



JETRO Invest Japan Report 2019

Message from the Chairman

In the midst of major changes in the socioeconomic structure engendered by phenomena such as declining birthrates, an aging society and a decreasing population, and hopes pinned on the creation of innovations such as IoT (Internet of Things) and AI (Artificial Intelligence) that will significantly change the state of present-day industry and society, the Japanese government is making efforts to attract outstanding human resources and technologies from abroad. The government aims to increase inward foreign direct investment (FDI) stock to 35 trillion yen by 2020, and steady progress is being made toward achieving this policy goal, with FDI stock achieving a historical high for the fifth consecutive year by the end of 2018 at 30.7 trillion yen.

In addition to quantitative expansion, the trend in attracting inward FDI in recent years has been shifting to more qualitative contributions, with concepts such as “creating innovation” and “revitalization of local economies” as keywords. As digital transformation and other transborder new businesses and technologies take on an ever-greater share of global business, Japan’s position as a global center of innovation must be consolidated and sustained vitalization of local economies realized by expansion of inward FDI, which up to now has been mainly concentrated in some big cities, such as Tokyo, to regional areas.

In order for Japan to be chosen as an investment destination by international companies in the midst of global locational competition, “ease of doing business” is the key. As the shape of future society that Japan should aspire to, the government advocates Society 5.0 (A human-centered society that uses means such as IoT and AI both to achieve economic advancement and resolve social issues). To realize this undertaking, the government is coming up with various policies under its growth strategy (decided by the Cabinet on June 21, 2019) to contribute to attracting inward FDI. The government is also pushing forward with reforms from the perspective of business operators, including a system that allows one-stop processing of online corporate establishment procedures to make steady improvements to Japan’s investment environment.

As Japan’s central organization for attracting inward FDI, JETRO has used its network of more than 120 offices at home and abroad to provide support for foreign companies entering the Japanese market and expanding their business in Japan. Since the start of the “Invest Japan” campaign in 2003, JETRO has supported more than 19,000 projects and led over 2,000 of those projects to success. Experienced staff members who serve as “Personal Advisor” work closely with foreign companies to address the challenges they face starting up in Japan, including those related to language, business practices and rules and regulations, in order to realize more projects. Furthermore, under the “Support Program for Regional Foreign Direct Investment in Japan,” launched in FY2018, our organization has placed the vitalization of local regional economies through FDI as an important pillar and is working hand-in-hand with the central government to assist regional governments proactive in attracting investment.

With the aim of giving readers a broad view of the topic of investment into Japan in a single volume, this report is a compilation of information on the activities of foreign affiliates and their perception of the Japanese business environment, related government policies and statistics, and JETRO’s own activities. We hope this report will be a useful resource for anyone considering starting business in Japan or supporting foreign investment into the country.



Nobuhiko Sasaki
Chairman and CEO
Japan External Trade Organization (JETRO)

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Reference period : Unless otherwise specified, the statistics data are accessed at the end of October, 2019.

1 Recent Trend of Inward FDI in Japan

Inward foreign direct investment (FDI) in Japan in 2018 saw the inflow (net) reaching the two-trillion-yen mark as in 2017 and the stock exceeding 30 trillion yen for the first time. Although mega investment deals like tourist facilities used to attract attentions, there is now higher expectation on foreign-affiliated companies to create innovation through introduction of new technologies/services. Foreign-affiliated companies engaged in R&D and assistance for startups are expanding their fields of innovation across Japan. Among foreign-affiliated companies including startups, a trend has been observed where companies develop their business in Japan through addressing social issues unique to Japan or local regions in collaboration with Japanese companies/organizations.

1. Recent trend of inward FDI in Japan since 2018

The inflow of 2018 inward FDI exceeded two trillion yen and was the second largest, after 2016. By region, investment from Europe increased more than 30% from 2017. The stock of inward FDI at the end of 2018 exceeded 30 trillion yen for the first time. By region, Europe accounted for about a half of the stock, 49.5%. The stock at the end of the second quarter of 2019 is estimated to be 33 trillion yen. The amount is approaching 35 trillion yen, the target the Japanese government set to reach by the end of 2020.

(1) Inflow of inward FDI: Inflow of more than 2 trillion yen for the second consecutive year

[1] General Overview

The inflow of 2018 inward FDI (balance of payments basis, net) was 2.9 trillion yen, a 24.5% increase from the previous year (Chart 1-1). It exceeded two trillion yen as observed in 2017, and was the second largest, after 2016, among comparable years since 1996. By investment type, equity capital¹ accounted for 545.9 billion yen (61.9% increase from the previous year), reinvestment of earnings for 1.6 trillion yen (2.5% increase), and debt instruments for 755.1 billion yen (71.8% increase).

[2] Overview by region/country and industry

By region, the inflow of inward FDI from Europe in 2018 was 804.9 billion yen, a 30.4% increase from the previous year. Although the UK recorded a large curtail (negative 400.3 billion yen) in 2017, it turned to net inflow of 487.6 billion yen in 2018. As a result, the net inflow from the UK was the largest among European countries and the second largest in the world only after the US. By industry, the inflow from the UK in electric machinery more than doubled.

Although inward FDI from North America declined for the second consecutive year to 668.1 billion yen, its rate of decrease (4.0% compared with the previous year) improved from the previous year (7.3%). The inflow from the US was 661.9 billion yen, a 5.7% decrease from the previous year; however, it remained the largest source of FDI by country.

The inflow from Asia recorded 552.2 billion yen, an 11.9% decrease from the previous year. The decrease was primarily due to Singapore, the inflow which turned negative after the country recorded net inflows for years until last year. On the other hand, investment from Thailand accounted for more than 100 billion yen, showing its presence. All countries/areas (China, Hong Kong, Taiwan, and South Korea) in Northeast Asia recorded an inflow excess.

Among major M&A deals targeting Japan after 2018, the acquisition of Toshiba Memory by Bain Capital (US), SK Hynix (South Korea), and others was worth more than two trillion yen and was by far the largest deal during the period (Chart 1-2).

(2) Inward FDI stock: reaching 30-trillion-yen mark for the first time

[1] General Overview

Inward FDI stock at the end of 2018 was 30.7 trillion yen, an increase of 1.8 trillion yen from the end of the previous year (Chart 1-3). It marked a record high for five consecutive years and exceeded 30 trillion yen for the first time. The proportion of inward FDI stock to nominal gross

Chart 1-1 Changes in net flow of inward FDI into Japan by country/region

	2016	2017	2018	2019 Jan-Aug (P)
Asia	950	627	552	485
China	-11	110	89	99
Hong Kong	161	-38	86	131
Taiwan	259	95	44	50
Korea	67	127	216	52
ASEAN	475	331	117	154
Singapore	404	359	-33	80
Thailand	71	-50	132	50
North America	751	696	668	631
US	748	702	662	580
Latin America	171	313	478	355
Oceania	87	27	210	104
Europe	2,508	617	805	1,328
EU	2,411	457	737	1,268
World	4,492	2,296	2,859	2,981

[Note] Figures for 2019 are preliminary.

[Source] "Balance of Payments" (Ministry of Finance, Bank of Japan)

¹As "equity capital," share purchases or capital expenditure with a value of at least 10% of voting rights, equity interest on investment to a branch, and other capital expenditures by a foreign company are recorded. As "reinvestment of earnings," proportion of undistributed earnings from a Japanese business or local subsidiary with foreign ownership corresponding to the level of foreign investment are recorded. As "debt instruments," cash loans exchanged between parent and subsidiary and acquisition/disposal of bonds are recorded.

domestic product (GDP) also expanded to 5.6%.

Breaking down by the stock, equity capital was 16.5 trillion yen, reinvestment of earnings for 7.3 trillion yen, and debt instruments for 6.9 trillion yen.

According to the Ministry of Finance, a major contributor to the increase in the stock from 2017 to 2018 was overall transaction flows during

2018, commensurate with the inflow of inward FDI in the international balance of payments (2.9 trillion yen increase), while exchange rate fluctuations (108.0 billion yen reduction) and other adjustments² (967.0 billion yen) subdued the increase.

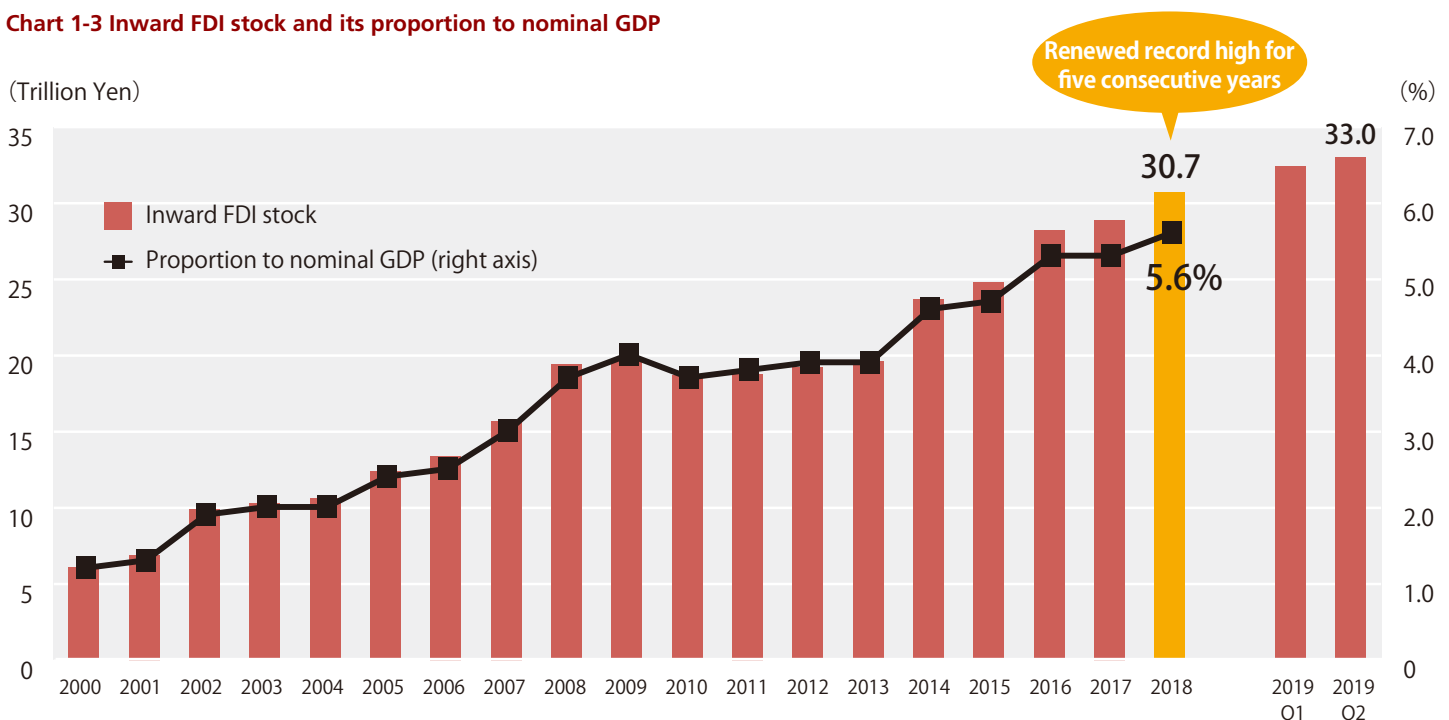
As of September, the preliminary estimate of the stock at the end of second quarter of 2019 was 33.0 trillion yen.

Chart 1-2 Major M&A deals in Japan since 2018

Date (Completion)	Target Company	Industry	Acquirer	Nationality		Value (Bil.Yen)	
				Nationality	Industry		
2018	Jun	Toshiba Memory	Electronics	Bain Capital (US), SK Hynix (Korea), and others	-	Investors Group	2,000
	Apr	Takata	Transportation Equipment	Joyson Electronics	China	Transportation Equipment	175
	Mar	ASATSU-DK	Advertising Agency	Bain Capital	US	Investment Firm	152
2019	Apr	Ci:z Holdings	Cosmetics	Johnson&Johnson	US	Healthcare	150
	Mar	Clarion	Electronics	Faurecia	France	Transportation Equipment	141
	Jun	Godiva (Asia Pacific)	Food	MBK Partners	Korea	Investment Firm	111
	Jan	6 logistics facilities owned by ESR	Real Estate	Axa IM (France), and others	-	Investors Group	109
	Mar	Pioneer ①	Electronics	Baring Private Equity Asia	Hong Kong	Investment Firm	102

[Note] ①The list contains M&A deals valued over \$1Billion per transaction since 2018, except for the acquisition of Pioneer, the value of which is the sum of two transactions taken place in the same month. ② "Acquirer" is the ultimate acquirer (including corporate group).
[Source] Thomson Reuters (data accessed on October 21st, 2019)

Chart 1-3 Inward FDI stock and its proportion to nominal GDP



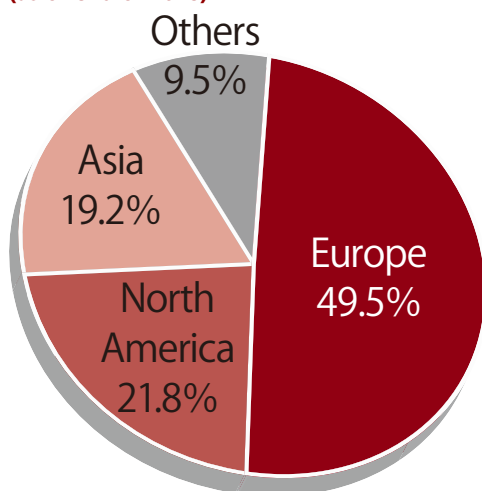
[Note] The figures for Q1 and Q2 of 2019 are preliminary estimates.
[Source] "International Investment Position of Japan" (Ministry of Finance, Bank of Japan), "National Accounts of Japan" (Japan Cabinet Office)

² "Other adjustments" reflect movements such as fluctuations in share and debenture prices and movements owing to discrepancies of calculation method between balance of payment figures and foreign asset and liability balance figures.

[2] Overview by region/country and industry

By region, the stock of Europe was 15.2 trillion yen, nearly a half of the total, with an increase of 779.1 billion yen from the end of 2017 (Chart 1-4). The proportion of the manufacturing sector was particularly high in Europe, three of which, namely transportation equipment, electric machinery, and chemicals/pharmaceuticals, accounted for nearly 60% of the stock. The UK, however, was an exception. For the UK, which holds the third largest stock among European countries, the proportion of the finance/insurance industry was high, and the non-manufacturing sector accounted for nearly 70%.

Chart 1-4 Share of inward FDI stock in Japan by region (as of end of 2018)



[Source] "International Investment Position of Japan" (Ministry of Finance, Bank of Japan)

North America contributed 6.7 trillion yen to the stock of FDI in Japan, a decrease of 202.8 billion yen from the end of 2017. Although it was a decrease for the second straight year, the stock of the region remained over 6 trillion yen. Among the non-manufacturing sector, which accounted for more than 80% of the North American stock, industries such as finance/insurance and wholesale/retail decreased while the communications industry maintained a steady increase. The stock of the US was 6.5 trillion yen and remained as the largest investor to Japan by country (Chart 1-5).

The stock of Asia was 5.9 trillion yen with an increase of 548.2 billion yen from the end of 2017. The stock of all countries/regions³ excluding Indonesia increased. The stock of Hong Kong went below one trillion yen at the end of 2017 but regained the level at the end of 2018. The proportion of the non-manufacturing sector was high in Asia, accounting for more than 80%. In particular, the stock of industries such as finance/insurance (about 35% of total) and services (about 10% ditto) constituted large shares.

2. Latest success stories of inward FDI

A trend has been observed where foreign and foreign-affiliated companies develop their business through addressing social issues of Japan or local regions by introducing innovative technologies or services. According to JETRO's survey on foreign-affiliated companies in Japan, about 20% listed "Opportunities for innovation due to Japan's status as a frontrunner in addressing global challenges" as an attractive factor when doing business in Japan (see Chapter 3). Not only major foreign-affiliated companies but also overseas startups have been entering Japanese market, and various foreign-affiliated companies are developing their business in different parts of Japan.

Chart 1-5 Inward FDI stock in Japan by country/region and by industry (as of end of 2018) Top 10

<By country/region>

Rank	Country/region	Stock (Billion yen)	Share (%)
1	US	6,529	21.3
2	Netherlands	4,625	15.1
3	France	3,761	12.2
4	Singapore	2,638	8.6
5	UK	2,606	8.5
6	Cayman Isl.	1,673	5.4
7	Switzerland	1,458	4.7
8	Germany	1,094	3.6
9	Hong Kong	1,012	3.3
10	Luxembourg	837	2.7

[Source] "International Investment Position of Japan" (Ministry of Finance, Bank of Japan)

<By industry>

Rank	Industry	Stock (Billion yen)	Share (%)
1	Finance and insurance	7,693	33.9
2	Electric machinery	3,743	16.5
3	Transportation equipment	3,456	15.2
4	Chemicals and pharmaceuticals	1,624	7.2
5	Services	1,258	5.5
6	Communications	666	2.9
7	General machinery	596	2.6
8	Real estate	550	2.4
9	Transportation	438	1.9
10	Glass and ceramics	358	1.6

[Note] In the statistics of inward FDI stock by industry, the investment made by a subsidiary to its parent company is counted as the withdrawal of investment by the parent company. The calculation method differs from that of the statistics for inward FDI stock by country/region.

