

WHY JAPAN?

"5 Reasons to Invest in JAPAN"



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Reason 1 An Ever-growing Economy

Reason 2 A Sophisticated Market

Reason 3 An Innovation Hub

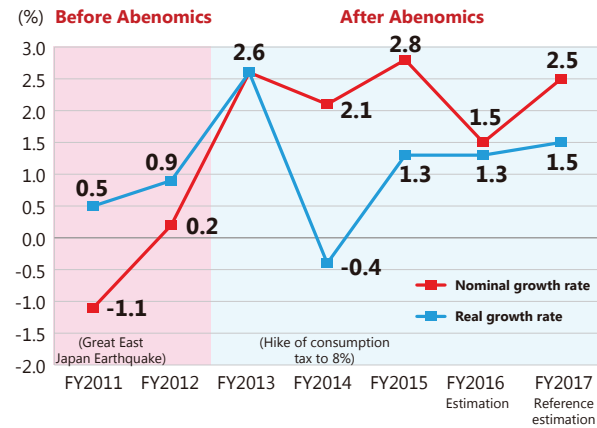
Reason 4 Business-Friendly Infrastructure

Reason 5 A Comfortable Living Environment

Japan's investment environment is improving due to government efforts.
The Japanese economy is growing.

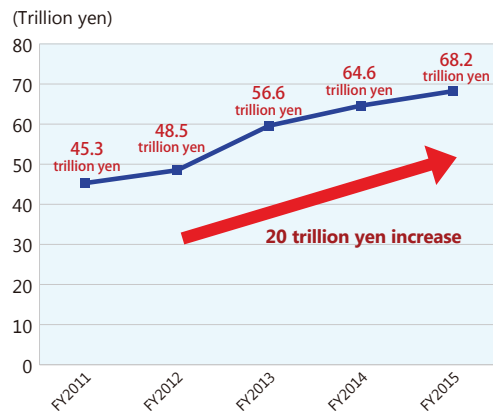
Japanese economy steadily recovering from deflation

Improving GDP growth rate

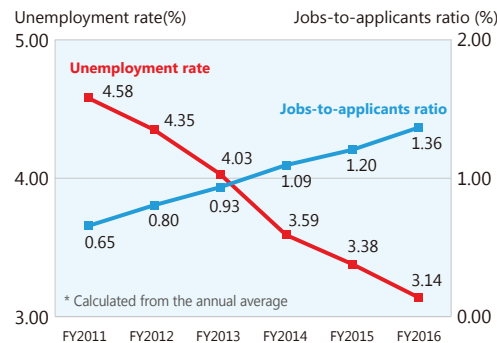


Business performance showing significant improvement

Corporate ordinary profits (all industries)



Unemployment rate and jobs-to-applicants ratio

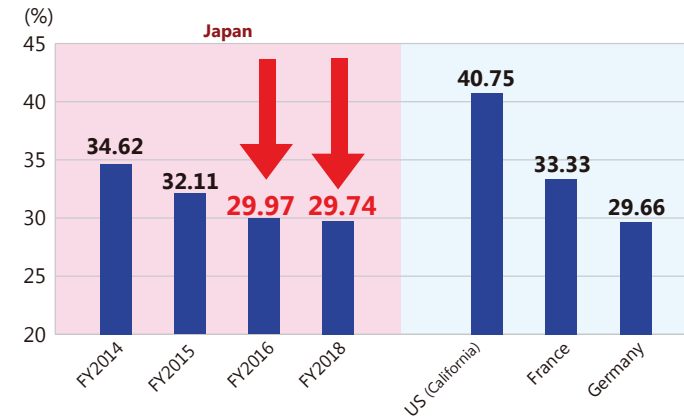


The data is indicating positive sentiments for the labor market.

Source: Created from "Labor force survey," Ministry of Internal Affairs and Communications; and "Statistics on Employment Referrals for General Workers," Ministry of Health Labor and Welfare

Effective corporate tax rate declining

Effective corporate tax rate reduced to 20% level



Source: Created from "FY2016 Tax Reform (Main Points) (December 2015)," Ministry of Finance and other information on the website
Note: Tax rates as of April 2016

Corporate governance enhanced

"Earning power" of companies increasing through corporate governance reform

- "Japanese Stewardship Code" introduced
 - Accepted by 201 institutional investors since February 2014
- "Corporate Governance Code" introduced
 - Applied to more than 2000 companies on June 1, 2015

Deregulation/structural reform

Progress in reform of bedrock regulations is attracting new investment into Japan.

Reform of fundamental regulations in the sectors of agriculture, medical care and energy is bringing new entries into the Japanese market.

Healthcare system

- Speedy and efficient approval review of advanced medical products (regenerative medicine, medical devices)
- Promoting practical use of regenerative medicine for medical care

Energy market

- Implementing a drastic reform of electric power and gas system for the first time in 60 years
 - Full liberalization of retail market of electricity (April 2016)
 - Full liberalization of retail market of gas (April 2017)



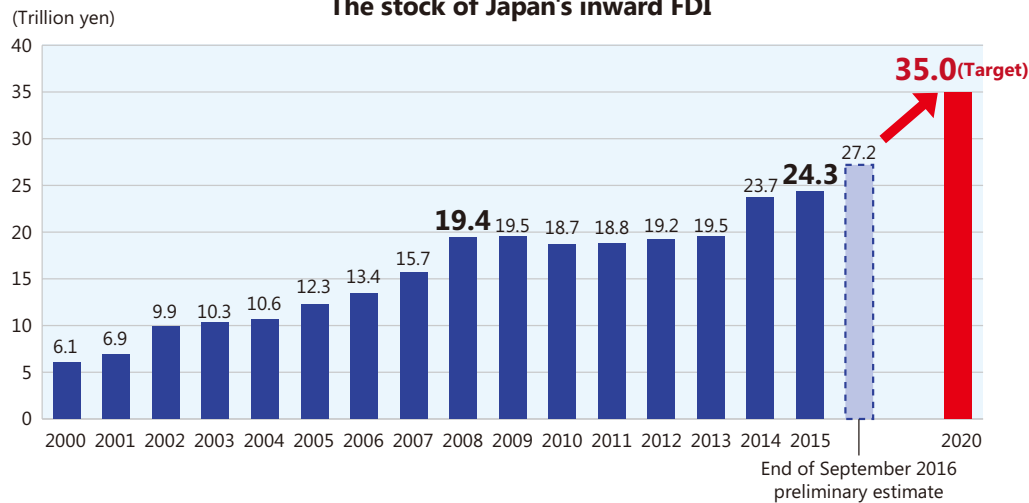
Source: Created from "Abenomics is progressing!, April 2016," Cabinet Office

The government is making greater efforts to attract companies and visitors from overseas, while creating a more open market and facilitating business expansion.

Promotion of inward FDI

Government target: Increase Japan's inward investment stock to 35 trillion yen by 2020.

The stock of Japan's inward FDI



Source: Created from "Balance of Payments," Ministry of Finance

Five Promises for Attracting Foreign Businesses to Japan (March 2015)

Improving business and living environment for foreign companies and expats

- 1. Removing language barriers**
(Display of information in foreign languages at shops and public spaces)
- 2. Improvement of Internet access** (Installation of free public wireless LAN [Wi-Fi])
- 3. Acceptance of business jets at local airports**
- 4. Enhancement of educational environment for expatriate children** (international schools)
- 5. Strengthening consultation services to support foreign businesses**
(Investment Advisor Assignment System)

Government actively promoting inward FDI

Designation of the National Strategic Special Zones

To promote a wide range of international business and leading-edge industries, **12 National Strategic Special Zones** have been designated to bring significant deregulation and reform.

Simplifying regulations and administrative procedures

- Fundamentally simplifying regulations and administrative procedures associated with FDI in Japan.
- The **"Tokyo One-Stop Business Establishment Center"** provides one-stop services for necessary procedures for starting up in Tokyo. (March 2015)

Attracting global talent

- The period of residence required for Highly Skilled Professionals to apply for a permanent residence permit will be significantly shortened from the current five years. (**"The Japanese Green Card for Highly Skilled Foreign Professionals"**: One of the world's most quickly obtainable green cards)
- **An online application system** related to status of residence is scheduled to begin in FY2018.

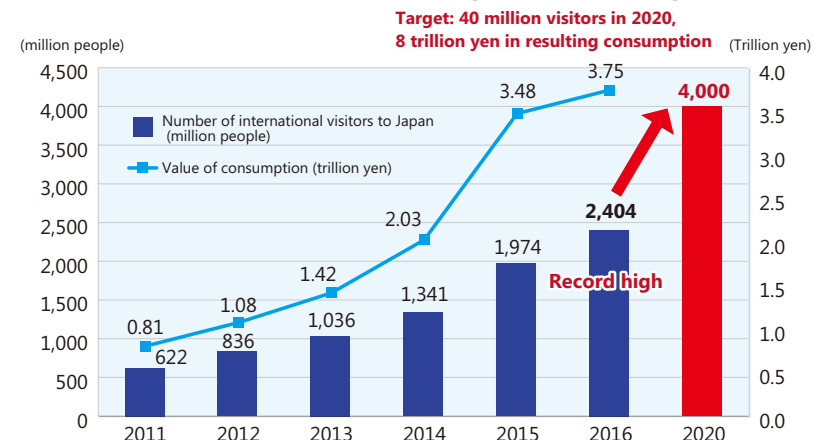
Source: Created from Cabinet office website page "Invest Japan"

Attracting visitors to Japan

Business expansion in area related to inbound tourism

- Relaxation of visa requirements (Starting from July 2013)
- Expansion of exemption of consumption tax for foreign tourists to cover consumables (May 2016)
- 2020 Tokyo Olympic & Paralympic Games

Number of international visitors to Japan and consumption created



Source: Created by JETRO from Japan Tourism Agency "Consumption Trend Survey for Foreigners Visiting Japan"

A huge and sophisticated market exists in Japan.

World's 3rd ranking GDP



Source: "World Statistics 2016," Statistics Bureau, Ministry of Internal Affairs and Communications

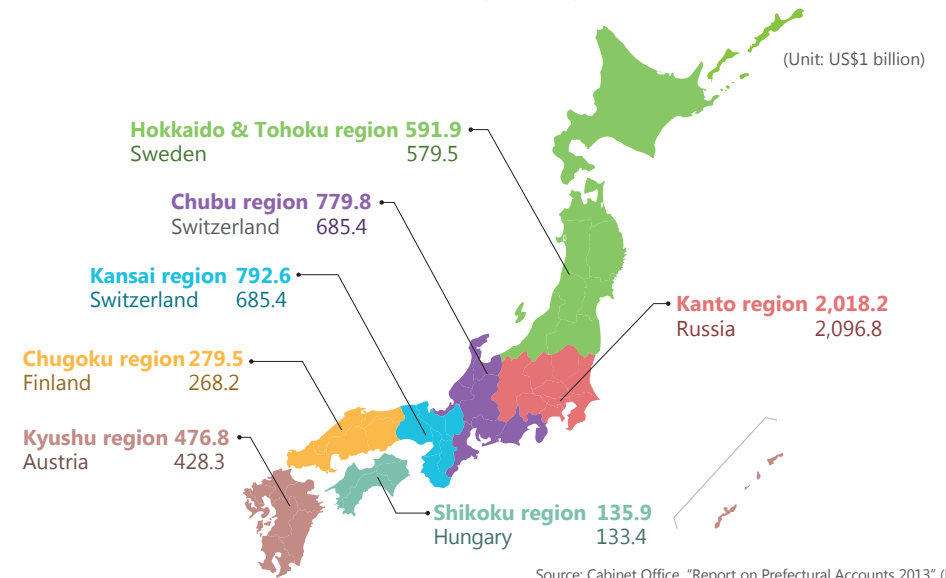
Attractive market for foreign companies

About 86% of 197 foreign companies see **the massive size of the market** as an advantage of Japan.

Source: JETRO Invest Japan Report 2016

Japan's regional economies have GDPs equal to those of entire countries

International comparison of Japanese regional gross production (nominal, FY2013)



Source: Cabinet Office, "Report on Prefectural Accounts 2013" (FY2016)

Tokyo: City with world's largest population

World ranking of megalopolis populations: "Tokyo ranks 1st, Kansai area 7th"

City	Country	Population (1,000 people)			Rank		
		1990	2014	2030	1990	2014	2030
Tokyo	Japan	32,530	37,833	37,190	1	1	1
Delhi	India	9,726	24,953	36,060	12	2	2
Shanghai	China	7,823	22,991	30,751	20	3	3
Mexico City	Mexico	15,642	20,843	23,865	4	4	10
São Paulo	Brazil	14,776	20,831	23,444	5	5	11
Mumbai (Bombay)	India	12,436	20,741	27,797	6	6	4
Kansai (Osaka)	Japan	18,389	20,123	19,976	2	7	13
Beijing	China	6,788	19,520	27,706	23	8	5
New York & Newark	US	16,086	18,591	19,885	3	9	14
Cairo	Egypt	9,892	18,419	24,502	11	10	8

Tokyo has maintained 1st place in surveys since before 2014 and will likely still be 1st by 2030.

Source: Created from "World Urbanization Prospects, the 2014 Revision," United Nations

Sophisticated consumers set world standard

The Japanese market is highly appreciated as a source of world standards.

Peter List, President and CEO of IKEA Japan KK (as of 2015) (Sweden)

Japan is the second largest retail market with the third largest GDP in the world. These two factors alone make it very appealing. Also, there is a very high literacy level in Japan. Products customized to fit the Japanese lifestyle and taste find popularity around the world.

Source: JETRO "Success Stories"

Laurent Martin, President of Pierre Fabre Dermo-Cosmétique Japon Co., Ltd. (as of 2015) (France)

Pierre Fabre had a hard time in responding to the demands of Japanese consumers because of their detailed requests, but answering such needs enabled Pierre Fabre to establish the global standards for its entire group.

Source: JETRO "Success Stories"

Danny Risberg, Chairman of Philips Electronics Japan, Ltd. (Netherlands)

Japan's population is already the world's oldest, which presents both a challenge but also an opportunity for companies, like Philips, to have an impact on society through all of the meaningful innovation that we can bring. (...) Truly the lessons learnt and the innovations built in Japan can be translated and expanded to the home countries of companies as they come to grapple with these same demographic shifts that we're seeing here today.

Source: Remarks in the promotion video Invest in Japan "Government Efforts" on JETRO's website.

Ramesh Swaminathan, CFO of Lupin Limited (India)

As a world-leading pharmaceutical manufacturer, Lupin wants to enhance business in Japan, which offers the third largest pharmaceutical market in the world, and increase investment in the country even further.

Source: JETRO Topics

Japan is where global enterprises aggregate



Source: Fortune, "Fortune Global 500 2016"

Japan: A market where foreign companies flourish

Foreign companies hold a high share of sales in Japan, particularly in consumer-related markets.

Soft drinks

1st : Coca Cola (US), 23.4%

Coffee

1st : Nestlé (Switzerland), 32.2%
2nd : Mondelez International, Inc. (US), 16.0%

Eyeglasses/contact lenses

1st : Johnson & Johnson (US), 14.1%

Personal accessories

1st : Richemont (Switzerland), 7.6%
2nd : LVMH Moët Hennessy Louis Vuitton S.A. (France), 6.1%
3rd : KERING (formerly PPR) (France), 3.8%

* Share and rank of soft drink sector is from 2015, and those of other sectors from 2014.

Japan's intellectual accumulation generates innovation.

World-class research funding and number of researchers

Science and technology-related research is very active in Japan.

RANK
among
G7 countries
1st



Research funding by country and percentage compared to GDP (G7 comparison)

Rank	Country	Research funding (\$100 million)	Percentage of research funding to GDP (%)
1	Japan	1,786	3.56
2	Germany	1,088	2.90
3	US	4,570	2.74
4	France	588	2.26
5	UK	442	1.70
6	Canada	258	1.61
7	Italy	277	1.29

Source: Created from "Survey Result on Science and Technology Research 2016," Ministry of Internal Affairs and Communication
Data source: "Main Science and Technology Indicators," OECD, among others

Number of researchers per 10,000 people (G7 comparison)

Rank	Country	Number of researchers (unit: 10,000)	Number of researchers per 10,000 people
1	Japan	66.2	52.1
2	Canada	15.9	45.3
3	Germany	35.1	43.4
4	UK	27.4	42.3
5	USA	130.8	41.3
6	France	26.9	40.7
7	Italy	12.0	19.7

An environment that generates innovation

Japan is very active in R&D and innovation, and has filed a large number of patents, many of which have high universal validity.

Japan's patent track record

Number of international patent applications per 1 million people

RANK
1st in the world

*Based on Patent Cooperation Treaty (PCT)

Source: "The Global Information Technology Report 2016,"
World Economic Forum

Number of filed patents by country of residence of applicant

RANK
1st in the world

Japan ranks 1st among OECD members with 297,000 applications followed by the US and China. (PCT international application and direct application)

Source: Japan Patent Office Annual Report 2016
Data source: WIPO (World Intellectual Property Organization)

Japan's patent system is internationally praised.

*Indication of appropriate reporting of the number of patents with high universal validity filed among the Triadic Patent Families (patent offices of the US, Europe and Japan)

RANK
2nd within OECD

Source: "OECD Factbook 2015-2016"

Comments from foreign companies on...

Acquiring highly skilled human resources (specialists)

- We were very impressed by the Japanese talent with their high level of expertise in technology development when we worked together in Japan. (North America, energy and environment technology-related company)

Accessing R&D partners

- The process of industry-academia cooperation has been solidified and is paving the way for joint research. (North American pharmaceuticals, medical devices)
- We have access to loyal and important customers and product analysis of a high standard here. (Europe, chemical company)

Source: "Trade, and Industry (METI), Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan Report 2016," Ministry of Economy

Better environment for development and patent application of drugs and medical devices

- An environment to support sustainable development of innovative drugs by pharmaceutical companies, including a preferential pricing system for designated new drugs and the prioritized review for early authorization
- Deregulation to promote practical use of medical devices, reduction of development costs and expedition of approval procedures
- The world's most advanced early approval system for regenerative medicine which halves the necessary time frame from R&D to approval for marketing

Source: Created from "Pharmaceutical Industry Vision 2013," Ministry of Health, Labor, and Welfare

Innovation from Japan

"K computer": World-leading supercomputer

The supercomputer called "K computer" was developed in Japan and has ranked 1st for three consecutive years (a total of 4 times) in the "Graph 500" international performance index (2016). "K computer" also ranked 1st in the world by the international ranking of "HPCG (High Performance Conjugate Gradient)" (2016)

Source: RIKEN website

**iPS cells - at the forefront in regenerative medicine**

Japan's basic and applied research in regenerative medicine made a leap in progress with the awarding of the Nobel Prize in Physiology or Medicine to Professor Shinya Yamanaka of Kyoto University for his development of "iPS cells." Kyoto University has licensed out its patent to about 150 companies in Japan and abroad (including 51 overseas companies).

Japan's medical technology is creating a world-leading technological hub.

Source: Created from iPS Academia Japan website

Many Nobel Prize winners produced



Nobel Prize winners (all-time)

25

(Breakdown)	
Physics	11
Chemistry	7
Physiology or Medicine	4
Literature	2
Peace Prize	1

Prizewinners in recent years

- Yoshinori Ohsumi: 2016 in Physiology or Medicine
- Satoshi Omura: 2015 in Physiology or Medicine
- Takaaki Kajita: 2015 in Physics
- Isamu Akasaki: 2014 in Physics
- Hiroshi Amano: 2014 in Physics
- Shuji Nakamura: 2014 in Physics

Source: Official Nobel Prize website, among others

Innovation created in Japan by foreign companies

GE: Developing high-tech products through collaboration with Japanese enterprises (nationwide)

GE is currently expanding the "Japan Technology Initiative" project nationwide to promote innovation with Japanese companies. It established a joint corporation with Nippon Carbon Co., Ltd., and other companies to develop high-tech inorganic fiber for next-generation aircraft engines. Will also develop engines for small business jets with Honda Motor Co., Ltd.

Johnson & Johnson: Training facility for medical care workers (Kawasaki)

Johnson & Johnson opened the Tokyo Science Center in a National Strategic Special Zone in Aug. 2014. It boasts a large site area and a research and training facility for medical care professionals to train in leading medical techniques, which is drawing attention from the world. It aims to discover new solutions and unmet needs by tapping into Japan's unique technologies and lead them to world class development.

L'Oréal: Developing advanced cosmetics with Japanese technology (Kawasaki)

Kawasaki, Kanagawa is home to the company's first development center for all research phases outside of France. Fusing existing technology with technology from Japan, L'Oréal is developing cosmetic products that incorporate the characteristics and demands of consumers in each country, and taking them worldwide. The IFSCC (International Federation of Societies of Cosmetic Chemists) Basic Research Award for excellent basic research was granted to this center at the IFSCC Conference.

Caterpillar: Core base of worldwide hydraulic shovel development (Hyogo)

Caterpillar established a global development base for its iconic hydraulic excavator in Akashi, Hyogo, which supplies product designs to factories spread world wide. The facility also contributes to the maintenance of operational efficiency and quality of all companies within the group. Caterpillar is using it to roll out new models of state-of-the-art hydraulic excavators one after another.

3M: Global "Super Hub" in Yamagata (Yamagata and other prefectures)

Positioning Japan as an "important manufacturing base with world-class quality control capability and living traditions of craftsmanship," the company established production and R&D centers in Kanagawa, Yamagata, Iwate and other prefectures. Yamagata in particular serves as a global "Super Hub" for the 3M group, supplying products to each 3M company overseas. It also conducts R&D on reflectors, optical film, and more. In 2016, 3M established a training center in Japan, to develop human resources for manufacturing operations in Japan as well as Asia and elsewhere.

Source: Created by JETRO from each company's website, press releases and other information.

Supporting business with well-developed social infrastructure

Outstanding environment for business



Japan's business environment was highly rated in the World Economic Forum's "The Global Competitiveness Report 2016-2017."

Evaluated on business network and quality of company operation/strategy.

Source: "The Global Competitiveness Report 2016-2017," World Economic Forum

Japan's IT infrastructure highly praised by international organizations



The World Economic Forum "The Global Information Technology Report 2016" ranked Japan **2nd** after Singapore among Asian economies in the Networked Readiness Index, which measures readiness, usage and impact of information technology (ICT) of each country.

Source: "The Global Information Technology Report 2016," World Economic Forum

Foreign companies validate Japan's infrastructure

About **80%** of 197 foreign companies see the **well-maintained infrastructure** (transportation, logistics, information and communications and energy) as an advantage of Japan's business environment.

Source: Invest Japan Report 2016

Comments by foreign companies

- We need stable and reliable infrastructure to function as a regional headquarters. You can expect higher stability of infrastructures such as electricity, telecommunications and transportation in Japan compared to other Asian economies. (Europe, information/hi-tech)
- All basic infrastructure facilities are solid in Japan. (Asia, energy/environment technology)
- The tele-communication environment and transportation infrastructure are very stable, and a source of confidence in our business. (North America, service/retail)

Source: "Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan Report 2016," Ministry of Economy, Trade, and Industry (METI)

Japan's stable infrastructure service

Internet

- Wireless broadband subscriptions per 100 inhabitants **ranked 3rd among OECD countries**

Communication

- Percentage of population in mobile phone service area is **99.97%**



Water

- Provision of hygienic drinking water. **1st in the world** (access to improved drinking water)
- Diffusion rate of water and sewer service, simple water-supply system, and private water supply is **97.8% (national average)**.

Source: OECD

Source: Ministry of Internal Affairs and Communications (Japanese only)

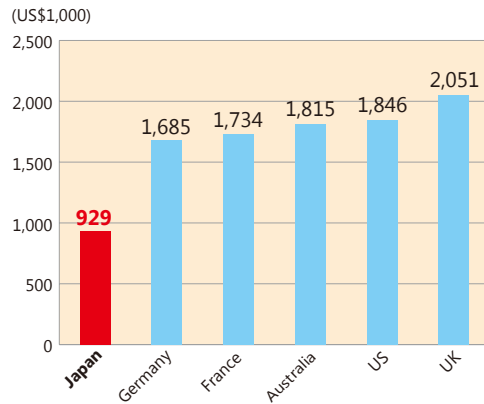
Source: "The Travel & Tourism Competitiveness Index 2015," World Economic Forum

Source: "Water Supply Population and Water Service Diffusion Rate 2012" (Japanese only)

Low infrastructure fees

Transportation fees
(including land transportation and air freight)

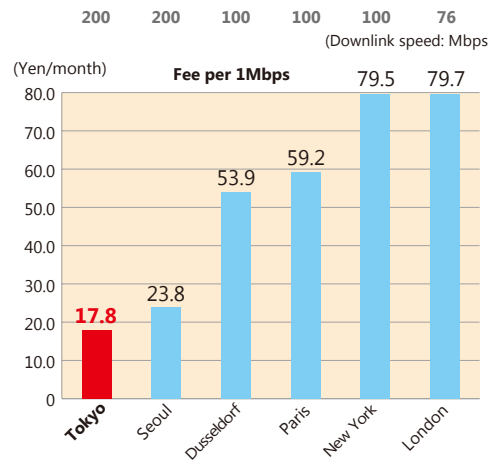
Simulated annual costs based on scheduled deliveries from the factory



Source: "Competitive Alternatives 2016," KPMG

High-speed internet fees

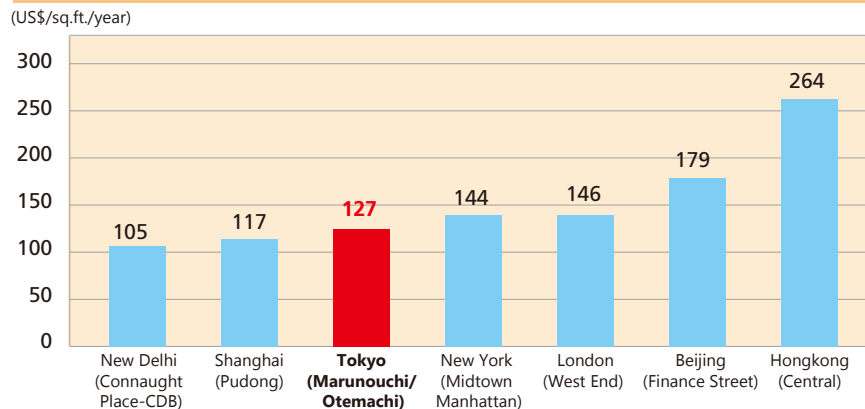
Average monthly internet fees (residential)



Source: "Report on Internal and External Price Difference Related to Telecommunication Service 2015 (June 2016)," Ministry of Internal Affairs and Communications

Japan's reasonable real estate cost compared to the world major cities

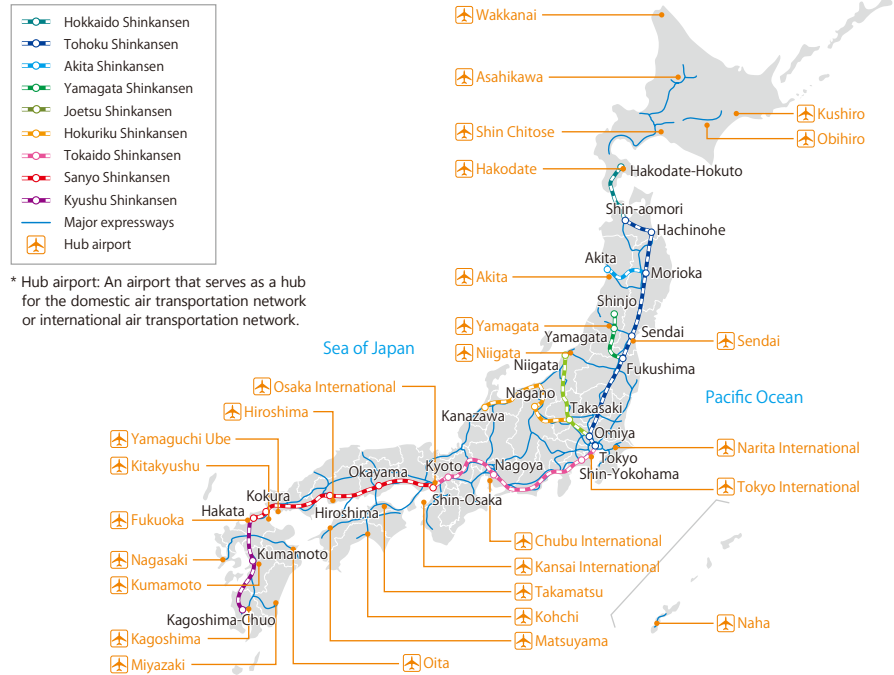
Prime office rent in world major cities (Average annual cost per sqft)



As of Q4 2016

Source: "Global Prime Office Rents, March 2017," CBRE

Japan's convenient transportation infrastructure



* Hub airport: An airport that serves as a hub for the domestic air transportation network or international air transportation network.

Source: Created by JETRO based on the websites of the Ministry of Land, Infrastructure, Transport, and Tourism, and railway companies.

World-class transportation infrastructure

Airports

- Airports with international flights in service: **51**
- Number of arrivals/ departures in 2015: **3rd in the world** for international flights with nearly 750,000 arrivals/ departures (Combined total of Haneda and Tokyo Narita Airports)

Railways

- Annual passengers: **24.3 billion**

Shinkansen

- Number of departures from Tokyo station per hour: **15**
- Accidents resulting in injury or death during the past 52 years since the start of service in 1964: **0**
- Average delay time: **36 seconds** (annual operation of 120,000 trains)

Source: "Tokyo/Osaka Civil Aviation Bureau Outlook Summary Sheet of Airport Utilization Situation 2015," Ministry of Land, Infrastructure and Tourism
Source: Created from "Tokyo Metropolitan Airport Functional Enhancement" (2014) (provisional translation), Ministry of Land, Infrastructure and Tourism; and "World Airports-Related Information," ANASource: "Railway/Railroad Passenger Transport Summary Chart Passenger Volume 2016," Ministry of Land, Infrastructure and Tourism
Source: JR Tokai websiteSource: Source: "White Paper on Land, Infrastructure, Transport and Tourism in Japan, 2016," Ministry of Land, Infrastructure and Tourism
Source: Nikkei Business Online, January 2013

Japan is a country where you can live safely and pleasantly.

A safe and peaceful country

Global Peace Index 2016

RANK **1st** in Asia

Measured in 23 categories such as crime rate, terrorism, and homicides.

Source: "Global Peace Index 2016," Institute for Economics and Peace

Safe Cities Index

RANK **1st** **Osaka** RANK **3rd**
Tokyo among major 50 cities in the world

Measuring city security with four indicators: digital security, health security, infrastructure security and personal security.

Source: "Safe Cities Index 2015," The Economist Intelligence Unit

Social stability

Nearly **50%** of foreign companies see **social stability** as an attractiveness of Japan.

106 foreign companies out of 209 cited "social stability" as a strength of Japan's business environment.

Source: Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan Report 2016, Ministry of Economy, Trade, and Industry (METI)

A country where you can live with peace of mind

Longest life expectancy in the world

The average life expectancy

RANK **1st** in the world

Life expectancy for women (86.8 years)

RANK **1st** in the world

Life expectancy for men (80.5 years) is **ranked 6th in the world.**

Source: "World Health Statistics 2016," World Health Organization (WHO)



Well-developed medical infrastructure

The number of hospital beds per 1,000 people (13.4) is **ranked 1st among OECD countries.**

Source: OECD

Abundance of nurses

The ratio of nurses to number of physicians is **ranked 2nd among OECD countries.**

Source: OECD "OECD Factbook 2016"



Most livable Japanese cities chosen by the world

The "25 Most Livable Cities Index" (2016) published by UK magazine *Monocle*



* An index ranking which indicates not only economic, social, and functional aspects, but also the city's livability and level of happiness of its residents.

Source: *Monocle*, UK



Comments from foreign company on Japan's excellent living environment

Many foreign companies made reference to the high quality of Japan's living environment.

Security and social stability



- Japan is stable socially and politically, and the safest country to live. (Asia investment bank/ securities firm)
- The crime rate is very low and employees can enjoy a stable life in Japan. (North America, information/communication/high-technology)



Leisure facilities

- There are many leisure spots near by and it enriches personal life. Japan is one of the most livable countries.



Medical environment

- There is a solid financial assistance system to cover costs of health insurance and medical care, especially of families and children. (Asia, information/communication/high technology)
- You can expect medical care of significantly high quality in Japan. (Asia, investment bank/ securities firm)



Quality of life (residential environment)

- There is highly solid and well-controlled life-related infrastructure in place which can assure your quality of life. (Asia, service/retail)
- There are solid fundamental social systems, such as the health insurance system and pension system, which are of higher standards compared to other countries. (North America, pharmaceuticals/medical devices)

Source: "Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan Report 2016, Ministry of Economy, Trade, and Industry (METI)