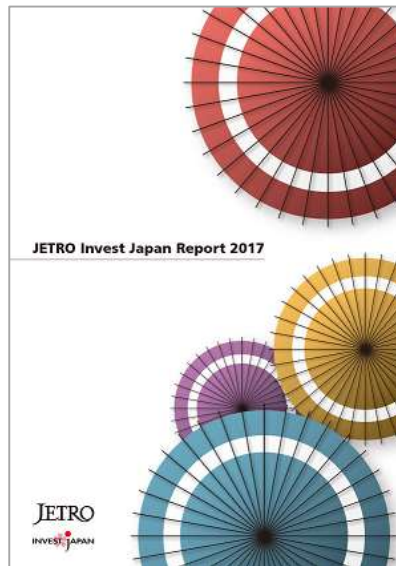


Publication of JETRO Invest Japan Report 2017

Foreign Technology Contributes to Innovation in Japanese Society



December 5, 2017

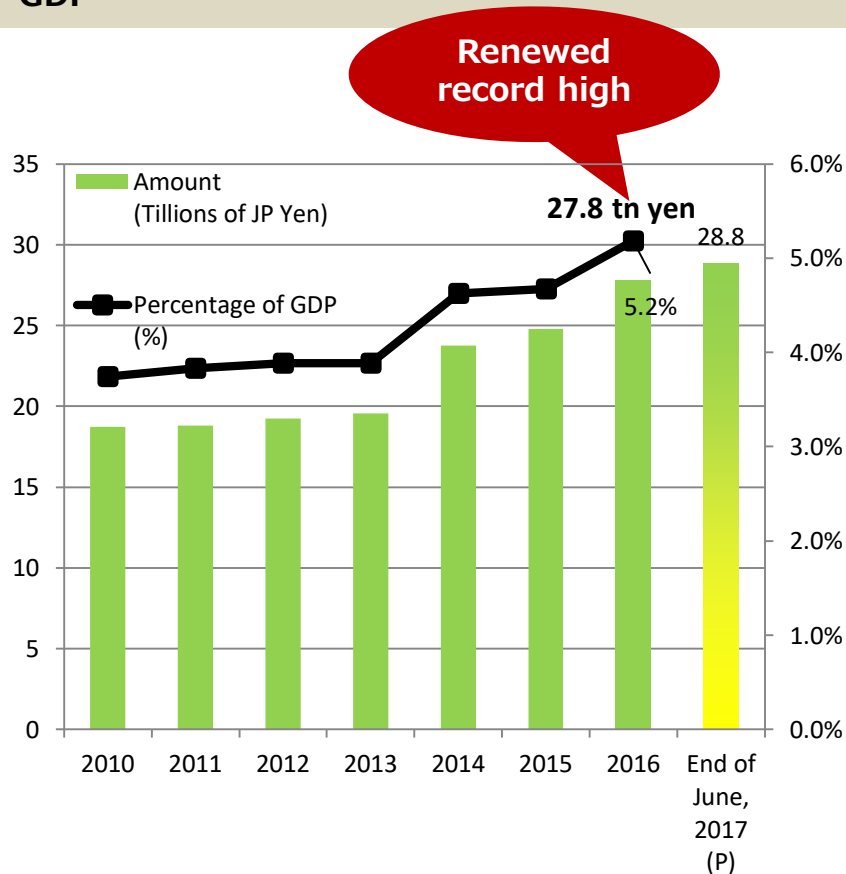
Japan External Trade Organization (JETRO)



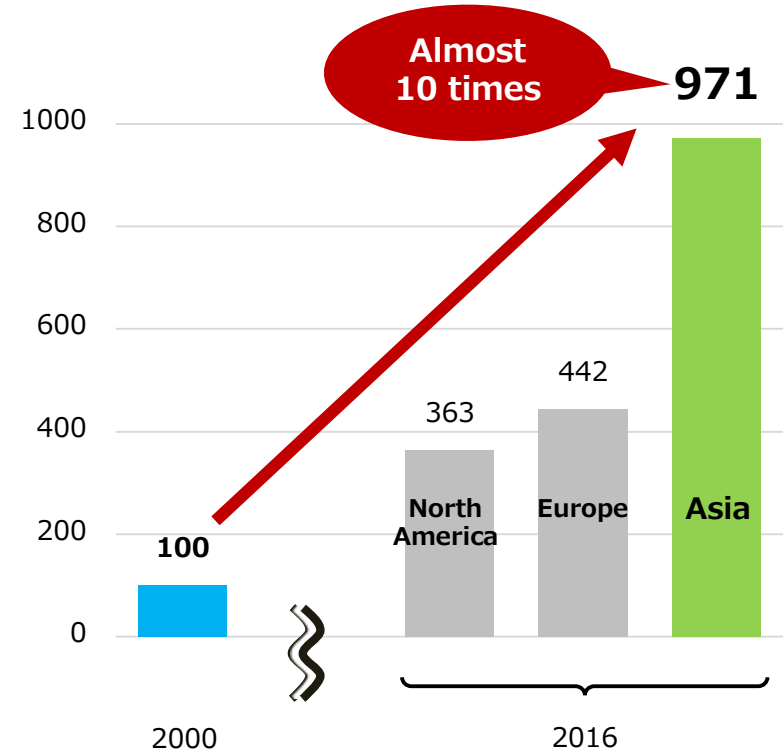
Significant increase in Japan's inward FDI Stock and inflow both mark record highs

- Japan's inward FDI stock at the end of 2016 was 27.8 trillion yen, renewing a record high.
- Inward FDI stock from Asia, the fastest growing investor region, has increased to 10 times above 2000 levels.