[Source] "International Investment Position of Japan" (Ministry of Finance and Bank of Japan)

³ Comparison among the 11 countries and regions in Asia whose figures are individually reported in balance of payments statistics by the Ministry of Finance and Bank of Japan: China, Hong Kong, Taiwan, South Korea, Singapore, Thailand, Indonesia, Malaysia, the Philippines, Vietnam, and India.

(1) Finding business opportunities in addressing social issues unique to local regions and Japan through innovation

i) Foreign-affiliated companies to expand business addressing regional social issues

Various foreign-affiliated companies find opportunities for research and development (R&D) or pilot projects of new technologies/services in unique social issues and characteristics of local regions in Japan. Establishing business bases, they are aiming to work with local companies/organizations interested in open innovation (Chart 1-6).

Case [1] Aizu-wakamatsu City, Fukushima Pref.: Attracting foreign-affiliated companies as a site for pilot projects

More and more companies, whose business include a social business aspect, come to Aizu-wakamatsu City, Fukushima Prefecture. In the process of reconstruction from the Great East Japan Earthquake, the city incorporated the "Smart City" initiative. Under the initiative, the city aims to improve the efficiency of city administrations and the convenience of everyday life of its citizens by introducing IT technologies through collaboration with Accenture, a foreign general consulting firm, and the University of Aizu (established in 1993 as the first university in the country dedicated to computer science). In April 2019, as a further policy measure to invite more companies to the region, the city established "Smart City AiCT," an office facility complex, to facilitate for ICT (Information and Communication Technologies) companies to start a business in the city and carry out smart city-related pilot projects. Seventeen domestic and foreign companies expressed their intention to move into the office at the time of its opening.

Aizu-wakamatsu City is an attractive field for local companies, including foreign ones, to conduct pilot projects. Mr. Shojiro Nakamura, Manager at Accenture Innovation Center in Fukushima, states that as depopulation advances, urban and depopulated areas have been mixed within the city, which makes the city suitable for social business pilot projects. Also, the city has been actively working on making its citizen

data more open. More than 30 social business pilot projects have been carried out through collaboration with various companies. So far, about 20 of them have already become available as official services. One of the examples is a system to provide location information of snow removing vehicles through a web portal for its citizens. Another is a system to send notifications of vaccination reservation, etc. through digitized maternity health records. In FY2019, the city is planning to implement pilot projects of drones for agriculture and online medical care services.

Major foreign IT enterprises have been starting to choose the city for its unique environment. Among companies at Smart City AiCT in addition to Accenture, SAP Japan and Japan Microsoft are planning to implement their pilot projects. Mr. Nakamura finds the significance of being in local regions, saying that "it is the local regions which urgently requires solutions to social challenges Japan faces. Setting up business in these regions enables the company to conduct fruitful pilot projects." Growing out of conventional types of regional revitalization such as inviting manufacturing factories, the city's initiative aiming to promote high added-value industries can become a new model to induce innovation through regional social issues.



Chart 1-6 Regional social issues × Efforts of foreign-affiliated companies

Place	Social issues	Foreign-affiliated companies	Characteristics	Efforts/business development
Aizu-wakamatsu City, Fukushima Pref.	<ul style="list-style-type: none"> Reconstruction from earthquake Depopulation 	Accenture, SAP Japan, Japan Microsoft, etc.	Environment suitable for social business pilot projects (Combination of urban and depopulated areas) (Open data of its citizens)	<ul style="list-style-type: none"> In the process of reconstruction from a massive earthquake, the "Smart City" initiative was implemented. In April 2019, "Smart City AiCT," an office facility complex, was established. More than 30 pilot projects have been carried out so far, about 20 of which have become official services.
Sendai City, Miyagi Pref.	<ul style="list-style-type: none"> Declining birth rate and aging population Shortage of healthcare professionals Soaring medical expenses 	Philips Japan, etc.	Research and development in the field of healthcare	<ul style="list-style-type: none"> Philips Japan established "Co-Creation Center" as the first R&D center in Japan. Its aim is to collaborate with entities from different industries. The company has already concluded more than 60 partnership agreements in the field of healthtech with local enterprises/organizations.

[Source] Interviews by JETRO, press release, and media reports

Case [2] Sendai City, Miyagi Pref.: Collaboration between foreign-affiliated companies and local enterprises/organizations to tackle local social issues

Philips Japan established its “Co-Creation Center (CCC)” in Sendai City, Miyagi Prefecture in May 2019, as the first innovation R&D center in Japan. Philips has been accelerating to become a healthcare business enterprise on a global scale, and the Co-Creation Center is to function as an innovation hub in the health-tech field in Japan. At CCC, a variety of facilities are set up to enable, for instance, to quickly produce prototype products with 3D printers or to simulate arrangement of large medical equipment utilizing augmented reality (AR) technology for installing cutting-edge technologies. In 2018, before the establishment of CCC, Philips Japan set up a joint research center within Tohoku University Hospital. Mr. Hiroyuki Tsutsumi, the President of Philips Japan, explains the establishment of CCC in the Tohoku region that “social issues of the region, such as a declining birth rate and aging population, lack of healthcare professionals, and soaring medical expenses, are more severe, compared to the other parts of Japan. At the same time, however, this is the region that can lead the social change (through addressing these issues).”

The Co-Creation Center is to become a “meeting place for different industries.” With that concept, the company intends to accelerate collaboration with local enterprises and governments, in addition to Tohoku University, to create medical services, incorporating needs and challenges from the field. The company has already concluded partnership agreements in the healthtech field with more than 60 local enterprises/organizations. With CCC at its core, the company aims to increase the number of partnerships up to 100.

ii) Collaboration between foreign startups and Japanese enterprises to develop business through addressing social issues

Some overseas startups are starting to enter the Japanese market with new technologies and business models through collaboration with Japanese enterprises/organizations active on open innovation (Chart 1-7).

Case [1]: Manpower shortage at retail business

While Japan’s retail market is one of the largest in the world, the manpower shortage has been a serious challenge to the industry in the recent years. **Standard Cognition**, a startup founded in the US in 2017, finds a business opportunity in the challenge. Establishing a Japanese subsidiary in June 2018, the company provides retail stores with a payment software system, with which the stores no longer need cash registers. The system runs with artificial intelligence (AI) and recognizes items selected by customers with cameras installed on the ceiling, which automatically charges the customers for the items once they leave the store. Since the software does not require items tagged, retail stores bear little burden at the time of its installation. Also, data obtained through the system can be utilized for customer relationship management (CRM). On the other hand, it has superior privacy protection compared to the existing technologies, because it does not use face recognition technology.

The company opened its first demonstration store in San Francisco, US, in September 2018, and was aiming to realize the first overseas introduction in Japan. PALTAC, a large wholesaler of cosmetics/daily necessities/medicine, decided to adopt the software system as the first attempt in Japan and plans to conduct pilot projects at drugstores in Miyagi Prefecture. The COO of Standard Cognition plans to expand the number of stores installing the software to 3,000 in the country by 2020. At the same time as the outlook of the company draws attentions, there is a high hope that a wider use of “retail-tech,” the concept which has already been popular in countries like the US, will contribute to increase productivity in the Japan’s retail industry.

Case [2]: Disaster prevention/mitigation

One Concern, a US startup founded in 2015, develops a software system to predict damages that natural disasters can cause. The system makes AI learn data on the natural environment and infrastructures in advance and carry out simulation of potential damages expected in case of natural disasters. This information is useful for companies to formulate long-term business plans at specific areas or for municipalities to review disaster prevention plans. Furthermore, the software and its simulation

Chart 1-7 Social issues in Japan × Efforts of foreign-affiliated startups

Foreign-affiliated company	Business overview	Social issues	Cooperation partners	Efforts/business development in Japan
Standard Cognition	Providing a payment software system, with which retail stores no longer need cash registers	Manpower shortage	PALTAC	Planning to start pilot projects to install the software at drugstores in Miyagi Prefecture
One Concern	Development of damage prediction system for natural disaster utilizing AI	Disaster prevention/disaster mitigation	Sompo Japan Nipponkoa Weathernews	Starting pilot projects of disaster prevention/disaster mitigation system utilizing AI in Kumamoto City. Planning to start trial operation of the damage prediction system for floods and earthquakes from September 2019.
StreetScooter	Manufacturing of electric vehicle (EV)	Work-style reform Manpower shortage Reduction of burdens on environment	Yamato Transport	Jointly developed of first Japanese small EV truck for parcel delivery. Yamato Transport announced it would introduce 500 units of them during FY2019.
Wind Mobility	Providing service of shared electric scooters	Last one-mile between public transportation and a destination	Saitama Railway Corporation	Providing an electric scooter sharing service in Saitama City and Kawaguchi City.

[Source] Interviews by JETRO, press release, and media reports

enables stakeholders to precisely grasp damages when natural disasters occur. The system has been already in use in US cities, such as Seattle and Los Angeles.

The company concluded a business alliance agreement with Sompō Japan Nipponkoa and Weathernews in March 2019 and started pilot projects of disaster prevention/mitigation system utilizing AI in Kumamoto City. Kumamoto City reportedly plans to start the trial operation of the damage prediction system for floods and earthquakes from September of the year.

Entries of foreign startups into Japan are expected to accelerate open innovation of Japanese companies and entrepreneurs' growth. The more businesses are born out of these innovations, the more cases will be observed where they lead to addressing social issues in Japan.

(2) Diversification of the ways foreign-affiliated companies form ecosystems

At the time of startups growth and trend toward forming ecosystems to induce innovation in Japan, some foreign affiliated companies are playing an active role in forming Japanese startup ecosystems. Some programs for startups makes the best use of characteristics of individual regions, whereas open innovation programs by foreign-affiliated companies as well as investment through establishment of corporate venture capital (CVC)⁴ have been recently observed.

i) Foreign-affiliated accelerators forming regional ecosystems

With the aim to create innovation through supporting startups, foreign-affiliated accelerators⁵ have been expanding their fields to all the places of Japan (Chart 1-8). Rainmaking Innovation and Plug and Play, for example, support both domestic and overseas startups and existing enterprises, taking advantage of unique characteristics of local enterprises and universities/research institutions in the region/cities.

Case [1]: Rainmaking Innovation

Rainmaking Innovation, an international innovation service provider, who has run over 55 programs around the world, started their business in Osaka City in March 2019. In June 2019, the company held "Startupbootcamp" for the first time in Japan with partner companies, such as Hankyu Corporation and JR West Innovations. Held in over 21 cities in the world, the program sets up a specific industrial cluster as a theme for each host city and invites promising startups in the field from all over the world. In Osaka, under the theme of "Smart City & Living," participating startups were selected from Australia, Hong Kong, and Israel, among others.

The program focuses on supporting business collaboration, such as joint pilot projects, between participating startups and partner companies. In particular, special attention is given to collaboration between startups and large companies in order to raise possibility for pilot projects to become viable business. In Osaka, the program is to be continued for a minimum of three years with the plan to support over 30 domestic and foreign startups in total.

Mr. Joshua Flannery, the representative of the company in Japan, cites "market size" and "low cost (of business operations compared to Tokyo)" of Osaka as advantages of the city for startups to expand their business.

Case [2]: Plug and Play

Plug and Play, a US accelerator, established its second Japanese base in Kyoto in July 2019. The company has been supporting domestic and foreign startups in fields such as IoT, fintech, and mobility in Japan since it established its business in Tokyo in 2017. In Kyoto, the company focuses on the industrial clusters of manufacturing and life science and plans to develop a support program specialized in "Hard Tech & Healthcare." The company cites the startup ecosystem with local universities at its core as the advantage to develop the program in Kyoto. The company had concluded a partnership agreement with Kyoto City to cooperate in its formation of a global startup ecosystem as well. The program by Plug and Play in the city, therefore, will use "Kyoto Keizai Center," in which administrations and economic organizations have their office, as one of its primary locations.

Chart 1-8 Foreign-affiliated accelerators in Japan

Foreign-affiliated company	Market to expand	Advantages of market	Characteristics of programs
Rainmaking Innovation	Osaka City, Osaka Pref.	Market size Low cost (compared with Tokyo)	Holding "Startupbootcamp," a startup support program, in over 21 cities around the world. The program sets up a specific industrial cluster for each host city and invites promising startups in the field from all over the world. The theme in Osaka is "Smart City & Living."
Plug and Play	Kyoto City, Kyoto Pref.	Startup environment with local universities at its core	Since entering Japan in 2017, assisted both domestic and overseas startups. Their program in Kyoto is to be specialized in "Hard Tech/Healthcare."
ImpacTech	Tokyo	-	Providing support exclusively to startups tackling social issues using technologies. Supported projects include a wireless electric car/robot charging service, an online medical consulting service for parents with children, etc.

[Source] Interviews by JETRO, press release, and media reports

⁴ Venture capital set up by traditional companies for the purpose of investing in external startups.

⁵ Companies/organizations providing investment and support to startups to grow and accelerate their business.

ii) Open innovation programs by foreign-affiliated companies and collaboration of CVC with domestic startups

In addition to accelerators, traditional foreign companies are also interested in collaborating with domestic startups through their own open innovation programs or CVC (Chart 1-9). According to Japan Venture Research, the amount of investment to domestic startups from foreign-affiliated VC has increased since 2012, and its proportion in terms of the total amount of VC investment increased from about 5% in 2012 to about 12% in 2018.

Case [1]: Bayer Yakuhin

Bayer Yakuhin, a Japanese subsidiary of **Bayer**, a large German pharmaceutical company, held "G4A Tokyo Dealmaker 2018," an open innovation program, in November 2018. The company presented problems in the digital health field and accepted business proposals from companies including startups. This led the company to collaborating with 12 companies in various fields, such as productivity enhancement in pharmaceutical manufacturing. Also, the company concluded a partnership agreement to work on building a startup ecosystem with Kobe City and the Foundation for Biomedical Research and Innovation at Kobe in February 2019. In the spirit of the agreement, the company announced its plan to inviting companies to "CoLaborator Kobe," its

incubation facility opened by the company in Kobe City in 2018, and provide assistance to companies seeking overseas business expansion with overseas locations of the Bayer Group.

Case [2]: Cisco Systems

Cisco Systems, a US company in the field of network device development, established "Cisco Innovation Hub," to work on open innovation projects with startups in the space industry in Tokyo in April 2019. Together with partners like Japan Aerospace Exploration Agency (JAXA), the company invites startups and universities/research institutes and holds competitions of new business models utilizing satellite data, aiming to develop new products and services in the industry.

Case [3]: Salesforce.com

Salesforce Ventures, a CVC of **Salesforce.com**, which provides CRM softwares, announced to establish "Japan Trailblazer Fund" of 100 million dollars designated to invest in Japanese startups in December 2018. Having already invested in over 40 domestic startups, the company intends to provide startups through this fund with a variety of assistances, such as sales channel development and overseas business expansion, in the hope to realize positive effects on its own cloud service business at the end.

Chart 1-9 Foreign-affiliated open innovation program/CVC by traditional companies

Open innovation program/CVC	Investing foreign-affiliated companies	Efforts/investment
G4A Tokyo Dealmaker CoLaborator Kobe	Bayer Yakuhin	<ul style="list-style-type: none"> · Held the "G4A Tokyo Dealmaker 2018" in November 2018 and led to collaboration with 12 companies in fields, such as productivity enhancement in pharmaceutical manufacturing. · In 2018 announced to cooperate with Kobe City, etc. in inviting companies to "CoLaborator Kobe," its incubation facility established in the City, and in supporting their overseas business expansion.
Philips HealthWorks	Philips	<ul style="list-style-type: none"> · Providing mentoring by its employees and opportunities for experiments for three months at its innovation centers located in various parts of the world, such as the Netherlands and India, to participating companies in "Philips HealthWorks," its global-scale acceleration program.
Samsung Venture Investment Corporation	Samsung Group	<ul style="list-style-type: none"> · In June 2018, invested in a startup engaging in system development of electronic equipment such as night vision cameras originated from the National Institute of Advanced Industrial Science and Technology in Tsukuba City.
Cisco Innovation Hub	Cisco Systems	<ul style="list-style-type: none"> · Established "Cisco Innovation Hub" in Tokyo as the facility for working on open innovation with startups in the space industry. · Together with JAXA, etc., inviting startups and universities/research institutes and holds competitions of new business models utilizing satellite data, aiming to develop new products and services in the industry.
Google for Startups Campus	Alphabet	<ul style="list-style-type: none"> · Announced the establishment of "Google for Startups Campus" in Tokyo in 2019 as the second startup supporting base in Asia, following its location in Seoul, South Korea.
Japan Trailblazer Fund	Salesforce.com	<ul style="list-style-type: none"> · Fund of 100 million dollars designated to support Japanese startups. · Providing startups with a variety of assistances, such as sales channel development and overseas business expansion, in the hope to realize positive effects on its own cloud service business at the end.

[Source] Press release and media reports

COLUMN Expanding cross-border e-commerce connects the inbound business with investment promotion

2018 saw the renewed record high number of tourists coming into Japan with the number reaching over 30 million. As introduced in "JETRO Invest Japan Report 2017," the more tourists experience Japanese goods during their stay, the stronger their demands for these products get, which has resulted in foreign companies, from countries like China, engaged in cross-border e-commerce (CBEC) investing in Japan. E-commerce sales from Japan to China have steadily expanded since and exceeded 1.5 trillion yen in 2018. Other foreign companies in the field have been investing in Japan, some of which have established procurement centers in Japan in order to purchase goods directly from Japanese companies (Chart 1-10).

JETRO has also been implementing the "Japan Mall" project to promote Japanese goods on overseas e-commerce platforms since FY2018. During FY2018, items of nearly 150 Japanese companies were selected and sold through collaboration of JETRO with seven overseas e-commerce platforms in ASEAN as well as other regions.

Overseas sales on these e-commerce platforms can connect an inbound business in the country or regions with inward investment promotion, a trend of which has already been observed in the

cosmetics industry. According to a study by the Japan Tourism Agency, among increasing Chinese tourists, 79.5% purchase "cosmetics/perfume" as souvenirs when visiting Japan. Also, according to JETRO surveys on Chinese consumers, a certain number of people chose "Because of good experience when purchased during a trip in Japan" as one of the reasons to purchase Japanese goods through CBEC. The sales of Japanese cosmetics through CBEC have been attracting attention, and companies are trying to increase their production capability. Just in 2018, foreign-affiliated companies, such as P&G and Unilever, as well as domestic companies, such as Shiseido, reportedly decided to increase investment to enhance domestic production capabilities in order to meet stronger domestic and overseas demands. The increase of foreign tourists in Japan owing to inbound-related business has potential to promote overseas sales of products of Japan or regions on CBEC platforms, which could further lead to investment to increase production capacity. Considering the connection among inbound business, sales through CBEC, and investment for manufacturing, building more comprehensive strategies is required.

Chart 1-10 Recent operations of major foreign-affiliated e-commerce companies in Japan

Company	Country/region	Activities
HQG	China	Operating "Kaola," a major cross-border e-commerce platform. Japanese goods, such as cosmetics, baby products, and daily consumable items, dominate the top sales on Kaola. The company established its business in Tokyo in April 2018 and started its operations to procure Japanese products.
Baibao New Media		E-commerce company founded in 2016 with its headquarters in Suqian, Jiangsu Province, China. Although it used to procure Japanese baby products for the Chinese market through Japanese agencies, the company established a Japanese subsidiary in Yao City, Osaka Pref. in February 2019 in order to strengthen its procurement capacity in Japan to expand its sales in its home country.
Onion Group		Operating a dedicated platform for cross-border e-commerce. Its business model is to conclude contracts with individuals called social buyers and sell goods through social media and events. It established a Japanese subsidiary in April 2019 in order to strengthen procurement capacity.
Alibaba Group		In January 2018, collaborating with the National Federation of Agricultural Cooperative Associations (JA Zen-Noh) to sell Japanese rice in China. This was the first time for rice produced in Japan to be handled on its own platform.
Citiesocial	Taiwan	In July 2019, concluded business alliance agreement with Makuake, a cloud funding platform in Japan. The Japanese company is to introduce their clients to the e-commerce platform of Citiesocial, when the clients raise their target of amount fund on its cloud funding platform. Supports will be provided for sales promotion in four locations at most, namely, Taiwan, Hong Kong, Malaysia, and Singapore.

[Source] Press release and media reports

2 Business Environment Improvement Efforts

Society 5.0 is an expression describing a Human-centered Society which achieves both economic development and solutions to social problems by close integration of cyberspace (virtual space) and reality space. It is the form of society advocated by the government, which Japan should aim to realize following hunting society (Society 1.0), agrarian society (Society 2.0), industrial society (Society 3.0), and information society (4.0) while the fourth industrial revolution makes progress within the country.

Toward realization of Society 5.0, the Council for Promotion of Foreign Direct Investment in Japan¹ adopted "Program to Intensively Attract Foreign Direct Investment in Regional Japan" on April 16, 2019. "Follow-up on the Growth Strategy (2019 Growth Strategy)," which was decided by the Cabinet in June 2019, regards "capturing overseas growing markets" as one of the priority measures and puts up "promotion of direct investment in Japan" (Chart 2-1).

This chapter introduces various kinds of efforts with 2019 Growth Strategy as the core, which contribute to Japanese business environment improvement and attracting overseas companies.

Chart 2-1 Specific measures (excerpts) of "Promotion of direct investment in Japan"

- Reinforcement of the support to promotion activities of municipalities who have clarified their foreign companies promotion strategy based on "Program to Intensively Attract Foreign Direct Investment in Regional Japan" (Adopted by the Council for Promotion of Foreign Direct Investment in Japan on April 16, 2019), strengthened the support system of JETRO, and strengthened collaboration between capture of inbound tourist demand and export promotion of agricultural, forestry, and fishery products will be carried out.
- Major overseas bases of JETRO will form close networks with overseas innovation ecosystems, and through that, process active invitation activities toward foreign companies who will contribute to innovation will be carried out.
- Regional Business Conference (RBC, refer to p.29) started in FY2018, will be held in the regions where active promotion is practiced for foreign companies also in FY2019.

[Source] Created from "2019 Growth Strategy"

1. Construction of innovation ecosystem toward realization of Society 5.0

"2019 Growth Strategy" describes that working on open innovation mobilizing all force of "Industry," "Government" and "University" is required in order to create innovation while social change associated

with Society 5.0 is making rapid progress. Aiming at "creation and raising of startups who will play an active role internationally" is placed as the objective for "Industry."

It is aiming at "formation of base cities of startup ecosystems which can rank among cities in the world." Analyzing the ecosystem (funds, enterprise networks, human resources, etc.) of an individual city in the country, providing concentrated assistance to selected base cities, and inviting foreign entrepreneurs to the base cities, the related government offices, local governments, JETRO, etc. will collaborate and promote the base formation (2019 Integrated Innovation Strategy). In collaboration with major accelerators in the world, the acceleration function within Japan will also be strengthened.

Also, toward the formation of ecosystems, a conference attended by startups with high evaluation in the world and domestic startups-related events will be held (2019 Growth Strategy).

In order to promote overseas business expansion of mid-ranking companies and SMEs by exploring their potentials, as well as by utilizing the excellent business resources which foreign companies have, including know-how for practical applications and overseas networks, "Promotion of Global Alliances for Japanese Mid-ranking Companies and SMEs" started under the leadership of the Ministry of Economy, Trade and Industry (METI) in 2015. JETRO will serve as a coordinator to convey foreign companies' requests etc. to relevant organizations including the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN, The Shoko Chukin Bank, Ltd, and the Small and Medium Business Investment & Consultation Co., LTD., and thereby support investment alliances with foreign companies.

2. Utilization of project-based "Regulatory Sandbox" system

Based on the Act on Special Measures for Productivity Improvement, the demonstration system of new technologies, etc., "project-based "Regulatory Sandbox" system" was introduced in June 2018. It creates an environment where innovative technologies and business models can be demonstrated without restrictions being imposed by existing regulations while making sure the participants and periods are limited, to enable data collection that will lead to swift validation and regulatory reform. After completion of the demonstration period, the minister with regulatory jurisdiction will review the regulations based on the data obtained via demonstration. The Government of Japan's Regulatory Sandbox Team was organized at the Japan Economic Revitalization Bureau of the Cabinet Secretariat, and is widely accepting applications from both domestic and overseas corporations. "2019 Growth Strategy" states that efforts will be continued for dissemination of the system to the inside and outside of the country through the introduction of approved case examples, etc.

As the point of initial contact for foreign companies and foreign-affiliated companies, JETRO works to introduce this system domestically and internationally, as well as liaise and coordinate with the Government of Japan's Regulatory Sandbox Team.

¹ Started from 2014. Through "Working Group for Revising Regulations and Administrative Procedures" etc., it is trying to improve business environment.

3. Initiatives toward expanding Japan's inward FDI into regional areas

The Council for Promotion of Foreign Direct Investment in Japan adopted "Program to Intensively Attract Foreign Direct Investment in Regional Japan (Intensive Strengthening/Promotion Program)" on April 16, 2019. It is aimed that the sustainable vitalization of regional economy will be realized through expansion of inward FDI into regional areas, which to date have been concentrated into a few big cities such as Tokyo.

The Council for Promotion of Foreign Direct Investment in Japan decided "Support Program for Regional Foreign Direct Investment in Japan (Support Program)" in May 2018, and the related government offices and JETRO have collaborated and supported municipalities in promotion activities toward foreign companies/foreign-affiliated companies, including formulation of promotion strategy (see p.29).

"Intensive Strengthening/Promotion Program" strengthens "Support Program" and provides intensive support to municipalities through holding overseas seminars on inward FDI in Japan and foreign company invitation programs.

4. Smart public service – movement toward realizing of the easiest country in the world for companies to do business

"The Act of Digital Procedure" was enacted in May 2019, in order to achieve convenience enhancement on administrative procedures and simplification/optimization of administrative operation through utilization of information and communications technologies. Fundamental principles are [1] Each procedure/service will be consistently and electronically completed (digital first), [2] information submitted once will not be required to be submitted again (once only), and [3] plural procedures/services including private services will be completed at a unified contact point (connected one-stop).

Chart 2-2 Main measures toward business environment Improvement

Measures	Contents
Introduction of online one-stop service of incorporation procedure	The service will be started sequentially so that procedures from certification of articles of incorporation to the procedure after the registration will be completed by a one-time operation in a single system in order to expedite incorporation procedure (within 24 hours).
Promotion of computerized court procedure, etc.	Various efforts will be implemented in phases aiming to realize full-scale computerization of the court procedure related to reform promotion of the civil affairs judicial system while respecting autonomous judgment by the judicial branch.
Improvement of foreign trade procedure/port distribution	Constructing "Collaboration platform of port-related data" by 2020 in order to digitize all port-related information such as data concerning procedures between administrative organizations and private businesses and data concerning circumstances of port facilities, and aim to make port distribution more efficient utilizing electronic information.

[Source] Created from "2019 Growth Strategy"

Toward further improvement of business environment, "2019 Growth Strategy" puts up "more than 20% reduction of administrative procedure cost in priority areas by March 2020" as a key performance indicator related to "Smart public service." Main related measures are as mentioned above (Chart 2-2).

In the Office of INVEST JAPAN ("Hotline"), JETRO has the role of liaison hearing requests from foreign and foreign-affiliated companies for regulatory reforms and administrative improvement and presenting recommendations to the government and related ministries and agencies. With regard to the "Investment Adviser Assignment System," which assigns vice-ministers to be in charge of foreign companies fulfilling specific conditions, launched in 2016, JETRO participates in meetings and follows up on the consultation of companies together with the related ministries.

5. Promotion of active participation of foreign professionals

According to an announcement of the Ministry of Internal Affairs and Communications (July 2019), the total Japanese population was 127,443,563. While the number of Japanese residents was 124,776,364 with a decrease of 433,239 from the previous year, foreigners were 2,667,199, with an increase of 169,543. 85% of all foreigners belong to working-age population (15 to 64 years old). While worldwide competition for human resources is intensifying under the fourth industrial revolution, "2019 Growth Strategy" puts up measures toward the promotion of active participation of foreign professionals.

Concerning "the improvement of entry/residence management system toward smooth intake of highly skilled foreign professionals," publicity activities to municipalities will be strengthened toward the widespread use of the Notice Related to Promotion Program of Foreigners' Entrepreneurial Activity (Project for Encouraging Foreign Entrepreneurs to Start Business²) enacted in December 2018. The government has been working also to review the system/operation related to entry/residence management for the purpose of promoting entrepreneurial activity in Japan by foreign students.

Also, from November 2018, even when using coworking spaces or shared offices, foreign companies/foreign-affiliated companies who are receiving JETRO support for inward FDI and meet fixed conditions such as "application was made within three years from the time when the business was started in Japan" are regarded as conforming to the requirements of "facilities in Japan" for "Business Manager" status of residence, and foreign managers of those companies are able to obtain said status of residence.

Since December 2018, JETRO has been operating "the portal site of promotion of active participation of foreign professionals <Open for Professionals>" (<https://www.jetro.go.jp/hrportal/>), gathering information related to the intake of highly skilled foreign professionals, such as measures and events of related government offices.

Also, in April 2019, a new status of residence "Specified Skilled Worker" was created toward the intake expansion of foreign professionals. It is the status of residence for the foreign nationals who engage in work requiring "skills that need considerable degree of knowledge or experience" or "expert skills" in the specified industrial fields (14 fields³). Online receipt of residence application started in July 2019, for the purpose of facilitating/expediting the procedure for status of residence.

² According to the program, the permission to entry/residence up to one year will be granted to foreign entrepreneurs supported by qualified municipalities (Fukuoka City, Aichi Prefecture, Gifu Prefecture, Kobe City, Osaka City, and Mie Prefecture) for the startup.

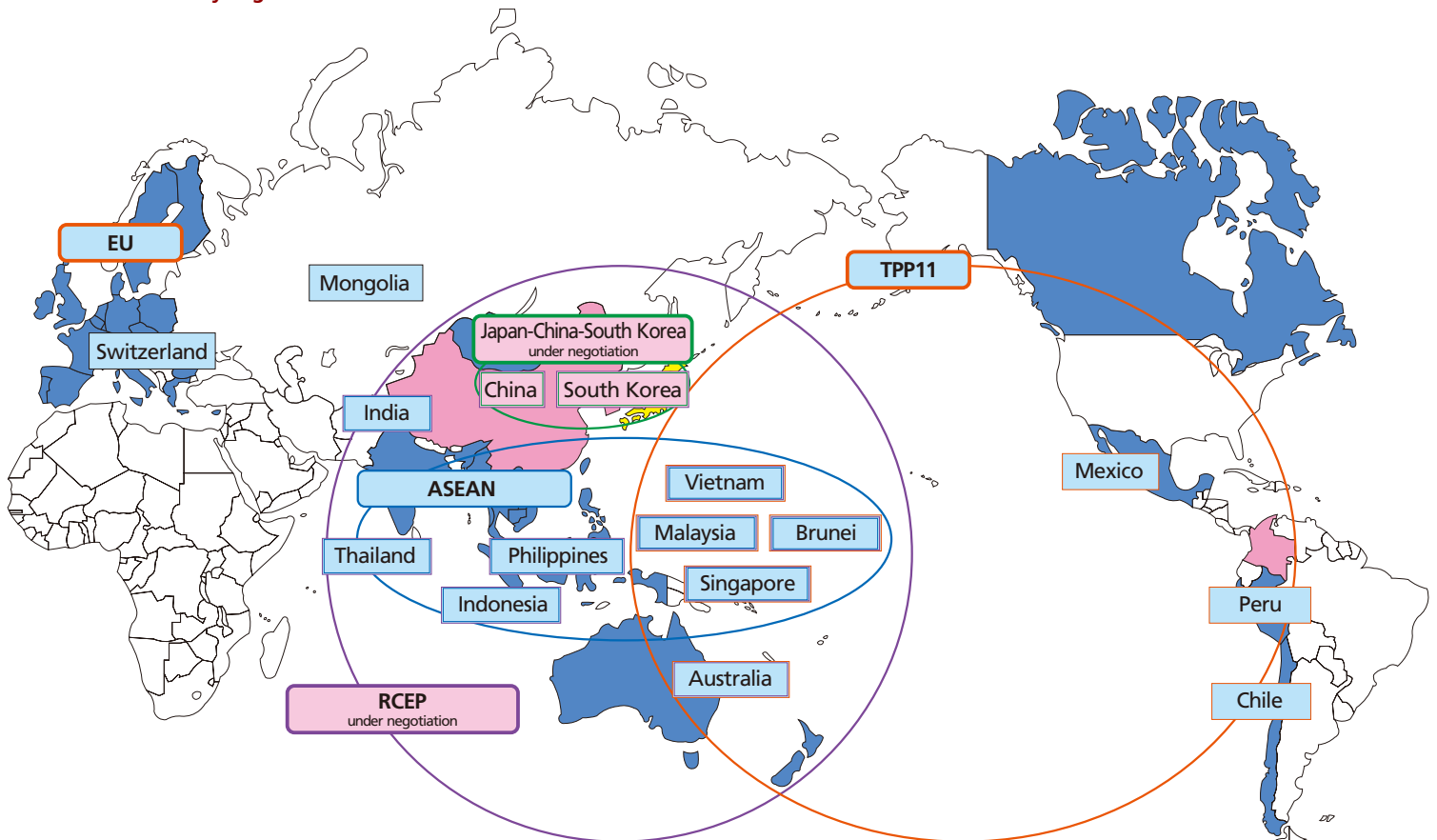
³ Nursing care, building cleaning, material processing industry, industrial machinery manufacturing industry, electric and electronic information related industry, construction, shipbuilding and ship-related industry, automobile maintenance, aviation, lodging, agriculture, fisheries, food and beverages manufacturing industry, and food service industry.

6. Progress of “Mega FTAs” in which Japan joins

Japan aims to strengthen its economic relations through economic partnership agreements (EPAs) and free trade agreements (FTAs), and promotes liberalization and facilitation of trade and investment. The number of enacted EPAs/FTAs of Japan reaches 17, making progress in not only reductions/abolition of tariff but also liberalization and rule formation in a wide range of fields such as services, government procurement, intellectual property, and investment between Japan and those countries/regions (Chart 2-3). Among them, the progress of “Mega

FTAs,” enormous FTAs among many countries/regions, is attracting the most attention. Concerning “Mega FTAs” in which Japan joins, TPP11 (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) took effect in December 2018 and Japan-EU EPA took effect in February 2019. In September 2019, final agreement concerning the Japan-US Trade Agreement and Japan-US Digital Trade Agreement was confirmed and was signed in October 2019. Among foreign-affiliated companies in Japan, business development utilizing those Mega FTAs is being examined.

Chart 2-3 EPAs/FTAs between Japan and individual country/region



[Source] Created from Home Page of the Ministry of Economy, Trade and Industry
 [Note] Countries/regions in blue indicate effective FTAs of Japan.
 Those in pink indicate agreements under negotiation Japan participates in.

COLUMN Addition of industry type subject to prior notification for inward FDI in Japan

In recent years, there are movements to strengthen regulations on foreign investment in each country around the world considering the increasing importance of ensuring cyber security. For example, in the US, the “2018 Foreign Investment Risk Review Modernization Act (FIRRMA)” was enacted in August 2018. FIRRMA is an act that strengthens powers of the Committee on Foreign Investment in the US (CFIUS), which reviews foreign companies’ investment in the US.

In Japan, the integrated circuit manufacturing industry, etc. were added to industry types which are required to submit prior notification for inward FDI in Japan based on the Foreign Exchange and Foreign Trade Act (Chart 2-4). The amendment is effective since August 1, 2019. The Cabinet approved the Amendment Bill of the Foreign Exchange and Foreign Trade Act on October 18, 2019.

Chart 2-4 List of added industry types

Industry type of equipment/part manufacturing related to information processing	Integrated circuit manufacturing industry
	Semiconductor memory/media manufacturing industry
	Optical disk/magnetic disk/magnetic tape manufacturing industry
	Electronic circuit packaging board manufacturing industry
	Cable communication equipment manufacturing industry
	Portable telephone/PHS telephone manufacturing industry
	Wireless communication equipment manufacturing industry
	Computer manufacturing industry
	Personal computer manufacturing industry
	External storage device manufacturing industry
Industry type of software manufacturing related to information processing	Entrusted development of software industry
	Built-in software industry
	Package software industry
Industry type related to information communication service	Regional telecommunications business*
	Long-distance telecommunications business*
	Wired broadcast telephone business
	Other fixed-line telephone business*
	Mobile telecommunications business*
	Information processing service business
	Internet utilization support business*

*Existing coverage was expanded.

[Source] Created from press release of the Ministry of Economy, Trade and Industry (May 27, 2019)

COLUMN US state governments competing with incentives and assistance mutually

As mentioned in 3, municipalities in Japan are making progress in various measures toward the expansion of inward FDI in Japan; US state governments are also eager to attract foreign direct investment which contributes to the employment and economic growth of the state. In July 2017, Foxconn Technology Group in Taiwan, the largest EMS (electronics manufacturing service) in the world, announced their plan to establish an LCD panel manufacturing factory (MAX investment amount of 10 billion dollars) in the state of Wisconsin. The state government promised to provide incentives of 3 billion dollars with tax deduction at its core to invite the factory, which is expected to create jobs for up to 13 thousand people. (However, later Foxconn Technology Group uncovered their intention to downsize the investment plan, so the achievement of employment target is threatened.)

In addition to tax deduction, various kinds of incentives such as subsidies, improvement of infrastructure, and loans with low interest rate are provided by state governments. In most cases, individual negotiations take place, so it is difficult to compare with other states. Many states hold “Deal Closing Funds,” special funds which enable state governors to pay subsidies, etc. at their discretion in order to conclude invitation negotiations. As a typical example of those funds, since establishment of the “Texas Enterprise Fund” of the state of

Texas in 2004, as of the end of June 2019 more than 500 million dollars had been paid out, reportedly contributing to creation of more than 100 thousand people jobs.

Apart from those incentives, some states are actively improving inefficient procedures (red tape) on regulation and approval/authorization. For example, in the state of Kentucky the activity called “Red tape reduction initiative” has been making progress since 2016. Working on reviewing more than 4,700 regulations, 617 regulations were abolished and 661 regulations were revised as of April 2019. Also, in February 2017 the state legislature approved an act which stipulates that ordinary regulations will be automatically abolished upon elapse of seven years since commencement.

When making a choice of investment destination, it is also important that companies can acquire excellent human resources. Some state governments support the education of employees with custom-made contents responding to the requests of companies. As a typical example of this, “Georgia Quick Start” of the state of Georgia has trained more than one million employees through nearly 6,500 programs so far. Also, the “Fast Start Program” of the state of Louisiana, “Alabama Industrial Development Training” of the state of Alabama and “Ready South Carolina” of the state of South Carolina are providing similar support.

3 Perception of the Business Environment in Japan among Foreign-affiliated Companies

From June to July 2019, JETRO conducted the "Survey on Japan's Investment Climate," targeting foreign-affiliated companies in Japan. The survey is designed to get opinions from foreign-affiliated companies about the attractiveness of the investment environment in Japan, obstacles for doing business in Japan, regulation reform requests, etc., for the purpose of further improving the business environment.

The results of the survey show that foreign-affiliated companies are positive about the open innovation with universities/research institutions

and Japanese companies, and that they place expectations on the "state-of-the-art technology and R&D." They are also highly motivated to make secondary investment/expansion in the future, and about 70% of target locations for those companies planning secondary investment were areas outside of Tokyo. With regard to the perceived attractiveness of doing business in Japan among foreign-affiliated companies, "Japanese Market" and "Stability of country and society" were highly rated for the second consecutive year.

[Survey on Japan's Investment Climate: Overview]

Summary of operation:

Online survey. Has been annually conducted since 2015.

Survey period: from June 18 to July 12, 2019

Target companies:

About 2,100 companies, mainly consisting of foreign-affiliated companies supported by JETRO in their entry into and/or expansion in the Japanese market and member companies of foreign chambers of commerce in Japan.

Number of valid responses: 213

*The parameter (n) in each chart is calculated by deducting the number of non-responses from the number of valid responses.

Profile of the responding companies:

Chart 3-1 Country/region of the parent companies

Country/region	No. of Companies	Country/region	No. of Companies
US	37	Italy	4
Germany	32	Vietnam	4
China	23	Sweden	3
Korea	14	Hong Kong	3
UK	13	Spain	2
India	10	Thailand	2
Singapore	10	UAE	1
Switzerland	10	Austria	1
France	10	Denmark	1
Taiwan	8	Turkey	1
Australia	5	Hungary	1
Netherlands	5	Finland	1
Canada	5	Malaysia	1
Belgium	5	Latvia	1
		Total	213

Chart 3-2 Country/region of the parent companies (by region)

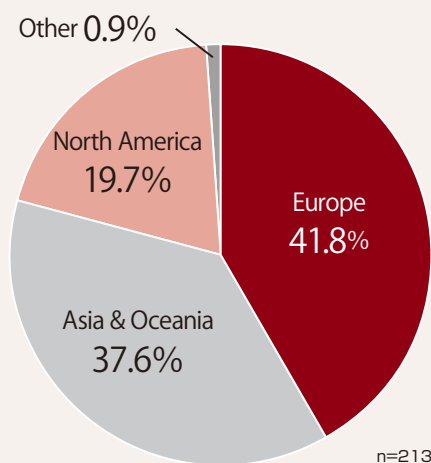


Chart 3-3 Number of years since establishment in Japan

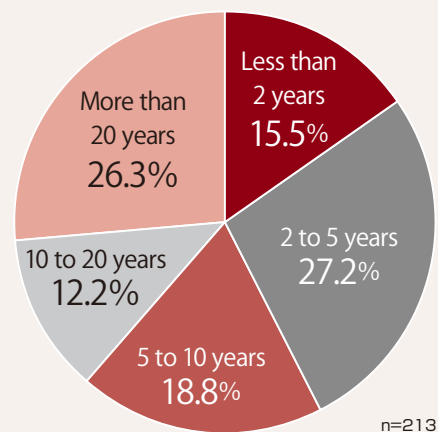
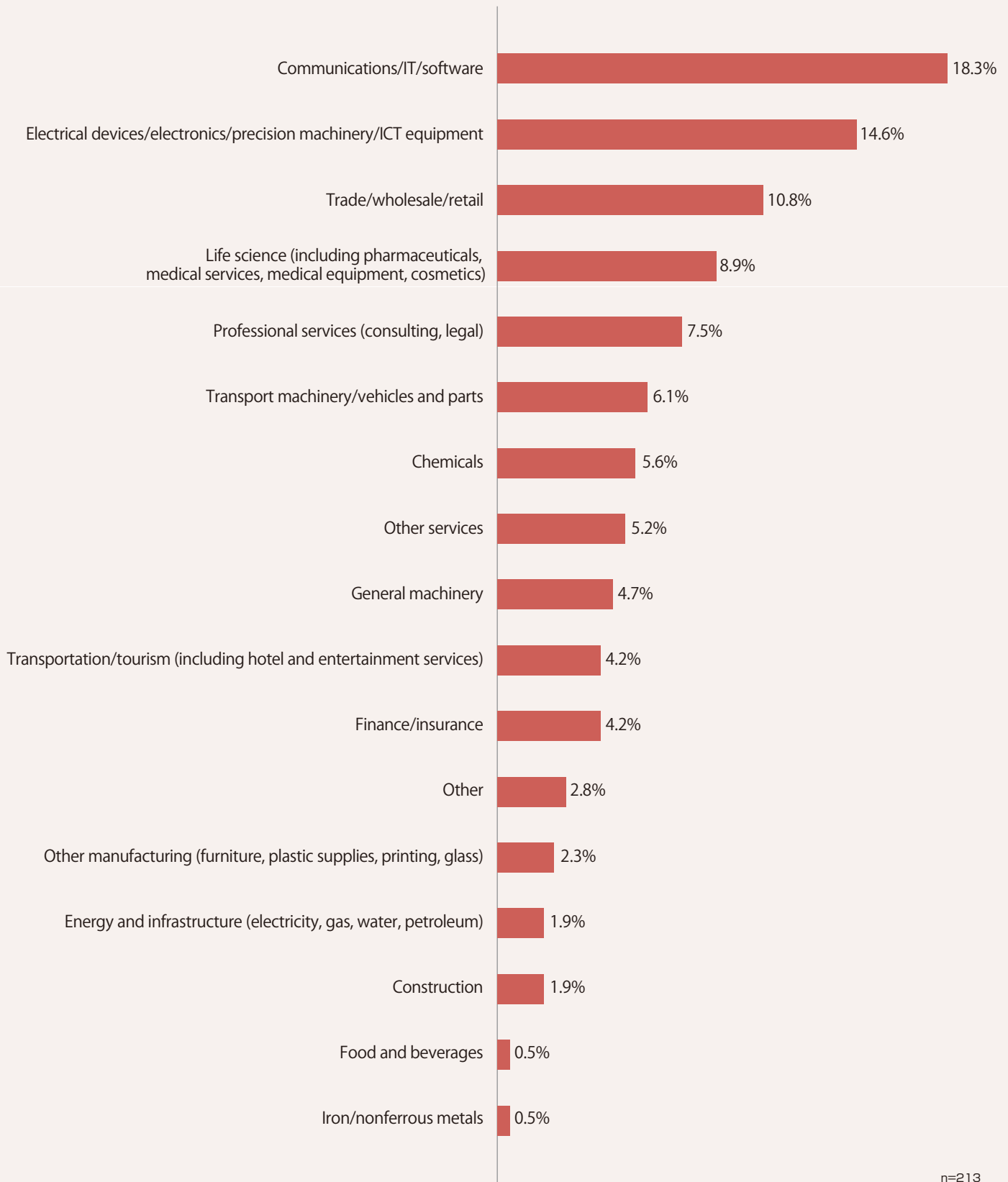


Chart 3-4 Type of industry



1. Positive about open innovation with universities, research institutions and Japanese companies, and placing expectations on “State-of-the-art technology and R&D”

As the international competition environment surrounding companies has been intensifying, attention is focused on open innovation¹ rather than closed innovation. In terms of efforts regarding open innovation with Japanese companies/universities, etc., more than 70% of

companies answered that “Efforts have already been implemented, and will continue/expand in the future” or “Efforts have not yet been implemented, but we are interested” (Chart 3-5). When looking at these figures by industry, interest tended to be high in the fields of communications/IT/software, electrical devices/electronics/precision machinery/ICT equipment, and life science.

With regard to partners for specific open innovation, “Universities/research institutes” and “Small and medium-sized Japanese enterprises” attracted interest from more than half of the responding companies,

Chart 3-5 Your efforts regarding open innovation with Japanese companies/universities, etc.

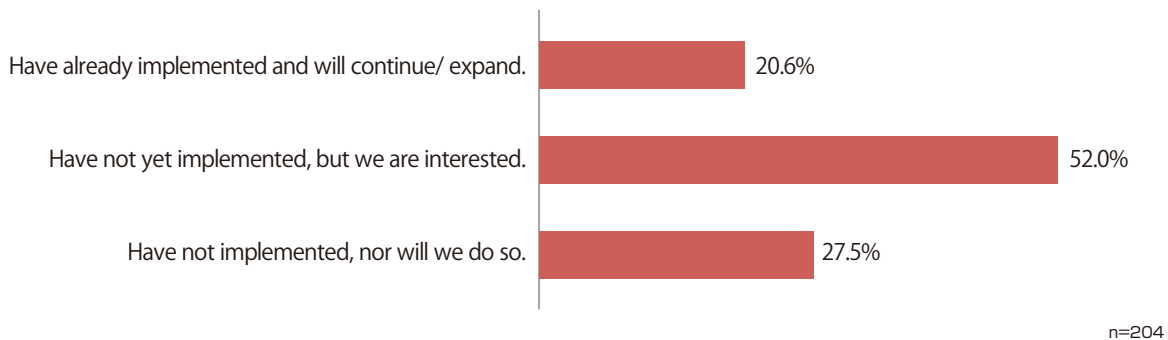
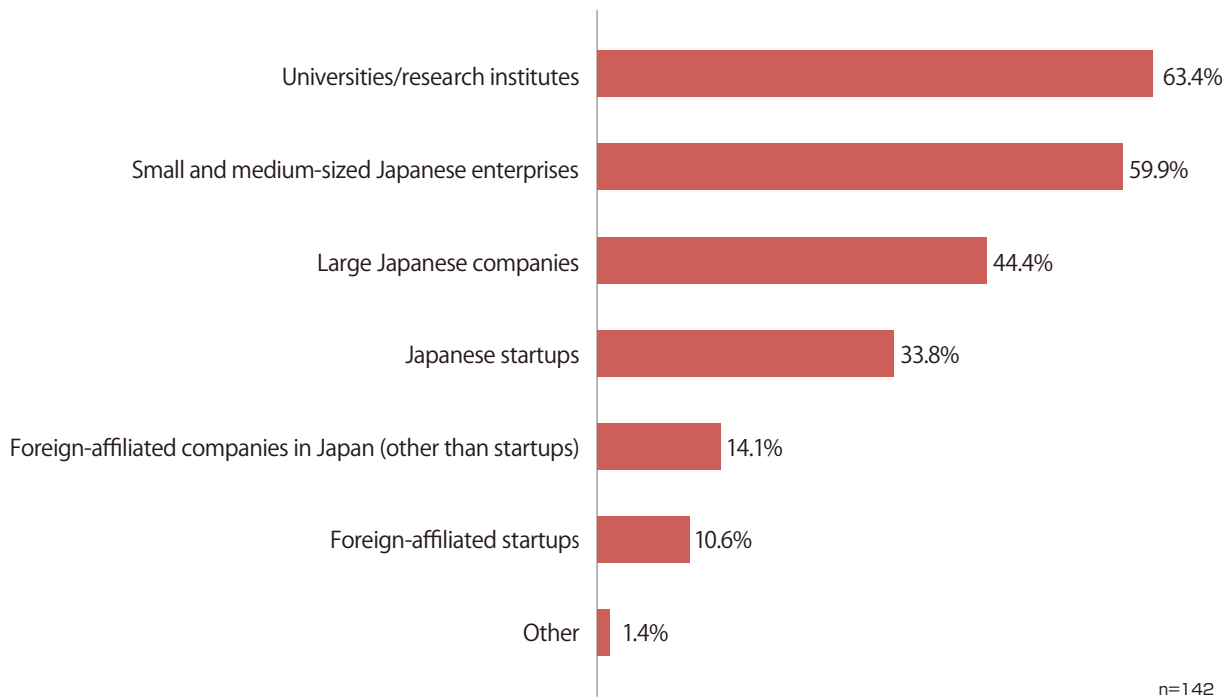


Chart 3-6 The kinds of partners you are interested in (multiple answers)



¹ According to the definition by Henry Chesbrough, former Assistant Professor at Harvard Business School, “Open innovation is the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively.” (“Open Innovation White Paper 2nd Edition,” New Energy and Industrial Technology Development Organization (NEDO), June 2018)

followed by “Large Japanese companies” and “Japanese startups” (Chart 3-6).

When asked about the reasons why they have chosen the partners, the most-cited reason was “State-of-the-art technology and R&D,” followed by “Synergy effect multiplying the impact of your business” and then by “High degree of potential for commercialization” (Chart 3-7). The results clearly show that foreign-affiliated companies are most interested in “State-of-the-art technology and R&D” of universities/ research institutions and Japanese companies in order to incorporate

Japan’s outstanding technologies and knowhow into their own business operations, aiming for the creation of innovation.

Related to the creation of innovation in Japan, over 60% of companies expressed interest in the “Regulatory Sandbox” system (see p.10) as with last year (Chart 3-8). Foreign affiliated-companies, especially in the fields of communications/IT/software, electrical devices/electronics/precision machinery/ICT equipment, and life science, remain highly interested in this system.

Char 3-7 The reasons why you have chosen the above partners (multiple answers)

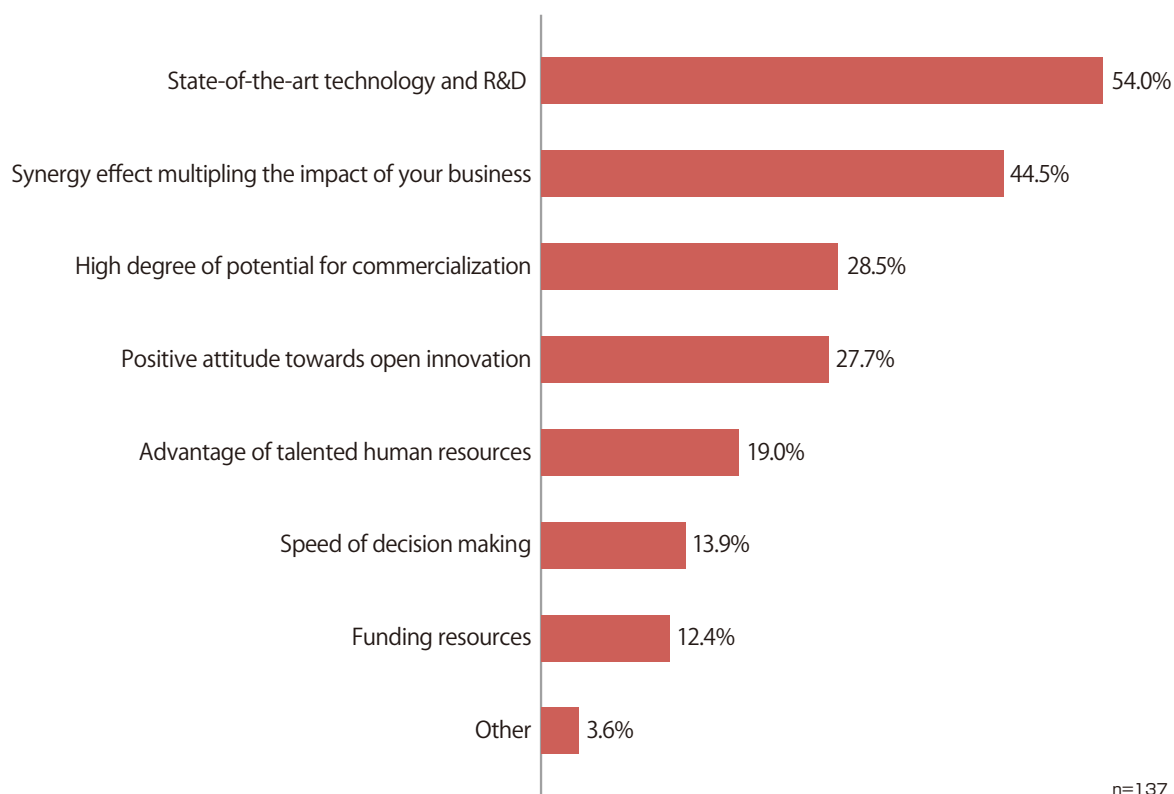
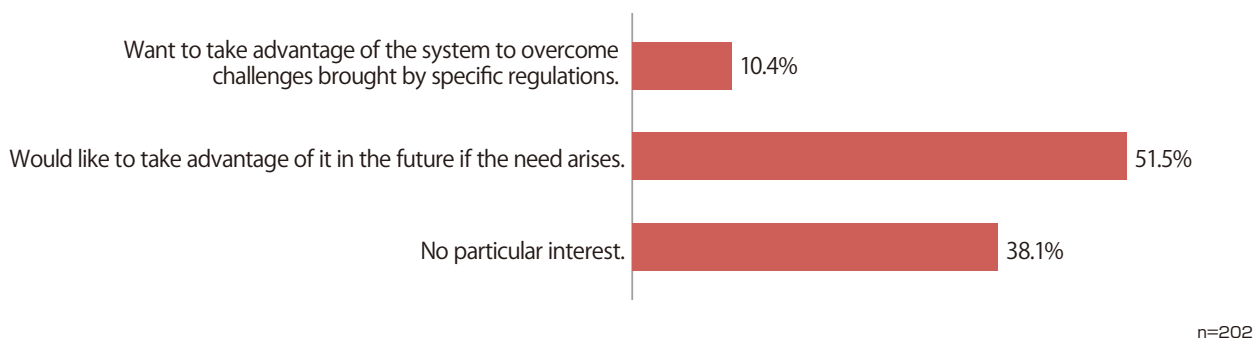


Chart 3-8 Your interest in the “Regulatory Sandbox” system



2. 70% of target locations for their secondary investment/expansion are areas outside of Tokyo

High level of business confidence has been confirmed among foreign-affiliated companies for the second consecutive year. Over 90% of the responding companies rated their current business conditions and future outlook for the next 1–2 years in Japan as “Improving” or “Staying even” (Chart 3-9 and Chart 3-10). When looking at these figures by

industry, many companies in the field of communications/IT/software rated their current business conditions as “Improving.” Regarding their investment plans within the next five years, around 70% of companies answered, “Expand business” (Chart 3-11). Taking into consideration their expectations on open innovation with universities/research institutes and Japanese companies, coupled with the relatively high level of business confidence among foreign-affiliated companies, such a high percentage of foreign-affiliated companies answering affirmatively suggests that they remain eager to expand their investments in the future. In terms of

Chart 3-9 Current business conditions in Japan

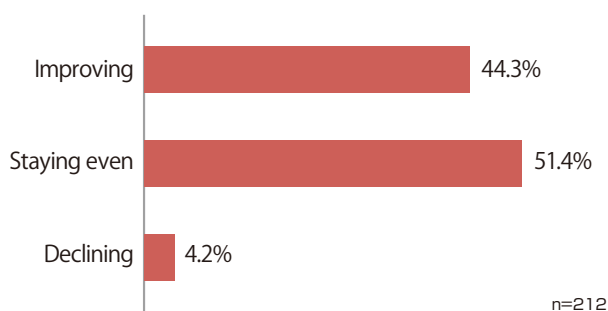


Chart 3-10 Outlook of the business conditions in Japan (over the next one or two years)

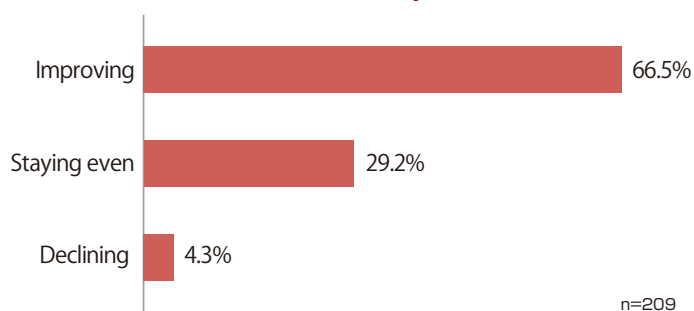


Chart 3-11 Investment plans within the next 5 years

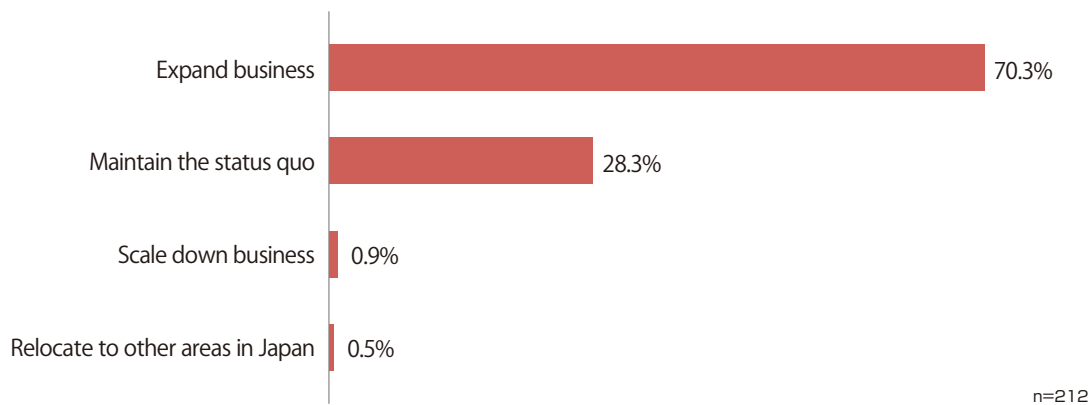
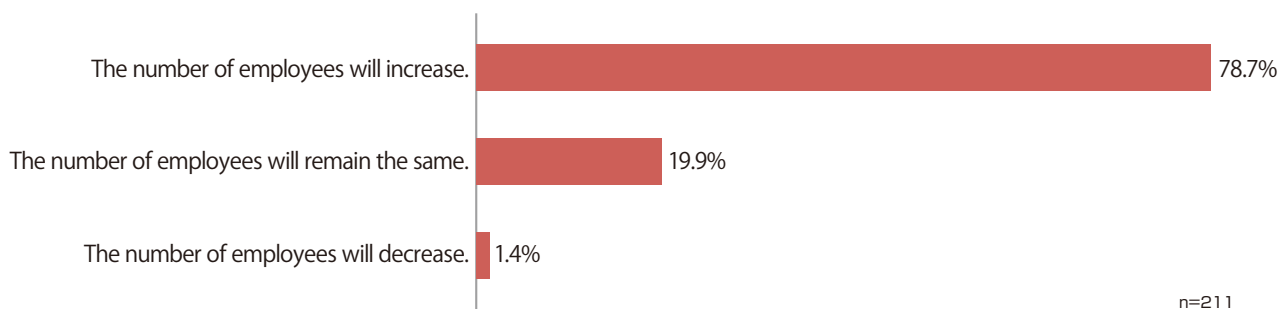


Chart 3-12 Projected number of employees in Japan (within the next 5 years)



employment, nearly 80% of the responding companies answered, “The number of employees will increase” within the next five years, exceeding the level of the previous year (Chart 3-12).

Chart 3-13 and Chart 3-14 set out specific locations (prefectures) for expanding investments, functions, and reasons for selecting these locations. Over 70% of considered locations are outside of Tokyo, with the top locations being Osaka Prefecture, Kanagawa Prefecture, Aichi Prefecture, Kyoto Prefecture, Fukuoka Prefecture, etc., largely the same as in previous years.

Regarding the reasons for selecting their secondary investment locations in the top-ranking ones, “Proximity to customers,” “Market size,” and “Existence of relevant industrial clusters” are generally among the most-cited reasons. In the case of Osaka Prefecture, “Relative positioning compared to other bases in Japan” was seen in the top three reasons, while “Preferential measures or incentives provided by local government” was one of the top three reasons for selecting Kyoto Prefecture and Hokkaido.

Chart 3-13 Where to make secondary investment/expansion (multiple options)

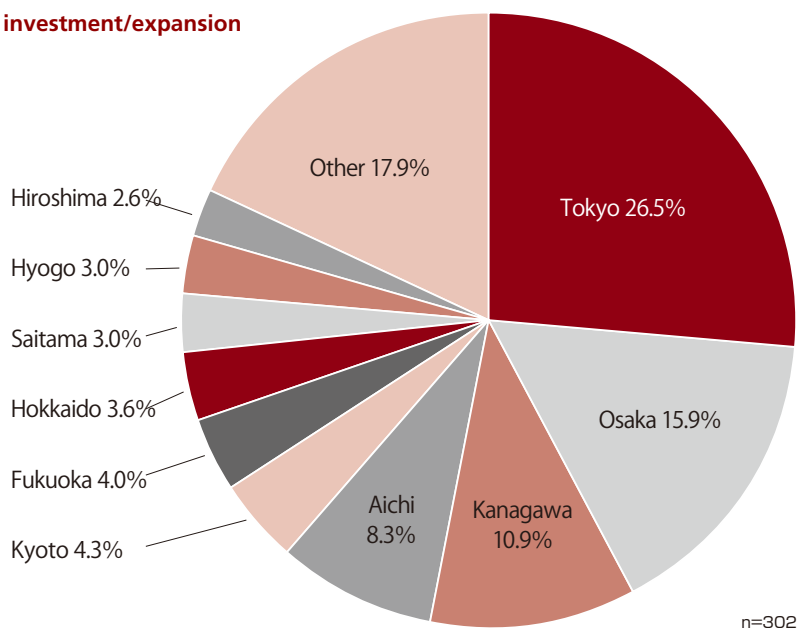


Chart 3-14 Where to make secondary investment/expansion, the type of business, and the reasons (multiple options)

Rank	Prefecture	No. of projects	Type of business (top 3)	Reason (top 3)
1	Tokyo	80	Sales/customer service	Proximity to customers
			Research & development	Market size
			Back office operations	Existence of relevant industrial clusters
2	Osaka	48	Sales/customer service	Market size
			Research & development	Proximity to customers
			Back office operations	Relative positioning compared to other bases in Japan
3	Kanagawa	33	Sales/customer service	Proximity to customers
			Research & development	Market size
			Manufacturing	Existence of relevant industrial clusters
4	Aichi	25	Sales/customer service	Proximity to customers
			Manufacturing	Market size
			Research & development, Regional head office function	Existence of relevant industrial clusters
5	Kyoto	13	Sales/customer service	Proximity to customers
			Research & development	Market size
			Back office operations, Liaison services/PR/collecting information, Other	Existence of relevant industrial clusters, Preferential measures or incentives provided by local government
6	Fukuoka	12	Sales/customer service	Proximity to customers
			Back office operations	Market size
			Liaison services/PR/collecting information	Existence of relevant industrial clusters
7	Hokkaido	11	Sales/customer service	Market size
			Back office operations	Proximity to customers
			Procurement	Existence of relevant industrial clusters, Preferential measures or incentives provided by local government, Low cost (land, personnel expenses)
	Other	80	—	—

3. Greatest appeal lies in the Japanese market, with the spotlight on its huge and stable market

With regard to the perceived attractiveness of doing business in Japan among foreign-affiliated companies, the top three answers given by companies are the same as the previous year's results: "Japanese market," "Existence of suitable partners (companies, universities, etc.) with outstanding technology or products," and "Stability of country and society," in this order (Chart 3-15). As the future of the world economy has become increasingly uncertain partly due to the ongoing US-China trade friction and the Brexit issue, the Japanese market and its stability

have been continuously valued.

When asked what is particularly appealing in "the Japanese market," which gets the highest score in this survey every year, the most-cited items are "Market size," "Mid- and long-term growth potential of our business field," and "Presence of sophisticated consumers" (Chart 3-16). Foreign-affiliated companies recognize the Japanese market as a huge and sophisticated market, while also valuing it from a mid- to long-term business perspective.

When asked to evaluate the Japanese market from the perspective of profitability, over 60% of the companies answered "Profitability is high" or "Profitability is somewhat high" (Chart 3-17).

Chart 3-15 Attractiveness of doing business in Japan (select each from 1st to 3rd positions)

n=213

Answer	Votes			Points
	1st	2nd	3rd	
Japanese market	133	12	8	431
Existence of suitable partners (companies, universities) with outstanding technology or products	24	37	23	169
Stability of country and society	13	42	44	167
Existence of renown global companies	17	33	15	132
High quality of R&D	15	25	15	110
Infrastructure (traffic, logistics, ICT, energy)	4	25	36	98
Potential for securing talented human resources	2	12	11	41
Japan's location (e.g. position as a gateway to Asia, advantage as a base for regional headquarters)	0	14	13	41
Well-maintained living environment	3	4	23	40
Expected increase in demand and sales toward the 2020 Tokyo Olympic and Paralympic Games	2	5	8	24
Well-structured legislation regarding intellectual property	0	4	7	15
Other	0	0	10	10

[Note] In regard to the 1st, 2nd and 3rd place answer selected by respondents, each is awarded points as follows: 1st=3 points, 2nd=2 points, 3rd=1 point, and are listed in order of answer with the highest points total.

Chart 3-16 What is particularly appealing to you about the Japanese market? (top 2 options)

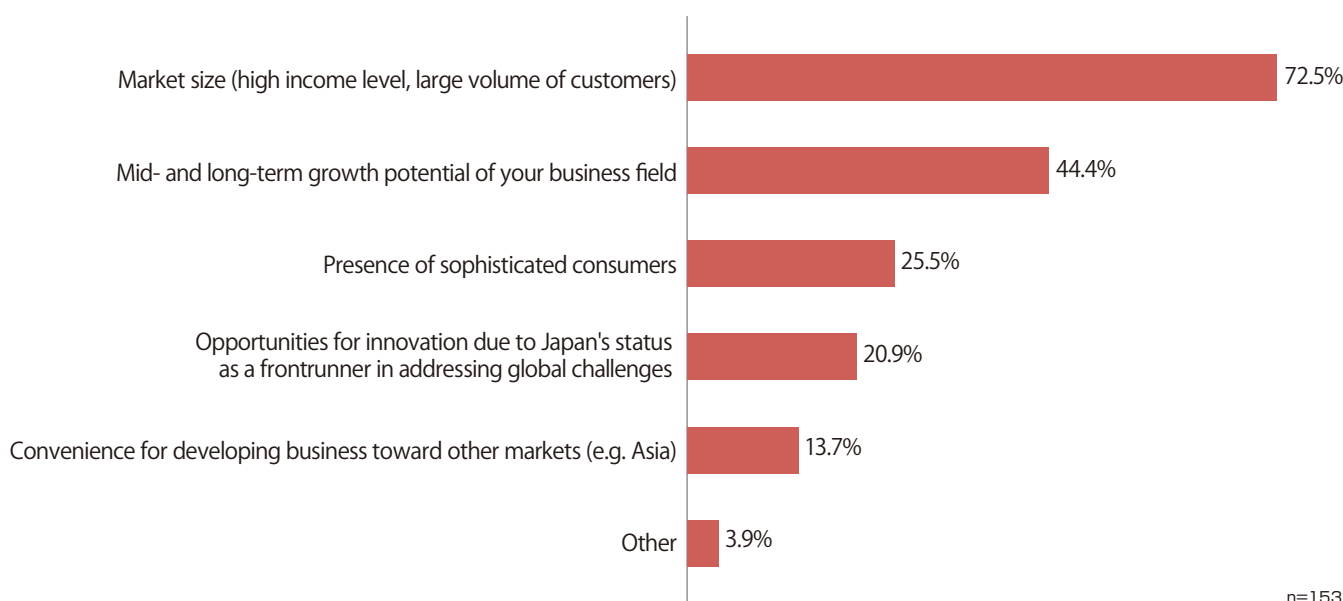
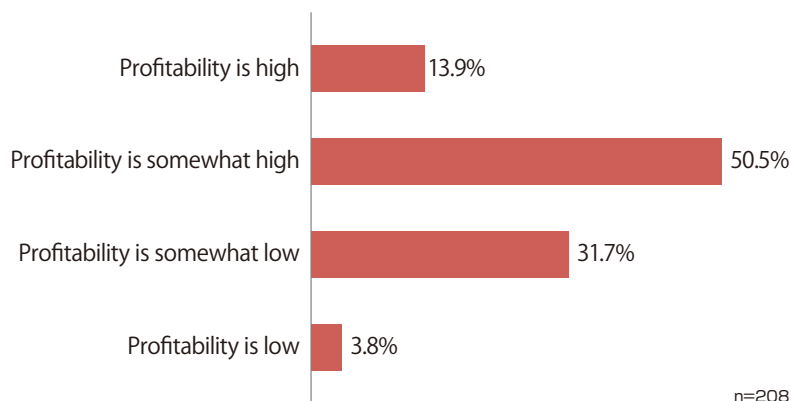


Chart 3-17 How do you evaluate the Japanese market in terms of profitability?



4. Challenging issue of doing business is “difficulty in finding human resources”

The results of this survey show that the biggest obstacles to doing business in Japan are, as was the case last year, “Difficulty in finding human resources,” “Difficulty in communicating in non-Japanese languages,” “High business costs,” and “Complicated administrative procedures,” in this order (Chart 3-18). As the working-age population has been declining in Japan, domestic companies have been feeling the pain of a serious labor shortage. This survey has confirmed that foreign-affiliated companies are also in the same situation.

When asked about particularly troublesome issues in connection with “Difficulty in finding human resources,” nearly 60% of the responding companies pointed to “Lack of human resources with foreign language ability,” followed by “Difficulty in finding experts” (Chart 3-19). When looking at these figures by category of job, the most difficult to fill is

“Engineering” especially in the fields of electrical devices/electronics/precision machinery/ICT equipment and communications/IT/software (Chart 3-20). In light of these circumstances, the Japanese government is currently taking a range of measures, including “The promotion of active participation of foreign professionals” (see p.11).

In regard to “Complicated administrative procedures,” one of the top obstacles to doing business in Japan, many companies pointed to “Inconvenience caused by the lack of online procedures,” “Lack of English translation,” and “Excessive amount of time required to complete procedures,” especially with “Matters related to status of residence (visas),” “Tax matters,” and “Labor matters” (Chart 3-21). In order to rectify this situation, the Japanese government set a KPI (key performance indicator) in its growth strategy to cut costs associated with administrative procedures by 20% or more in key fields by March 2020, and it is currently taking measures such as initiating Online One-stop Business Registration (see p.11).

Chart 3-18 Obstacles to doing business in Japan (select each from 1st to 3rd positions)

Answer	Votes			Points
	1st	2nd	3rd	
Difficulty in finding human resources	70	33	26	302
Difficulty in communicating in non-Japanese languages	49	47	31	272
High business costs	20	44	43	191
Complicated administrative procedures	23	25	29	148
Rigid regulations	19	33	19	142
Difficulty in finding business partners	21	11	16	101
Difficulty in financing	5	7	14	43
Immigration control system	5	5	16	41
Difficulty in living conditions for foreigners	0	6	3	15
Other	1	2	16	23

n=213

[Note] In regard to the 1st, 2nd and 3rd place answer selected by respondents, each is awarded points as follows: 1st=3 points, 2nd=2 points, 3rd=1 point, and are listed in order of answer with the highest points total.

Chart 3-19 Regarding securing human resources, what difficulties in particular have you encountered? (top 2 options)

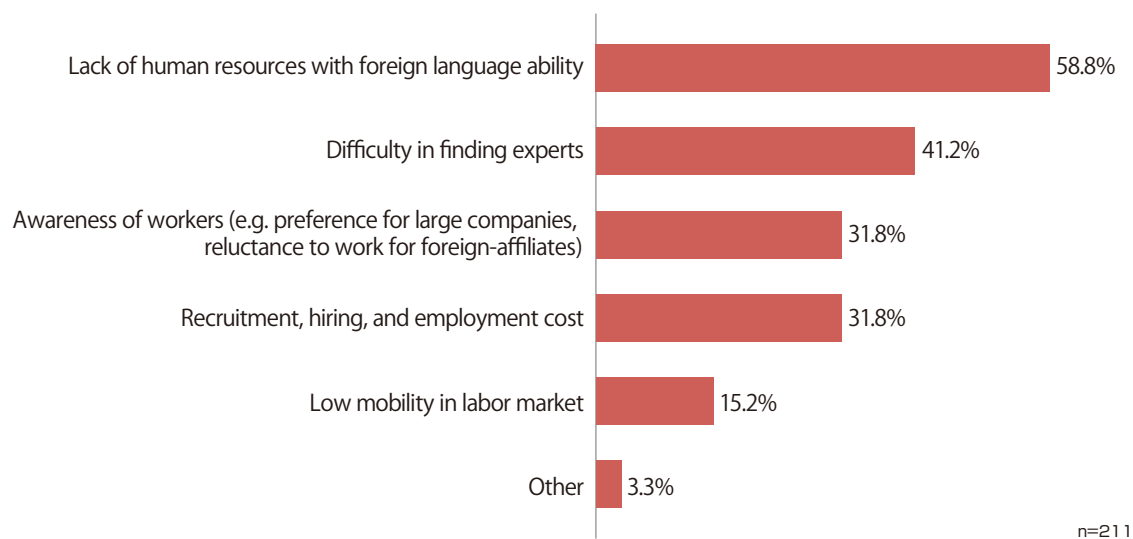


Chart 3-20 Regarding securing human resources, which categories of jobs are most difficult to fill? (multiple answers)

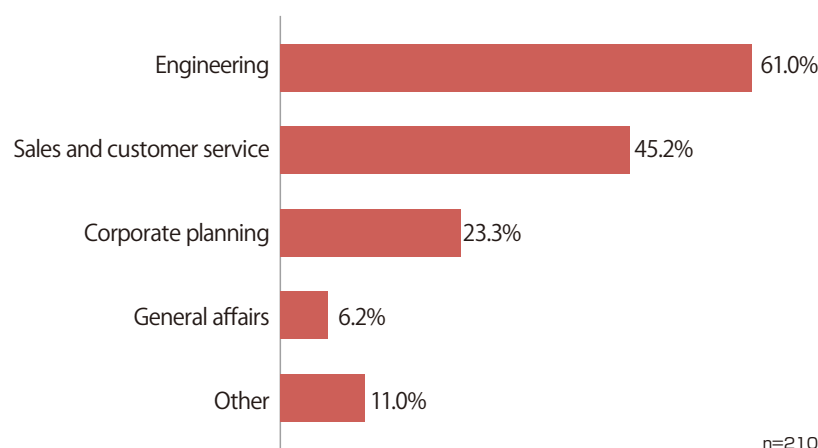


Chart 3-21 Administrative procedures felt to be in need of most improvement and specific issues currently experienced by companies

Administrative procedures that need improvement the most	Issues necessary to be improved the most								
	Excessive points of contact (lack of consolidation)	Excessive amount of required documents	Inconvenience caused by the lack of online procedures	Lack of English translation	Excessive amount of time required to complete procedures	High cost of applications and procedures	Other	Unselected	Total
Company registration	2	5	1	4	2	1	1	0	16
Tax matters	1	9	10	8	9	4	1	0	42
Social insurance	5	5	5	6	2	0	0	0	23
Labor matters	1	3	5	11	3	1	4	0	28
Matters related to status of residence (visas)	4	7	10	1	22	2	3	1	50
Intellectual property	1	0	1	1	4	1	0	0	8
Trade	2	5	1	0	4	4	0	0	16
Other	2	2	4	2	4	0	8	1	23
Unselected	0	0	1	0	0	0	0	6	7
Total	18	36	38	33	50	13	17	8	213

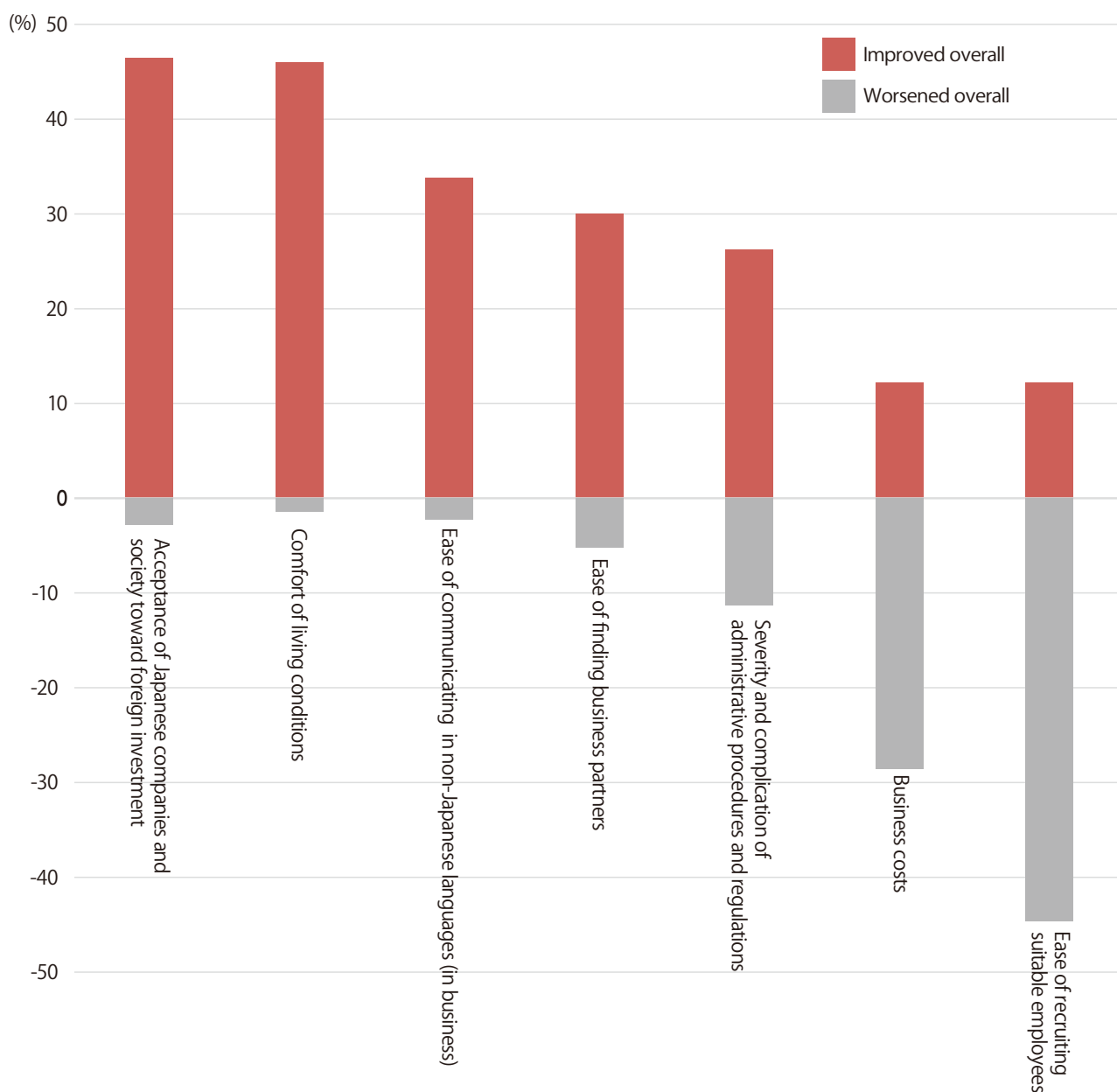
5. Japan's business environment heading for improvement

Foreign-affiliated companies recognize that business environment in Japan has been heading for improvement for the past one or two years. Among the 7 items included in the survey, such as "Acceptance of Japanese companies and society toward foreign investment," companies felt that things are improving in 5 of the items, the exceptions being "Ease of recruiting suitable employees" and "Business costs" (Chart 3-22). In particular, in the case of "Acceptance of Japanese companies and

society toward foreign investment" and "Comfort of living conditions for foreigners," as with last year, a large proportion of companies recognize that things are improving. With the promotion of active participation of foreign professionals (see p.11) and response measures for issues, such as the increasing number of foreign tourists visiting Japan, being advanced in recent years, it can be said that Japan's preparations to receive foreign-affiliated companies have been steadily improving.

JETRO will continue to deliver feedback from foreign-affiliated companies to the Japanese government based on the results of its surveys, etc., and will work to help further improve Japan's investment environment.

Chart 3-22 Business environment in Japan - changes in comparison with past one or two years



n=213

[Note] Ratio of companies answering "Improved overall" is shown as positive, while that of answering "Worsened overall" is shown as negative. Ratio of answers "Unchanged" is not shown in the chart.

4 JETRO's Efforts to Promote Investment in Japan

By FY2018, the number of successful cases of JETRO's assistance to foreign companies since FY2003 exceeded 2,000. During the last several years, the increase in the number of Asian companies supporting by JETRO has been particularly increasing. Since FY2018, JETRO has placed stronger emphasis on supporting foreign companies that could contribute innovation or invest in local regions.

1. Achievements of JETRO: the total number of success stories exceeded 2,000

The number of successful cases due to JETRO's support, which led to business establishment or expansion in Japan, in FY2018 was 241, and the total number of successful cases since FY2003 exceeded 2,000 (Chart 4-1). In those successful investment projects in FY2018, the proportion of Asia (43%) decreased from FY2017 (51%) (Chart 4-2). The region, however, still recorded the highest number, the trend of which has been seen since FY2014 (Chart 4-3). Further, by country/region of origin of foreign companies, China (18%) accounted for the highest share for the second consecutive year, closely followed by the US (17%) and Germany (8%) (Chart 4-4).

By industry, "ICT/Information Communication (24%)," "Services(17%)," and "Other Manufacturing(14%)" recorded the largest shares with little change from the previous fiscal year (Chart 4-5). Although its share increased in FY2017, the share of "Pharmaceuticals and Medical Equipment" saw a small decrease to 7% down from 9% in FY2018. Despite the decrease, its share is still relatively high among industries.

By destination of the investment, Tokyo accounted for 63%, followed by Osaka (12%) and Kanagawa (10%) (Chart 4-6). The number of successful investment projects supported by JETRO into Osaka in FY2018 was 28, an increase of more than 10 from FY2017 (17).

Chart 4-2 JETRO-attracted investments by region

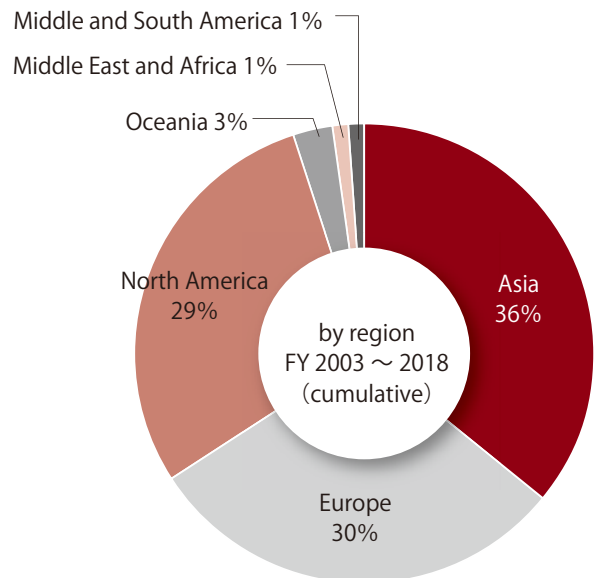
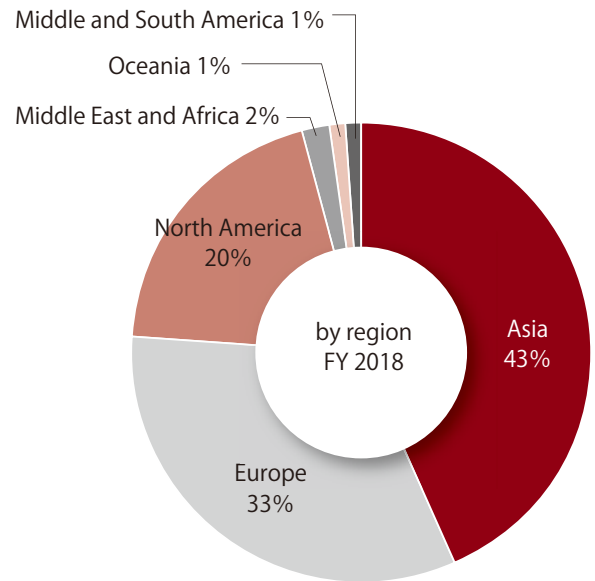


Chart 4-1 Investment projects supported and successfully attracted by JETRO

	FY 2018	FY2003 ~ 2018 (cumulative)
Successful Investment	241	2,013
Projects supported	1,734	19,447

[Note] "Successful Investment" indicates the number of investment cases where a foreign company successfully sets up new business or expands their business in Japan.

Chart 4-3 Changes in ratio of JETRO-attracted investments by region

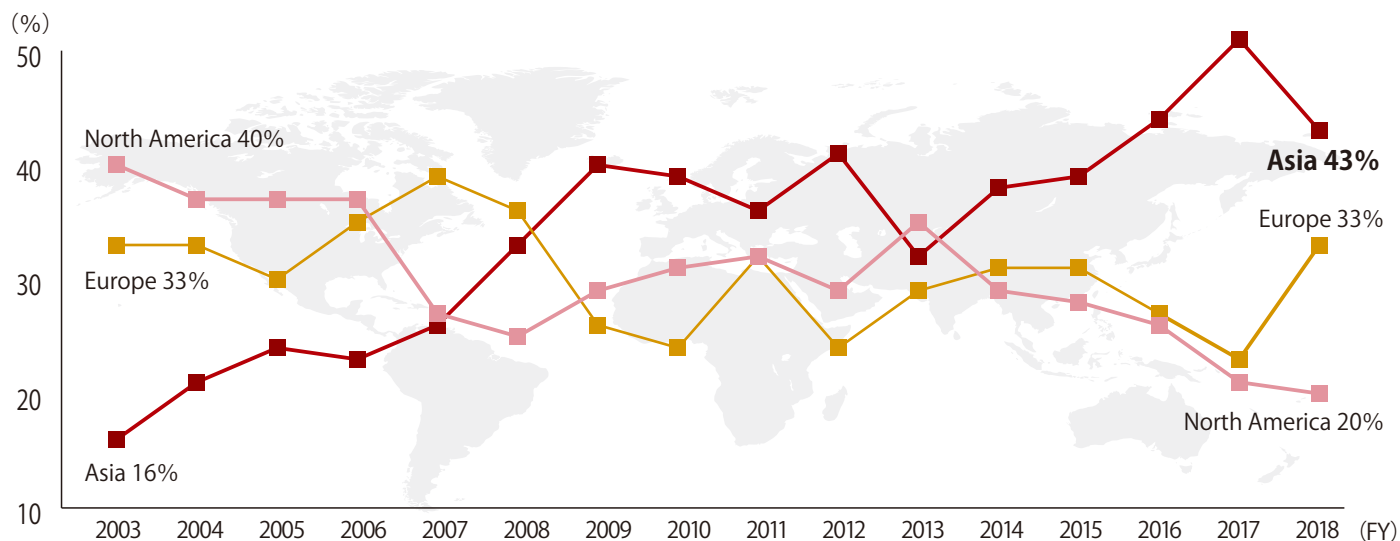


Chart 4-4 JETRO-attracted investments by investor country/region

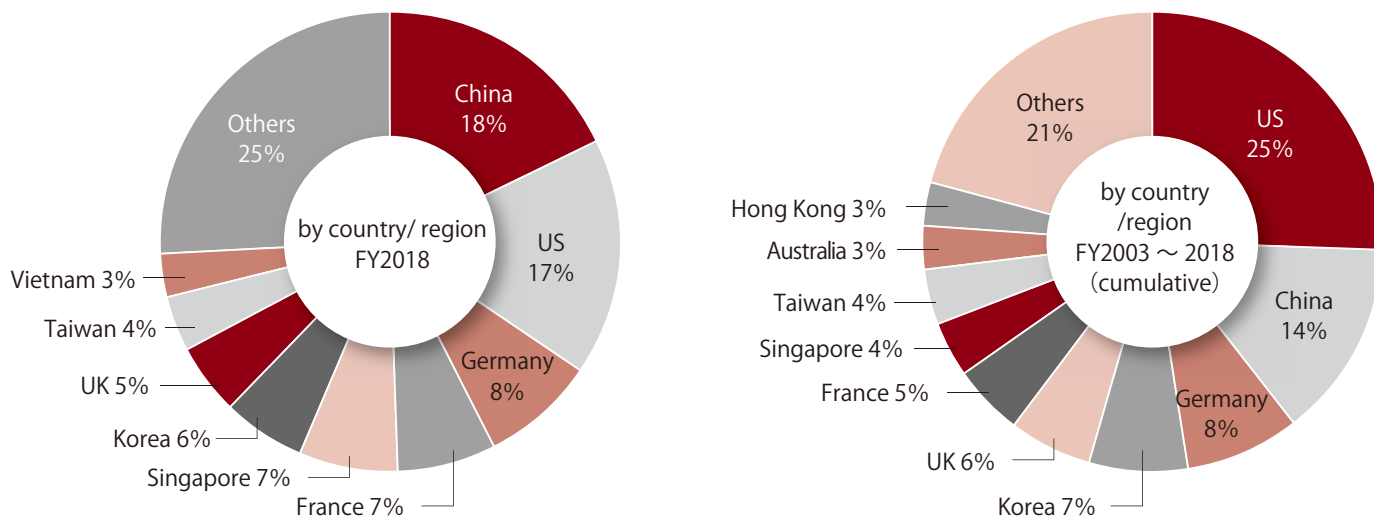


Chart 4-5 JETRO-attracted investments by industry

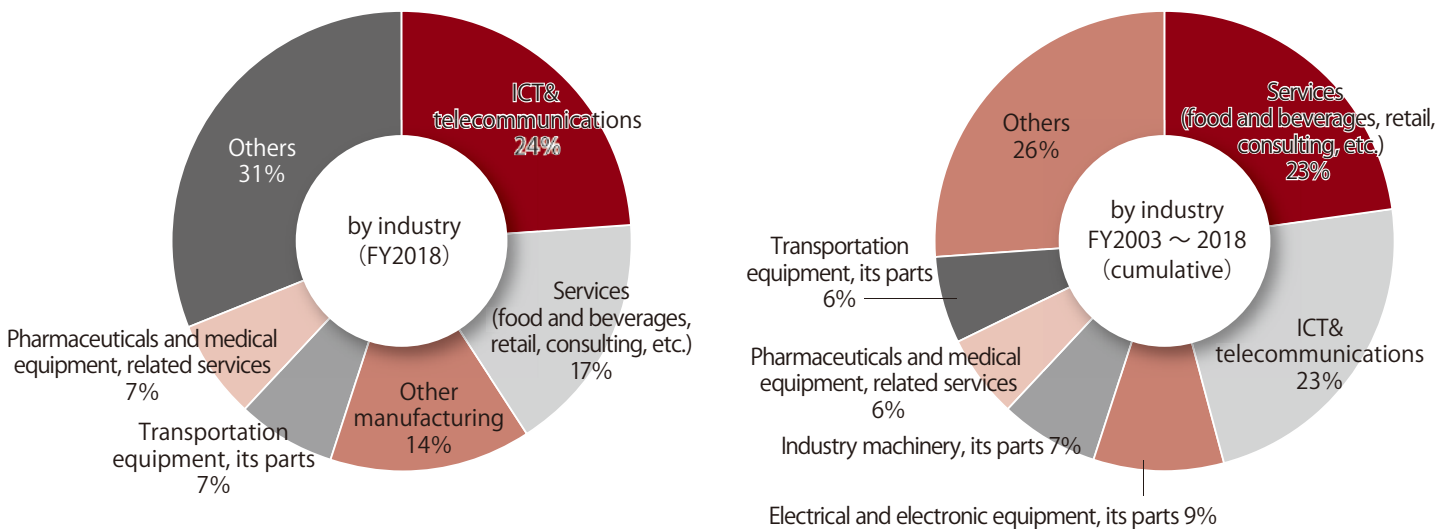
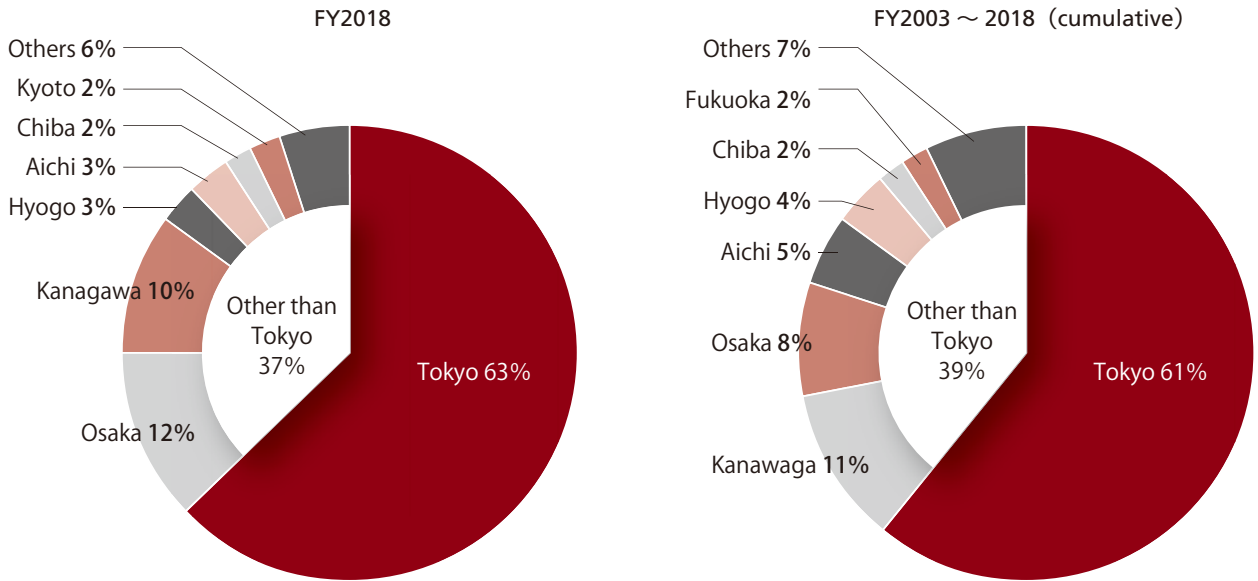


Chart 4-6 JETRO-attracted investments by target prefecture



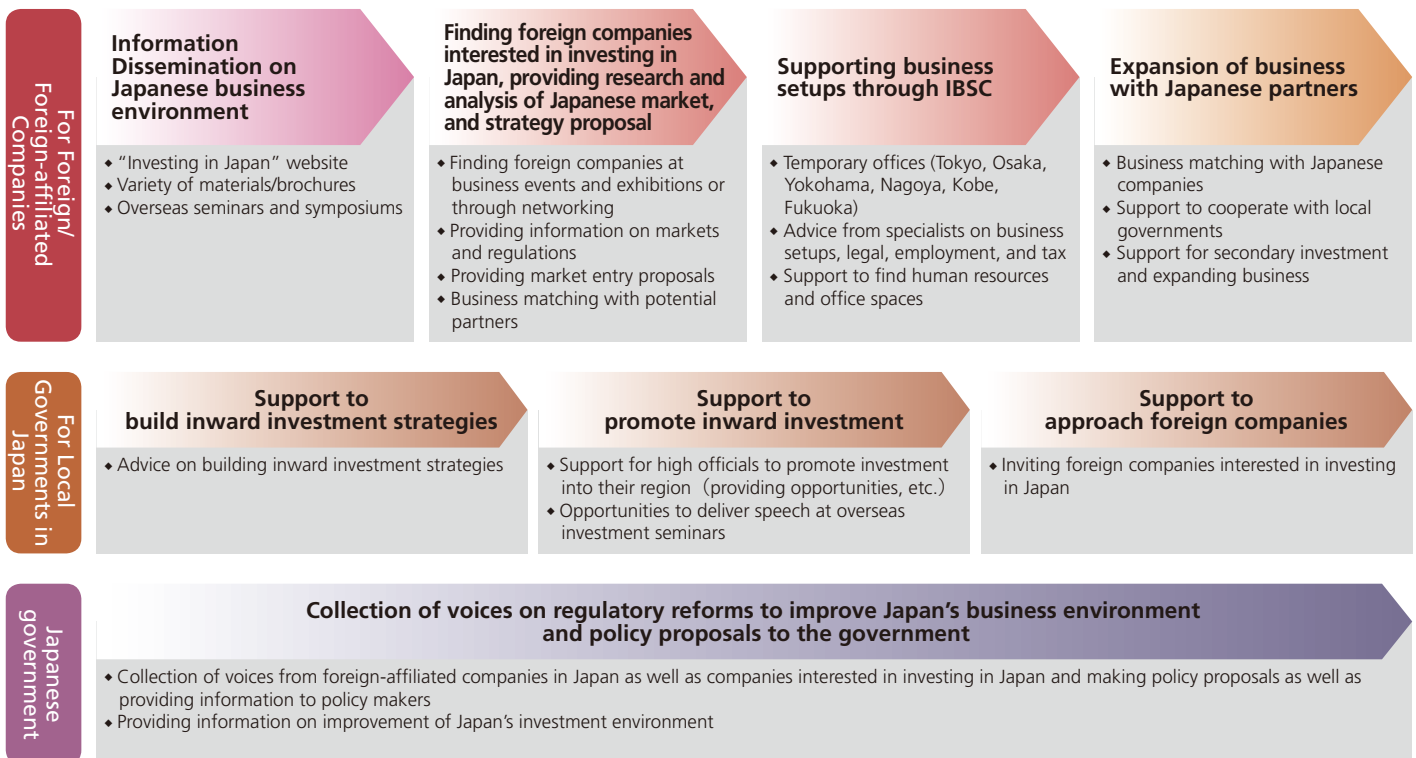
2. JETRO's efforts to promote investment in Japan: focusing on assistance for innovation creation and expansion of regional investment

As an investment promotion organization with overseas offices, domestic offices, and the Tokyo Headquarters, JETRO provides comprehensive support from dissemination of information on business environment in Japan and discovery of companies interested in investing

in Japan to support for companies establishing new business in Japan and further support for business expansion in Japan (Chart 4-7). JETRO also makes policy proposals for the Japanese government to improve business environment as well as contributes local governments' inward investment promotion.

Since FY2019, JETRO has been providing more hands-on supports, focusing on (1) innovation creation and (2) vitalization of regional economy as priority areas.

Chart 4-7 JETRO's activities to promote inward FDI



(1) Toward innovation creation by foreign companies

Japan currently places importance on innovation as a key for economic growth, and foreign companies are indispensable to realize the goal. JETRO has been actively supporting investment projects to attract foreign companies that can contribute to create innovation. For example, JETRO provides hands-on support for foreign startups with an innovative technology/business model to facilitate their entrance to the Japanese market with its one-stop service. In 2018, various foreign startups, such as FINALCAD in France and Standard Cognition in the US, successfully established new business in Japan (Chart 4-8).

JETRO concluded a "Memorandum regarding the Promotion of Business Matching between Foreign Startups and Japanese Companies" with Project Nippon Co., Ltd. in May 2019, in order to strengthen its support for foreign startups. Both parties strengthened their collaboration for the "Innovation Leader Summit (ILS)" held in October 2019. ILS was started with 30 business managers as founders and the back of Ministry of Economy, Trade, and Industry. Its main program, "Power Matching," is a business matching event between domestic and foreign startups and large enterprises. The program in 2018 had approximately 2,700 business matchings in total and resulted in over 1,000 cases of business collaboration. JETRO and Project Nippon, one of the organizers of ILS, cooperated in promoting the event in Japan and in ten major cities

Chart 4-8 Foreign companies contributing to create innovation which established business in Japan with support of JETRO

FINALCAD

FINALCAD

is a French company which develops mobile applications for the construction industry to support efficient management at construction site. Since its start in 2011, the application has been utilized in more than 20,000 projects in over 30 countries around the world. In Asia, FINALCAD established its subsidiary in Singapore in 2013 and has been supporting projects in the Southeast Asian region. Clients there include Japanese companies engaged in local construction business, among which are Shimizu Corporation, Takenaka Corporation, and Fujita Corporation.

When the company was working on establishing its third business location in Japan after the headquarters in France and the branch in Singapore, JETRO provided consultation for company registration and introduced a recruitment agency. Successfully starting its business in Tokyo in June 2018 in order to enhance support to Japanese companies, the company has been working on marketing and consultation support to local companies for the application installation.

Standard Cognition



is a US startup company established in 2017 and provides retail stores with a payment software system running with AI, with which the stores no longer need case registers. When customers open the applications, cameras installed inside the store recognize items the customers select. In the US, the company operates "Standard Store," its own demonstration store in San Francisco, where the headquarters of the company is located.

With an aim to introduce the system in the Japanese retail market, the company established Standard Cognition Ltd., its Japanese subsidiary, in Tokyo in June 2018, after using JETRO for a temporary office, and consultation on tax/labor. The company intends to expand the business in Japan and announced in July 2018 that PALTAC, a wholesaler of cosmetics/daily necessities/medicine, decided to adopt the system for the first time in Japan.

ClaimVantage



is a fintech company established in Ireland in 2006. The company provides a software system specialized in insurance claim processing. The company provides automated processing service for insurance companies and third-party administrators. In addition to its headquarters in Ireland and offices in the US and Australia, the company has sales representatives in the UK and South Africa. The company has already been working with Japanese companies in cases where overseas branch of Japanese life insurance companies introduce its system.

In order to provide services to foreign-affiliated life-insurance companies in Japan, the company decided to enter into the market in Japan. Using JETRO's support, such as a temporary office, market information, and introduction of administrative scriveners, judicial scriveners, and accounting firms, the company established ClaimVantage Japan Co., Ltd. in Tokyo in March 2018. The company is to further expand business in Japan, a country known as "life insurance powerhouse", whose market size is the second largest (on a premium revenue base) in the world following the US.

DefinedCrowd

is a startup company that develops AI as well as creates high quality training data for machine learning required for introduction of AI. Since its establishment in the US in 2015, the company has been building up a community with more than 100,000 crowdworkers from over 50 countries to create high quality training data in the fields of images, natural language, and voice in a short time. In addition to major global companies such as Mastercard, Amazon, etc., the company has already acquired clients in Japan and has also been selected as one of the top 100 promising startups in the AI field. The company sees that Japan has not been fully utilizing enormous amount of data owned by enterprises because of the shortage of IT human resources, despite the fact that Japan has one of the best ICT infrastructures in the world. In order to acquire new clients as well as to maintain the relationships with existing customers in Japan, the company decided to establish its Japanese subsidiary. With the supports from JETRO in company registration, visa acquisition, and consultation on tax/labor, the company established DefinedCrowd Japan Co., Ltd. in February 2018.

around the world to call for participating companies. Also, JETRO provides support to participating foreign startups to establish business in Japan.

In disseminating information on inward FDI in Japan, JETRO hosted 88 seminars overseas on investment in Japan since FY2018. Although seminars are hosted with various topics every year, more and more seminars now focus on foreign startups and innovation since FY2018 (Chart 4-9). In December 2018, an innovation promotion seminar was held in Helsinki, Finland, at the time of "SLUSH," an international startup event. With more than 100 business persons, mainly from local companies, participated, the seminar introduced examples of business collaboration between Japan and foreign companies as well as acceleration programs by Japanese companies. Another "Invest Japan" seminar in Bengaluru, India, held in March 2019, where about 140 people from various types of companies including startups attended,

both Japanese and Indian companies made presentation on their attempt to overcome their own issues through business collaboration. JETRO continues to hold seminars, inviting not only Japanese and local governments but also Japanese and local companies as well as Japanese regional governments to make their presentations. As of September 2019, several seminars on innovation have already been hosted in cities, such as Fuerth in southern Germany and Beijing, and others also scheduled to be hosted in Helsinki and Shanghai.

Since FY2019, JETRO has been pouring efforts into supporting foreign companies which contribute to create innovation. Target industries are fields in which domestic companies have needs or those whose future needs are expected to increase. Specifically, they are tech-related fields, such as AI and fintech, advanced manufacturing, such as IoT and drones, life science, and renewable energy (Chart 4-10).

Chart 4-9 Overseas seminars on investment in Japan since 2018

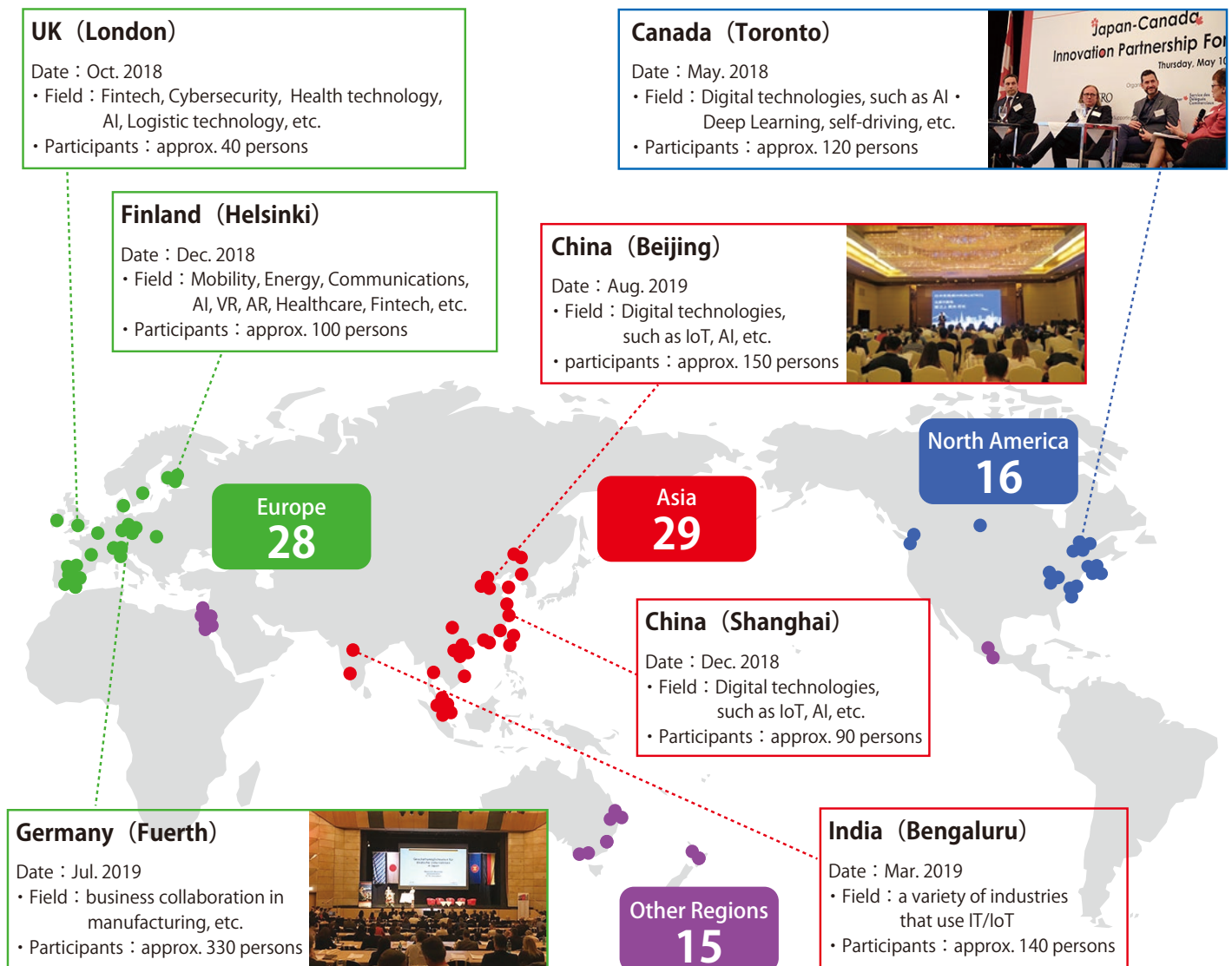
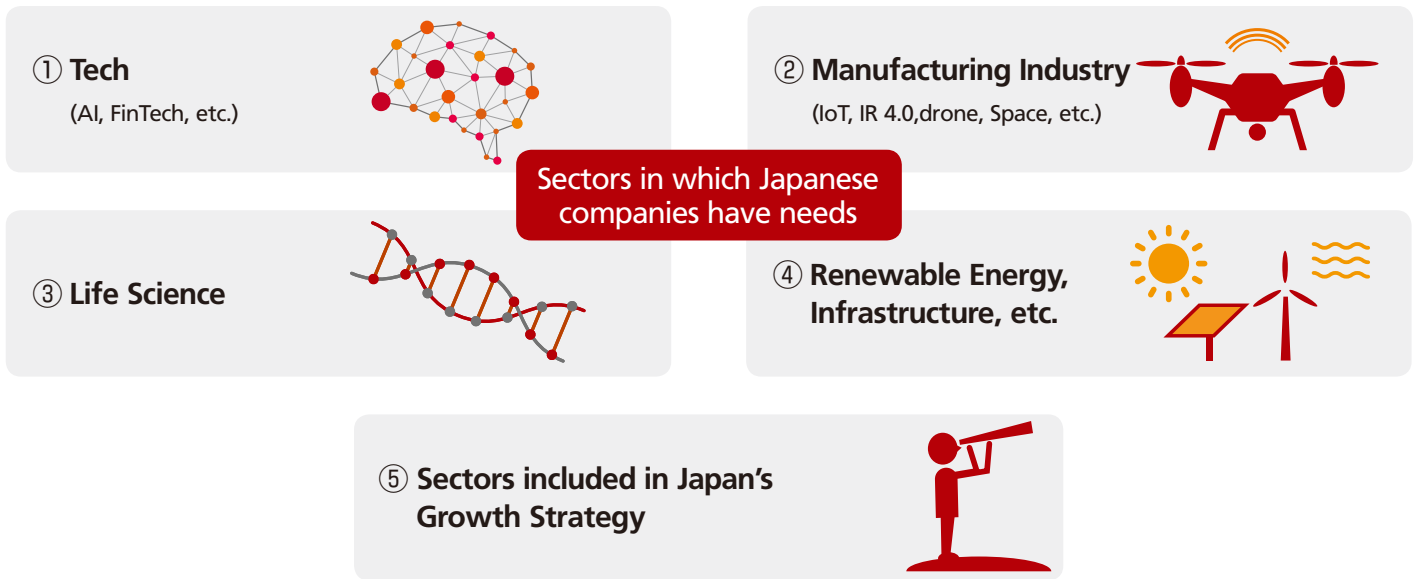


Chart 4-10 Target industries which are expected to create innovation



(2) Strengthening support to regional foreign direct investment in Japan

Since FY2018, JETRO has been focusing on the support to domestic local governments¹ on their investment promotion activities. Through “Support Program for Regional Foreign Direct Investment in Japan”, a variety of supports are provided to local governments (Chart 4-11) to strengthen their capacity for inward investment promotion. These supports include opportunities for presentation and booth exhibition at overseas “Invest Japan” seminars, hosting Regional Business Conferences (RBCs), a

business conference that promotes the region as an investment target, and assistance to programs that invite foreign companies. Also, in order to overcome the lack of adequate human resources and know-how in local governments to implement investment promotion programs, JETRO provides practical training for staffs, training by experts in specific fields, and dispatches consultants. (Chart 4-12). Furthermore, “coordinators to invite foreign companies” assigned to 10 domestic offices of JETRO in order to help local governments provide hands-on supports to foreign companies with their know-hows.

Chart 4-11 Local governments in support program for regional foreign direct investment in Japan

- Hokkaido
- Asahikawa Regional Industries Invigoration Council
- Miyagi Prefecture
- Sendai City, Miyagi Prefecture
- Fukushima Prefecture
- Ibaraki Prefecture
- Tsukuba City, Ibaraki Prefecture
- Chiba Prefecture
- Kanagawa Prefecture
- Yokohama City, Kanagawa Prefecture
- Komoro City, Nagano Prefecture
- Aichi Prefecture
- Nagoya City, Aichi Prefecture
- Mie Prefecture
- Matsuzaka City, Mie Prefecture
- Iga City, Mie Prefecture
- Kyoto City, Kyoto Prefecture
- Osaka City, Osaka Prefecture
- Kobe City, Hyogo Prefecture
- Wakayama Prefecture
- Fukuoka Prefecture
- Kitakyushu City, Fukuoka Prefecture
- Fukuoka City, Fukuoka Prefecture
- Kurume City, Fukuoka Prefecture
- Karatsu City, Saga Prefecture
- Kumamoto Prefecture
- Okinawa Prefecture

¹ Indicates prefectures/cities other than Tokyo.

Chart 4-12 Contents of support program for regional foreign direct investment in Japan

	Supports	Contents of Supports
① Promotion within/ outside Japan	“Invest Japan” seminars overseas	◆ Opportunities to deliver speech and support for exhibit booths at “Invest Japan” seminars overseas held by JETRO
	Hosting Regional Business Conference (RBC)	◆ Supports for local governments to invite foreign companies and for their high officials to promote investment into their region
② Inviting foreign companies	Supports to invite foreign companies	◆ Supports for local governments to invite foreign companies
③ Capacity building to strengthen investment promotion capability	a) Training and study sessions to learn basics for investment promotion and know-hows	a) