fourth promise: Enhance educational environment for expatriate children

Item	Progress
Job for international students	<ul style="list-style-type: none"> <li>Publication of the Career Support Network for International Students in Japan at seminars, etc. resulted in an increase in the number of member universities, registered international students and private companies. As of March 2017, 87 universities, about 3,000 international students and about 800 private companies are registered. The publication of the network to universities, private companies, and others will be continued.</li> <li>Job interview sessions for international students were held in August, October and March in FY2015. In FY2016, sessions were held in Tokyo (July, October and January), Saitama (May and July), Aichi (October), Osaka (November) and Fukuoka (May) with participation of 6,376 students and 473 companies in total.</li> </ul>
International schools	<ul style="list-style-type: none"> <li>In July 2015, Ministry of Education, Culture, Sports, Science and Technology asked prefectures to ease their criteria for approval of establishment of international schools in various categories.</li> <li>Tokyo reduced the requirement of land/building lease years from 20 to 10 years in January 2016.</li> </ul>
Teaching English in elementary schools	<ul style="list-style-type: none"> <li>Assistant Language Teachers (ALTs) of the Japan Exchange and Teaching Program (JET Program) were increased from 4,101 of FY2014 to 4,404 in FY2015 and 4,536 in FY2016. The goal is to increase the number to 6,400 by FY2019.</li> <li>The number of ALTs (including those other than of JET Program) employed in elementary schools increased from 7,735 in December 2013 to 10,163 in December 2014, 11,439 in December 2015 and 12,424 in December 2016. The promotion of their employment will be continued.</li> </ul>

#### Fifth promise: Strengthen advisory and consultation services to support foreign businesses

Item	Progress
Investment Advisor Assignment System	<ul style="list-style-type: none"> <li>The "Investment Advisor Assignment System" was established. In this system, State Ministers act as advisors to companies that have made important investments in Japan. Nine companies were selected in March of 2016.</li> <li>Operation of the system started in April 2016 and State Ministers interviewed the companies 12 times in total by the end of FY2016.</li> </ul>
Collaboration with local governments	<ul style="list-style-type: none"> <li>"Portal site for creation of the global economic cycle for regional economies" was built to attract companies to provincial regions and was launched in August 2015.</li> <li>The portal site was made multilingual (English, French, Chinese and Korean) in FY2016 to disseminate information of local products registered with the site.</li> </ul>

### (3) Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub

On May 20, 2016, The Council for Promotion of Foreign Direct Investment in Japan adopted the "Policy Package for Promoting

Foreign Direct Investment into Japan to Make Japan a Global Hub."

One of the pillars of the package is efforts focused on smooth activities by foreign companies and foreigners. Major progress (and initiatives scheduled for FY2017 and after) as of the end of FY2016 is as follows.

**Chart 2-5 Progress of the "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub" (as of the end of FY2016)**

#### (1) Improvements in regulations and administrative procedures

Item	Progress
The Council for Promotion of Foreign Direct Investment in Japan will draw conclusions within one year as to how regulations and administrative procedures pertaining to foreign companies can be simplified. Matters to be addressed ahead of others will be started promptly by deciding on concrete measures by the end of the year	<ul style="list-style-type: none"> <li>Working Group for Revising Regulations and Administrative Procedures met four times since August 2016. Members discussed the regulatory and administrative procedures that were criticized for their complexity concerning foreign companies' investment in Japan and business development. The fourth session of the working group held on December 22, 2016, compiled initiatives to be implemented by ministries and agencies as the "Immediate Report."</li> <li>The fifth session of the Working Group for Revising Regulations and Administrative Procedures was held on April 24, 2017, and adopted the "Final Report" of the working group.</li> </ul>
Additional 500 laws and regulations at minimum will be translated into foreign languages by FY2020.	<ul style="list-style-type: none"> <li>Translation of additional 97 laws and regulations were published in FY2016.</li> <li>With regard to procedures and the form of written application of registration, visa and labor procedures necessary when foreign companies establish and operate a company in Japan, samples explaining points and showing examples of items listed were posted on the JETRO website (December 2016)</li> </ul>
Expand the functions at the Tokyo One-Stop Business Establishment Center from current consultation, etc. to acceptance of applications, etc.	<ul style="list-style-type: none"> <li>Function of the center was expanded on December 22, 2016 to accept all eight types of applications at the application window.</li> <li>The environment was improved to enable submission of electronic applications in six fields, including registration, taxation and pension, while improving the support system.</li> <li>The scope of corporations that can make applications for residence status will be expanded by stages for corporations within five years after establishment</li> </ul>

#### (2) Attracting and fostering globally competitive human resources

Item	Progress
The residence period requirement for highly-skilled foreign professionals to apply for permanent residence permission will be significantly shortened from five years. (One of the world's most quickly obtainable "Japanese-version green card" system for highly-skilled foreign professionals)	<ul style="list-style-type: none"> <li>Related ordinances, guidelines, etc. were revised in April 2017 to establish Japanese Green Card for Highly-Skilled Foreign Professionals system and added special bonus points to the point-based system.</li> </ul>
Online application for status of residence will start in FY2018.	<ul style="list-style-type: none"> <li>For facilitation and speedup of status of residence procedures including going online, specific contents are under consideration at the Ministry of Justice.</li> <li>In order to start online procedures related to status of residence in FY2018, necessary preparation will be made after studying the entire picture of the online procedures including the scope of covered procedures and details of the system in the first half of FY2017.</li> </ul>
Promote acceptance of foreign housekeeping support workers in National Strategic Special Zones (in addition to Kanagawa prefecture and Osaka city, Tokyo and other areas will also implement the projects in response to demand).	<ul style="list-style-type: none"> <li>A third-party administrative council consisting of the national and local governments was set up and started to accept applications for confirmation that the enterprises intending to accept foreign housekeeping support workers meet a certain standard (Kanagawa prefecture: March 2016, Osaka city: June 2016, Tokyo: November 2016)</li> <li>From March 2016 foreign housekeeping support workers have entered the country and started to provide housekeeping services to user households.</li> </ul>
Increase the proportion of international students employed in Japan after graduation from approximately 30% to 50% by FY2020	<ul style="list-style-type: none"> <li>Dissemination of information on employment of international students and employment support for them at workshops for educational institutions (three sessions) and seminars for private companies to employ and utilize international students (five sessions)</li> <li>Worked to increase use of the Career Support Network for International Students in Japan and conducted broad-based public relations and enlightenment activities to invite companies to register their recruiting offers. As a result, 87 universities, about 800 private companies and about 3,000 international students were registered.</li> <li>Job fairs for international students, etc. were held in cooperation with Japanese companies and Japanese overseas affiliated companies in five cities of Japan and ASEAN.</li> </ul>
Preferential treatment of simplifying the application procedures for changing the status of residence for international students who have completed specified programs of Japanese business culture or business Japanese, internships, etc.	<ul style="list-style-type: none"> <li>Regarding the preferential treatment for acquiring status of residence by people completing a human resource development program using ODA or other public funds, public comment on bonus points in the points-based system for highly-skilled foreign professionals was conducted from January 18 to February 16, 2017.</li> <li>Related ministry ordinances, etc. were revised and enforced in April 2017. Regarding simplification of documents to be submitted for status of residence application, the Ministry of Foreign Affairs and the Ministry of Justice continue to discuss its operation.</li> </ul>
A total of 20,000 or more external human resources including Assistant Language Teachers (ALTs) will be deployed at all elementary schools by FY2019.	<ul style="list-style-type: none"> <li>As of December 2016, the total number of ALTs, etc. employed in elementary schools was 12,424, an increase of 985 from the previous year.</li> <li>Publication for use of the instructor dispatch project for the JET Program, supplementary lessons, and special teacher's certificate, etc.</li> <li>The goal is to increase the number of ALTs of the JET Program to at least 6,400 by FY2019.</li> </ul>

#### (3) Improvement of the living environment for foreign nationals

Item	Progress
Japanese language support will be made available by 2020 to all elementary and junior high schoolchildren who require it. (As of FY2014, it is available to approximately 80% of such schoolchildren)	<ul style="list-style-type: none"> <li>Based on the revision of the Compulsory Education Standard Act, the set number of teachers will be calculated according to the number of schoolchildren who need special support according to their Japanese proficiency from FY2017.</li> <li>Based on the report of an expert committee compiled in June 2016, support will be provided to local governments working to establish systems for promotion of enrollment of returnees and foreign schoolchildren to schools and enhancement of Japanese language support.</li> </ul>
Increase the proportion of elementary and junior high schools that introduce the Japanese as a Second Language (JSL). Policy goals will be set.	<ul style="list-style-type: none"> <li>Support for local governments working to establish systems for enhancement of Japanese language support, etc. was expanded in the FY2017 budget.</li> <li>Based on the result of the Survey on Enrollment of Pupils Who Require Japanese Language Support 2016, concrete policy goals will be set.</li> </ul>
Increase the number of medical institutions to around 40 across Japan that are equipped with the capabilities to accept foreign patients by the end of FY2016.	<ul style="list-style-type: none"> <li>Support was provided for establishment of systems to accept foreign patients including assignment of interpreters specialized in medical fields and medical coordinators and multilingual hospital documents.</li> <li>Continue to support assignment of interpreters specialized in medical fields and medical coordinators so that foreigners can receive medical services safely and with security in Japan.</li> </ul>
Information of medical institutions, banks, mobile phone operators, and electricity/gas suppliers offering services in foreign languages will be posted on JETRO's website in an integrated manner.	<ul style="list-style-type: none"> <li>Sites of medical institutions, banks, mobile phone operators, and electricity/gas suppliers that can offer services in foreign languages were posted on JETRO's website in an integrated manner. (December 2016)</li> <li>The contents and convenience will be further improved from the perspective of users.</li> </ul>



## Toward improvement of “Doing Business” ranking

column

According to the report “Doing Business 2018” issued (end of October 2017) by the World Bank Group, the overall ranking of Japan’s business friendliness comes 34th among 190 economies, ranking the same as the previous year. The Japanese government has been working to improve the country’s business environment, but the ranking in all 190 countries did not improve since the other countries have also made efforts. (The rank among OECD high income economies moved up by two places in the ranking from the 26th of the previous year to the 24th).

Ten indicators used for evaluation in “Doing Business” are: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Overall ranking is determined based on the DTF Score (Note) calculated for each indicator.

In recent years, the overall DTF score of Japan has tended to improve, and it increased by 0.07 points from the previous year in 2018. In addition, in “Paying taxes”, reduction of corporate tax rate was highly appreciated as the progress was made.

On the other hand, looking at the detail of “Starting a business,” Japan’s scores of cost and paid-in minimum capital are in the top class while the score concerning the number of procedures is low. With regard to “Trading across borders,” scores of documentary compliance (time for documentary requirements in the export and import clearance process) is high while the scores of time/cost required for cargo inspection and transportation are relatively low.

For “Enforcing contracts,” the scores of electronic filing of initial complaint and electronic service of process for claims are low in the indicator concerning the quality of judicial processes.

In light of the above, the government states in the “Growth Strategy 2017” (Cabinet Decision on June 9, 2017) that (1) the public and private sectors will undertake full-scale examination to enable users to process all procedures online with one-stop and will reach a conclusion by the end of FY2017, (2) regarding general trade procedures, for overall optimization to realize shortening of cargo detention time, public and private consultation bodies will be set up, promptly start studies and draw a conclusion by the end of FY2017, (3) in order to implement prompt and efficient trials, the government will consider measures to promote IT in procedures for trials, and will draw conclusions by the end of FY2017.

Moreover, the government aims to reduce the costs of administrative procedures more than 20% by March 2020. The simplification of administrative procedures will be enforced through three principles: thorough digitalization of administrative procedures (digital-first principle), no second request for the same information to businesses (once-only principle), and harmonization of formats. By reducing procedural burdens from the standpoint of businesses, it is expected to contribute to the improvement of the evaluation on the Japanese business environment in the future.

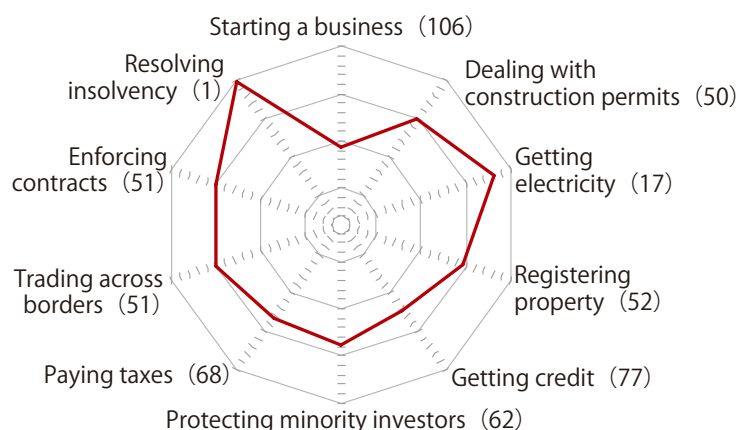
(Note) Abbreviation for Distance to frontier. A line is drawn from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. DTF score of each economy is determined based on its place on the line.

Chart 2-6 Changes in Japan’s overall ranking

2017		2018	
1	New Zealand	1	New Zealand
2	Singapore	2	Singapore
3	Denmark	3	Denmark
4	Hong Kong	4	Korea, Rep
5	Korea, Rep	5	Hong Kong
6	Norway	6	US
23	Malaysia	23	Iceland
24	Poland	24	Malaysia
25	Portugal	25	Mauritius
26	United Arab Emirates	26	Thailand
27	Czech Republic	27	Poland
28	Netherlands	28	Spain
29	France	29	Portugal
30	Slovenia	30	Czech Republic
31	Switzerland	31	France
32	Spain	32	Netherlands
33	Slovak Republic	33	Switzerland
34	Japan	34	Japan

[Source] “Doing Business 2017, 2018” (World Bank)

Chart 2-7 Japan’s ranking of individual indicators in FY2018



[Note] Numbers in ( ) indicate the rankings out of 190 countries.  
[Source] “Doing Business 2018” (World Bank)

## Further attraction of highly-skilled foreign professionals

## column

The jobs-to-applicants ratio in May 2017 was the highest in the past 43 years, while the unemployment rate remained at a low level and the labor supply-and-demand situation is tight in Japan. The Employment conditions DI from the BOJ's Tankan shows that "insufficient employment" is spreading in all industries. As the country is facing a super aging society with fewer children ahead of other countries, the outlook for the labor force population is severe. This inevitably makes "securing of labor force" and "productivity improvement" important themes for Japanese society, and we can afford no further delay in "work-style reform" that can contribute to their success.

One of the possible measures for "securing of labor force" and "productivity improvement" is acceleration of innovation under the rapidly progressing Fourth Industrial Revolution. For this purpose, it is essential to secure human resources including researchers and engineers with advanced knowledge and skills. In a survey of foreign-affiliated companies by JETRO, many respondents pointed out as a challenge the shortage of engineers capable of communication in non-Japanese languages (see Chapter 4). With the worldwide competition for human resources getting stiffer, further expansion of acceptance of highly skilled foreign professionals as well as fostering of globally competitive Japanese human resources is an urgent issue.

In the context of rising protectionism worldwide in recent years, it is a great opportunity for Japan to invite excellent foreign human resources. For example, in April 2017, the government established the Japanese Green Card for Highly Skilled Foreign Professionals system, which has made Japan's immigration control system for highly skilled foreign professionals "very open."

For improvement of the living environment, the government will provide a curriculum of integrated teaching of Japanese and other subjects (JSL: Japanese as a Second Language) to all foreign children (elementary and junior-high students) who require it as early as possible. In addition, "medical institutions that are equipped with the capabilities to accept foreign patients" including reception through support for assignment of interpreters specialized in medical fields will be prepared in 100 places by the end of FY2017.

For promotion of inward FDI in Japan, it is crucially important to get publicity for "Japan open to the world." In the "Growth Strategy 2017" the government aims to certify 20,000 highly skilled foreign professionals by the end of 2022 through active public relations under the slogan of "Open for Professionals" in order to further invite entrepreneurs and highly skilled foreign professionals.