Inward FDI stock and its portion in the nominal GDP



Growth of inward FDI stock by region (growth ratio when the stock as of year 2000 is 100)





Significant increase in Japan's inward FDI

Stock and inflow both mark record highs

- The net inflow of Japan's inward FDI in 2016 marked 3.8 trillion yen (about six times that of the previous year), a record high since 1996 when comparisons could be made.
- Acquisition of the management of Kansai International Airport and Osaka International Airport was the largest M&A in 2016.

Changes in the flow (net) of inward FDI into Japan by country/region

(Billion yen)

	2014	2015	2016	Year-on year (%)	2017 Jan.-Sep. (P)
Asia	678.2	673.7	903.7	134.1	525
China	80.2	77.8	-15.1	-	65
Hong Kong	227.9	117.8	145.8	123.8	-35
Taiwan	126.4	87.6	258.9	295.5	57
Korea	69.9	114.0	61.2	53.7	71
ASEAN	173.6	274.8	453.9	165.2	367
Singapore	144.0	222.9	383.0	171.8	390
North America	758.6	629.7	629.8	100.0	440
US	757.6	631.2	632.3	100.2	450
Latin America	72.9	-248.4	180.8	-	159
Oceania	61.8	-75.9	90.8	-	-2
Europe	440.9	-339.0	2,012.7	-	111
EU	375.8	-314.5	1,896.3	-	58
World	2,074.5	667.5	3,830.7	573.9	1,237

Major inward M&A deals in Japan in 2016 (completed)

(Billion yen)

Date effective	Target		Acquirer			Value
		Industry		Parent country /region	Industry	
Apr	New Kansai Intl-Op Concession	Transportation & infrastructure	an SPV formed by ORIX-VINCI Airports consortium	-	Investors' group	2,205.0
Aug	Sharp	Electronics	Hon Hai Precision Industry	Taiwan	Electronics	388.8
Feb	One M Logistics 2	Real estate	LaSalle LOGIPORT REIT	US	Real estate investment trust	161.4
Apr	Astellas Pharma-Dermatology (Overseas dermatology business)	Pharmaceuticals	LEO Pharma	Denmark	Pharmaceutical	89.1
May	Takeda Pharm-Respiratory (Respiratory medicine business)	Pharmaceuticals	AstraZeneca	UK	Pharmaceutical	69.9
Jun	Toshiba Lifestyle Products & Services	Consumer electronics	Midea International	China	Consumer electronics	51.4



Significant increase in Japan's inward FDI Stock and inflow both mark record highs

- The number of successful startups and business expansions of foreign/foreign-affiliated companies supported by JETRO has increased by 2.5 times from five years ago.

Total number of investment projects supported by JETRO
(FY2003-2016)

Supported Projects

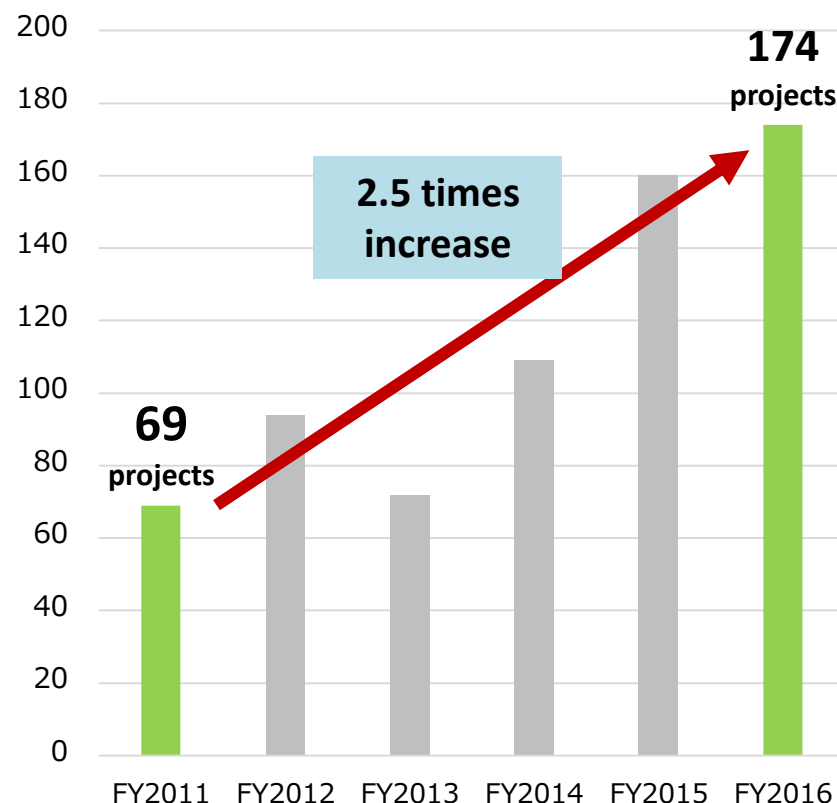
15,972 projects



Successful startups
and business expansion

1,579 projects

Number of successful startups and business expansions of
foreign/foreign-affiliated companies supported by JETRO



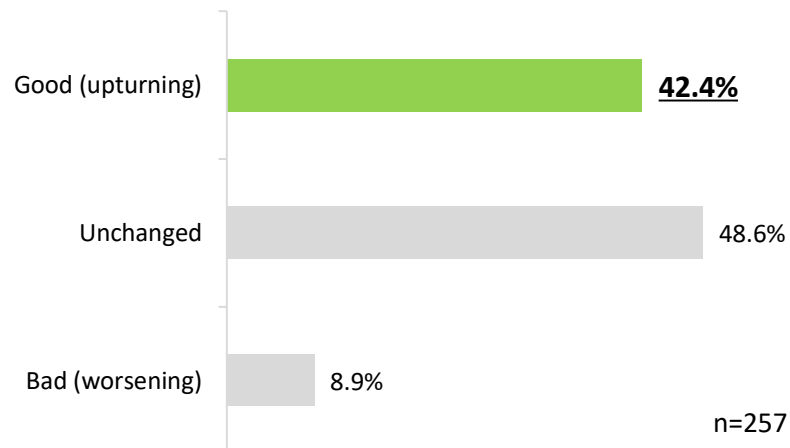


Significant increase in Japan's inward FDI

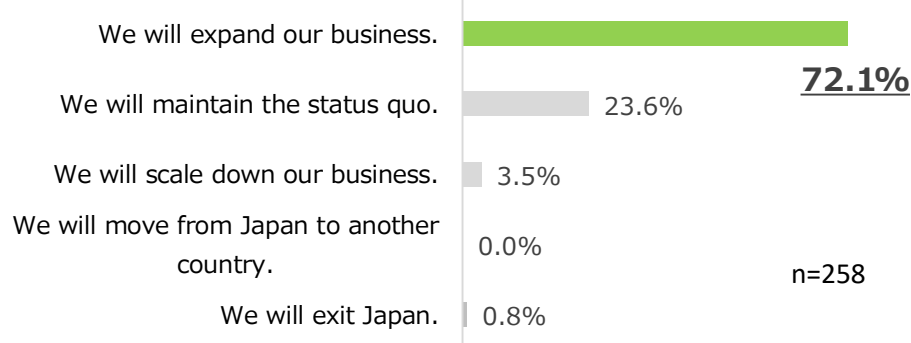
Stock and inflow both mark record highs

- 70% of foreign-affiliated companies plan to expand their business and employment.

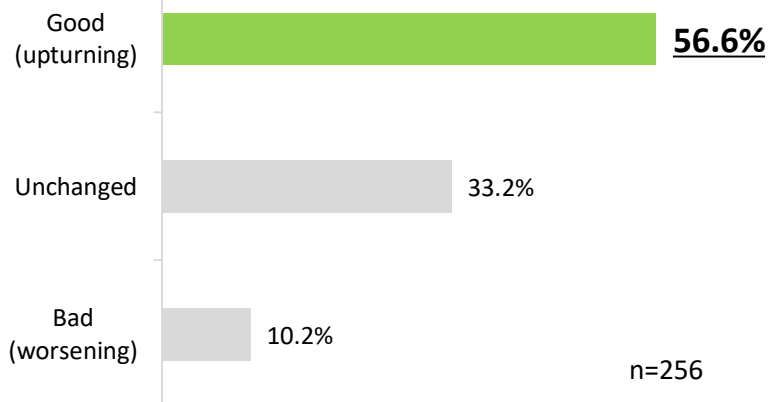
Current business conditions compared with the previous year



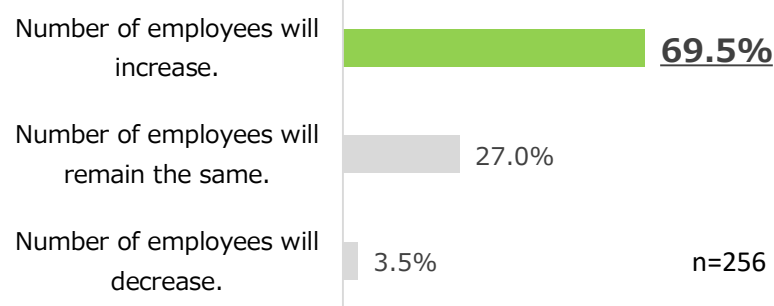
Investment plans within the next five years



Outlook of business conditions in Japan (over the next one or two years)



Projected number of employees in Japan (within the next five years)



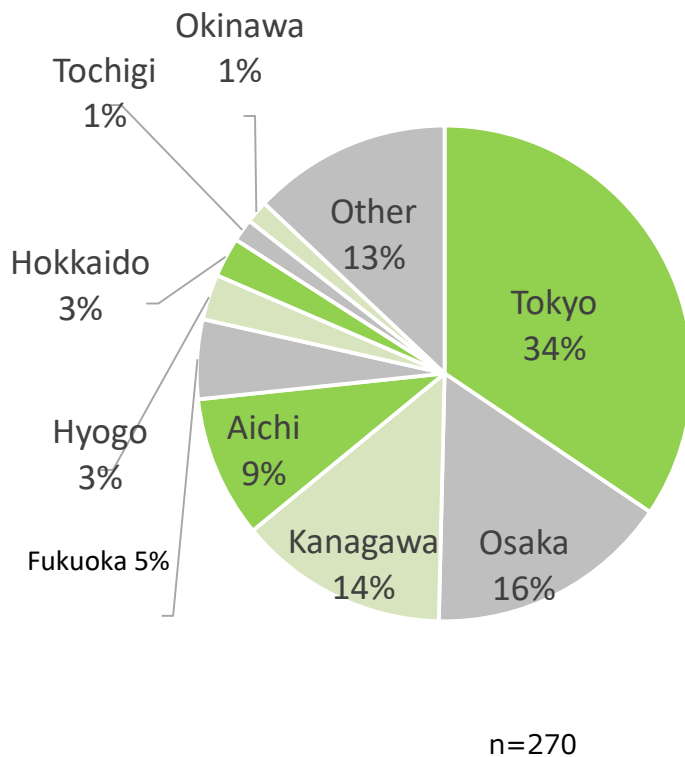


Significant increase in Japan's inward FDI

Stock and inflow both mark record highs

- 66% of potential locations being considered by companies for secondary investment were prefectures other than Tokyo.

Locations of secondary investment (top two prefectures) and types of business to expand



Rank	Prefecture	No. of projects	Most selected	Second most selected	Third most selected
1	Tokyo	93	Sales	Customer service	Manufacturing, R&D
2	Osaka	43	Sales	Customer service	Manufacturing, R&D
3	Kanagawa	37	Sales	Customer service	R&D
4	Aichi	25	Sales	Customer service	Manufacturing
5	Fukuoka	14	Sales	Customer service	Logistics
6	Hyogo	8	Sales	R&D	Manufacturing
7	Hokkaido	7	Sales	Customer service	Other
8	Tochigi	4	Manufacturing, R&D	-	-
8	Okinawa	4	Manufacturing	Sales, Customer service	-
	Other	35			



Contributing to solving Japan's problems through technologies of the Fourth Industrial Revolution (such as IoT and AI)

Philips Japan (Netherlands) - Countermeasures for medical specialist shortage, improvement of labor productivity, promotion of regional cooperation among hospitals and quality improvement in healthcare

- With needs for ICUs increasing year by year, addressing the **shortage of medical specialists and improvement of utilization efficiency of ICUs have become challenges** in Japanese hospitals.
- Philips Japan set up an R&D center in Showa University Hospital in February 2017, and started researching a “remote management program for intensive care patients” to network ICUs of multiple hospitals.
- The system enables remote monitoring of conditions, bio-information, medication history, etc. of ICU patients through a network.
- **Through an effective approach drawn up by combining big data from more than 3 million cases, the length of stay in ICUs was reduced by 20% in a comparative experiment in the US .**
- **One medical specialist and three nurses can monitor 150 patients from a control center.** Because a limited number of medical specialists and nurses can effectively care ICU patients, **the system can be used for medical cooperation with local hospitals suffering from medical specialist shortage.**





New Trend in inward FDI in Japan

Foreign technology contributing to innovation in Japanese society

Foreign-affiliated EC companies establishing procurement bases in Japan

vip.com (China)

- Chinese B-to-C EC site operator which ranks third in total B-to-C transactions in China (the number of users exceeds 200 million).
- Established a Japanese corporation in Tokyo in January 2016. Established a system to directly handle the entire process from product procurement to sales to **distribution to ensure a steady supply of Japanese brand products to Chinese consumers by sourcing products directly from makers and exclusive agents.**
- Aims **to be a strategic partner for Japanese companies to develop overseas markets** by building a collaborative relationship to discover potential best sellers and develop them into attractive goods.
- Hopes **to contribute to regional vitalization in Japan** by selling “hidden treasures” rooted in communities of Japan to Chinese consumers.



Creating new value through “sharing economy” business model

honestbee (Singapore)

- A company that provides personal shopping services with a focus on fresh food and groceries.
- After customers place their orders through an application it has uniquely developed, it fulfills the customers' desired orders and requests and delivers them in as short as one hour to customers' homes, saving them both time and labor.
- **As the lifestyles of people are diversifying, the service features a business model based on a sharing economy where individuals such as housewives and students utilize their spare time for productive and flexible work.**
- **It is expected to help customers in their daily life and also promote employment and vitalize economy of communities.**



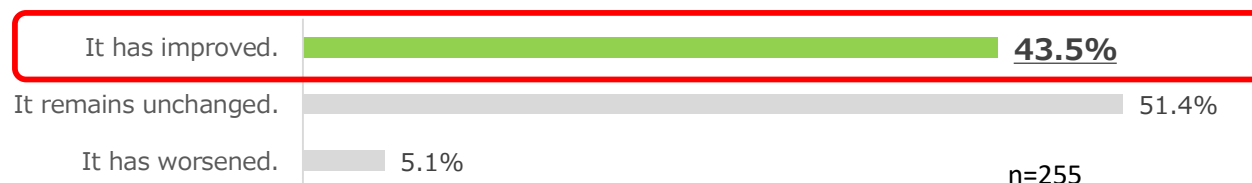


New Trend in inward FDI in Japan

Foreign technology contributing to innovation in Japanese society

- Efforts by foreign-affiliated companies may indicate solutions for Japanese companies and society to pursue “improvement of productivity” and “work-style reform.”

Productivity compared with one or two years ago



Measures implemented in order to enhance productivity (multiple answers)

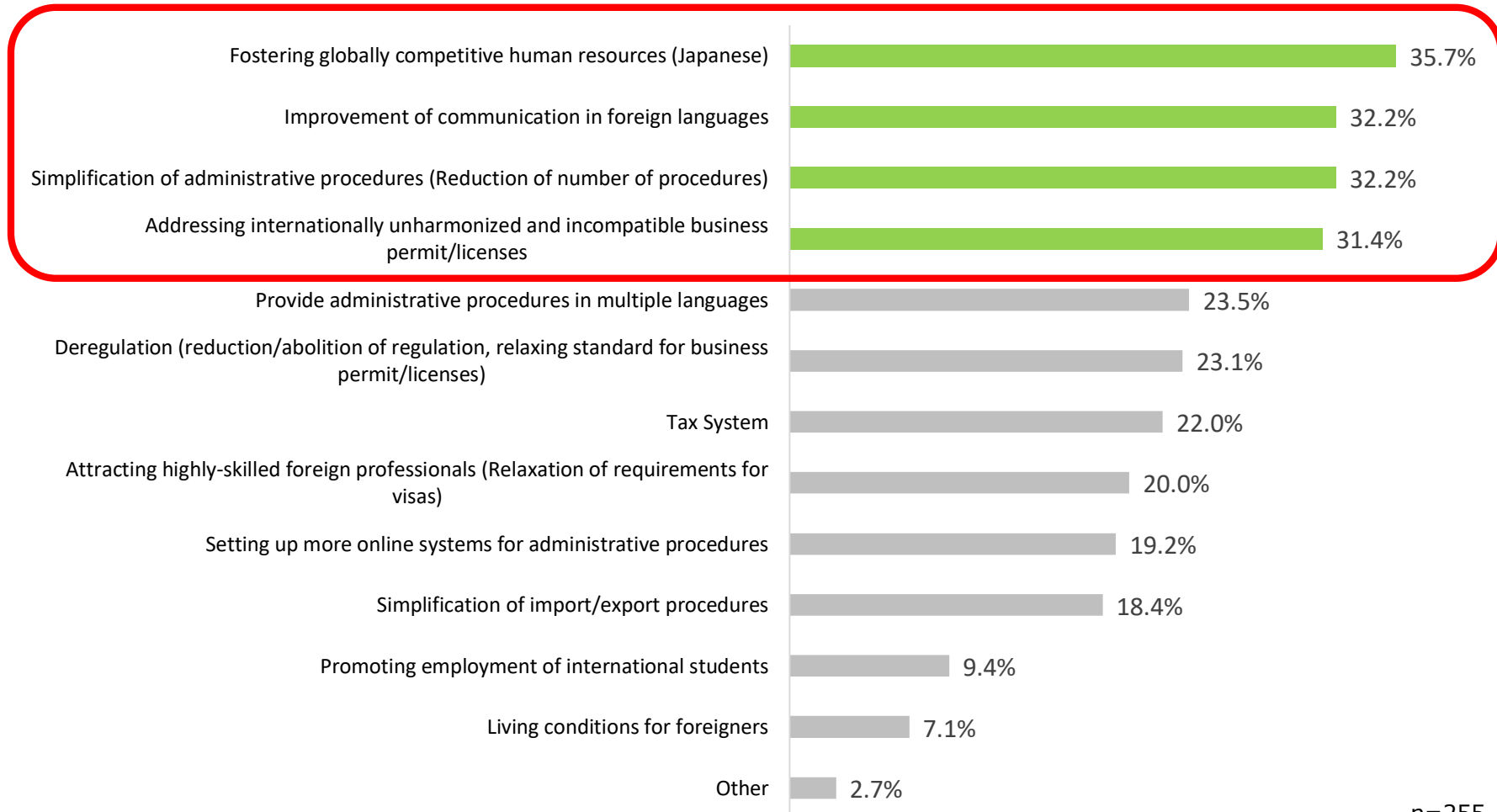




Making Japan the most business-friendly country in the world

- The most frequent request to the Japanese government and industries is “fostering globally competitive human resources.”

Improvement by the Japanese government or industries, which you would like to see (multiple answers)



n=255

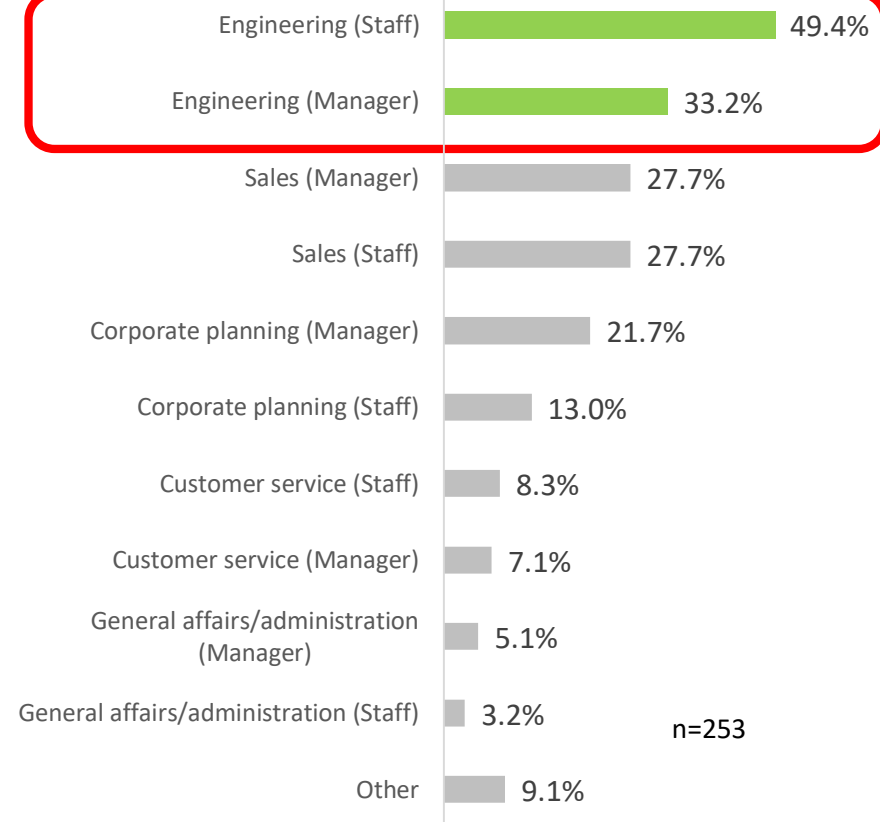


- Foreign-affiliated companies feel difficulty in securing “engineers who can communicate in foreign languages.”

Issues particularly troublesome for securing human resources (top two options)



Category of jobs most difficult to fill (multiple answers)

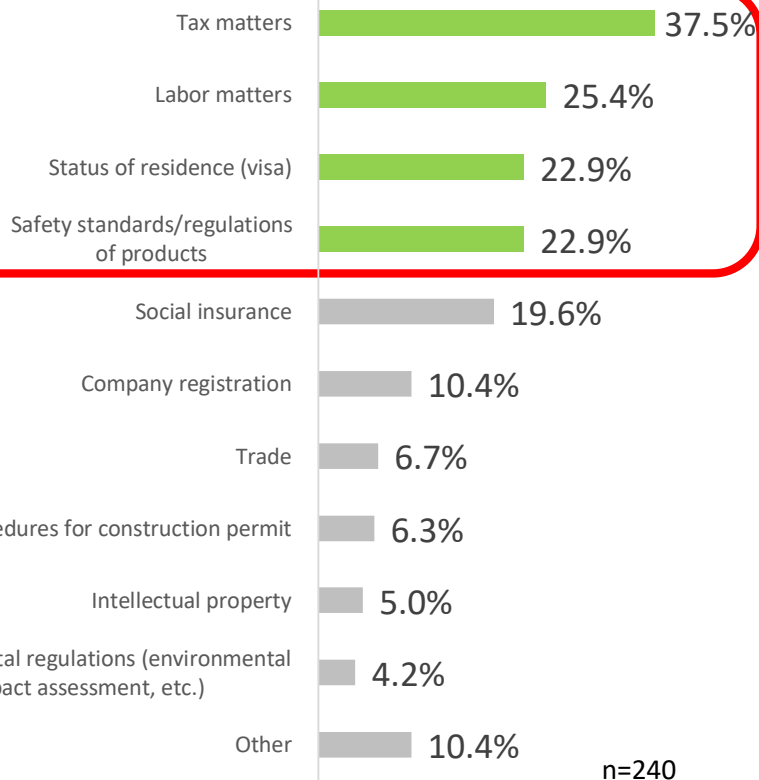




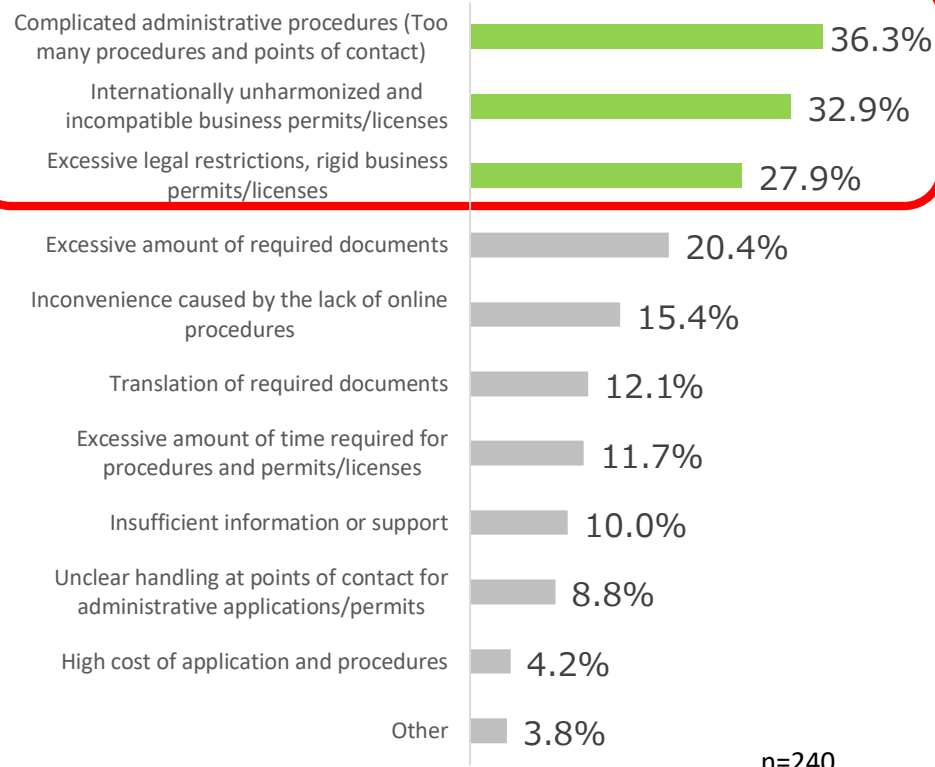
Making Japan the most business-friendly country in the world

- Regarding “rigid and complicated administrative procedures and regulations,” many pointed out “too many procedures and points of contact” and “internationally unharmonized and incompatible business permits/licenses” in matters such as “tax matters,” “labor matters,” “status of residence” and “safety standards/regulations of products.”

Administrative procedures and regulations that need improvement (top two options)



Specific issues needing improvement regarding administrative procedures/regulations (top two options)





1. JETRO will contribute to the acceleration of innovation and solutions to problems that Japan faces through the promotion of inward FDI.

- JETRO will strengthen the support for foreign companies entering Japan who possess innovative technology and new business models. By taking in these elements, JETRO will certainly contribute to addressing issues that Japan faces such as the shortage of labor.

2. JETRO will contribute to resolving challenges that foreign/foreign-affiliated companies face.

- Through the recently introduced “Personal Advisor System for Foreign Companies,” JETRO will contribute to resolving challenges that foreign/foreign-affiliated companies face, by actively identifying the needs of about 1,000 companies selected for support and bringing proposals to the government.
- Regarding the securing of human resources in particular, a serious administrative challenge for companies, JETRO will hold more networking events for international students, global human resources and foreign-affiliated companies in local cities. JETRO will seek solutions together with companies by collaborating with local universities and strengthening outreach toward students in the science and engineering majors whom companies are longing to hire.

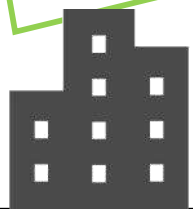


Personal Advisors System for Foreign Companies

JETRO personnel in charge of attracting investment (Personal Advisors for Foreign Companies) proactively conduct interview surveys on the needs of JETRO-supported companies and provide detailed support.

Proactively hearing the needs of companies to solve the problems.

- Unsure of what kind of regulations or procedures are necessary
- Need information on policies and market trends in English



1,000 foreign companies



- Need information on government and local incentives
- Request addressing of regulatory and procedural barriers and obstacles for business



Personal Advisors System for Foreign Companies

Support for individual projects:

- Providing market information
- Support for constructing business models through strategic proposals
- Consultation by an expert (administrative scrivener, judicial scrivener, tax accountant, accountant, etc.)
- Support for human resources and property search
- Provision of temporary office

Proposals to the government:

- Recommendations for improvement of regulations and procedures

Cooperation with municipalities:

- Support for inspection missions and interview arrangement
- Providing incentive information

Government, ministries

Local governments, etc.



JETRO's efforts going forward

**Foreign staff members assigned to desks dedicated to specific country/region
(North America, China, Taiwan, ASEAN, India and Korea)**

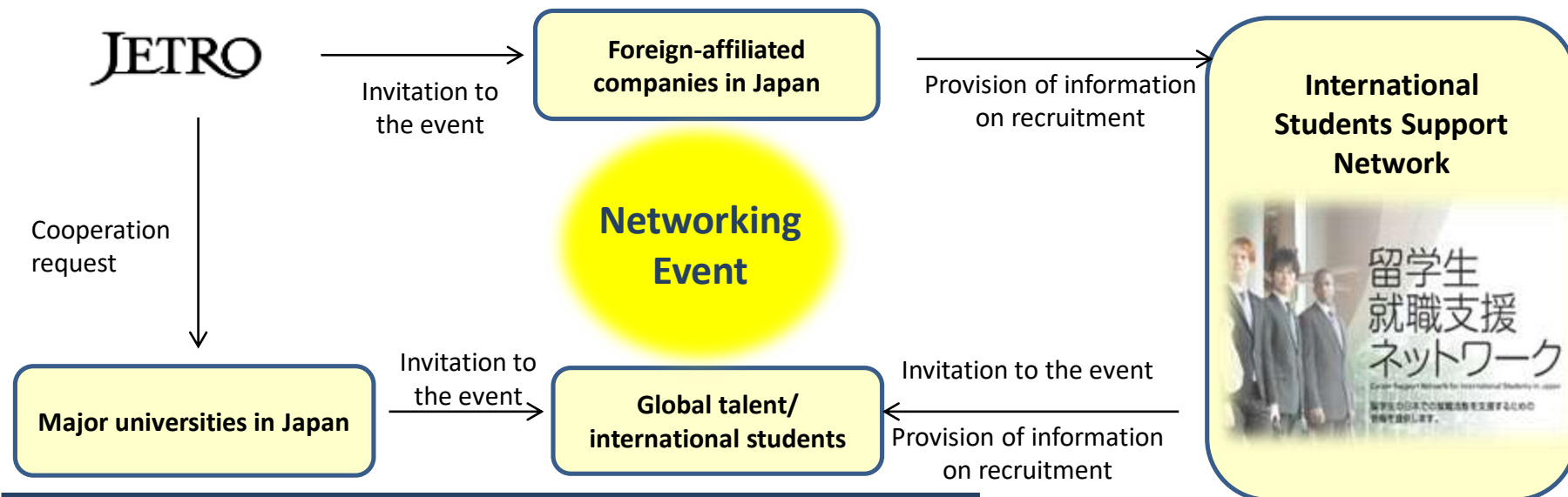
Six staff members respond to inquiries from companies in their respective languages based on the understanding of the business and culture of the country/region





Assisting foreign-affiliated companies with their access to global talent

- Foreign-affiliated companies in Japan point out “difficulty in finding human resources” as their administrative challenge. On the other hand, raising the graduate employment rate of international students who wish to work in Japan is a policy issue.



Exchange Students/Global talent & Foreign-affiliated Company Networking Event

Date & time: Wednesday, October 18, 2017, 13 : 00~18 : 00

Venue: JETRO Exhibition Hall / Conference room

Co-organizer: International Students Support Network

Participants:

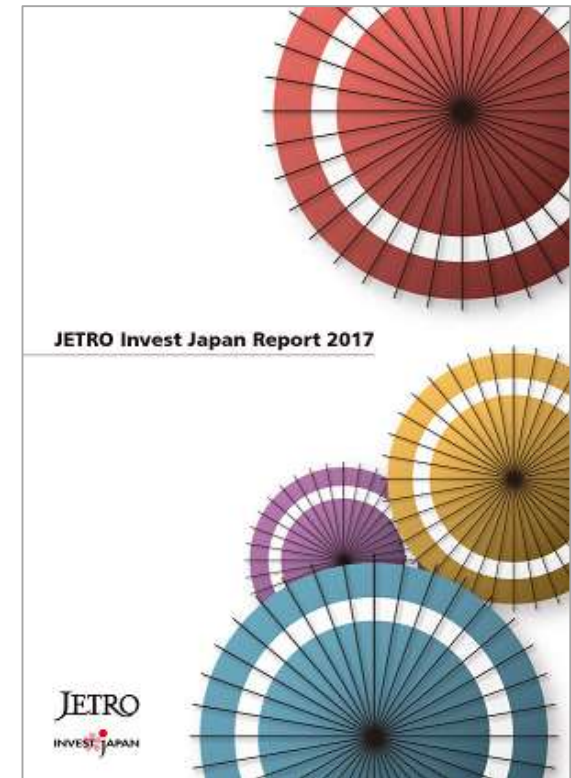
- 239 foreign students, global talents (including Japanese students who have studied abroad or returnee students, etc.)
- 66 foreign-affiliated companies





JETRO Invest Japan Report 2017

- I . Solid Growth in Japan's Inward FDI
- II . Toward Improvement of Business Environment
- III . New Trend of Inward FDI in Japan
 - Age of the Fourth Industrial Revolution
 - Contributing to Solving Problems Japan Faces and Expanding Overseas Markets for Japanese Companies
- IV . Perception of the Business Environment in Japan among Foreign-affiliated Companies
- V . Foreign Investment for Revitalization of Local Economy
 - Attract Foreign-affiliated Companies Taking Advantage of Regional Characteristics
- VI . Investment Promotion Activities of JETRO





www.investjapan.org

Invest Japan Report Web address

Japanese: <https://www.jetro.go.jp/invest/reference.html>

English: <https://www.jetro.go.jp/en/invest/reports.html>

Invest Japan Department
Japan External Trade Organization (JETRO)
1-12-32, Akasaka, Minato-ku, Tokyo
107-6006 Japan
Tel. +81 3 3582 5234, Fax. +81 3 3505 1990

This document is owned by JETRO. All of the content in this document, including, but not limited to, still images, text, pictorial works, designs and logos, is owned or licensed by JETRO. This document shall not be reproduced or reprinted on any medium or registered on any search system in whole or part by any means, without prior permission of JETRO. Although JETRO makes its best efforts to ensure the accuracy of the information contained in this document, JETRO does not take any responsibility regarding losses derived from the information contained in this document.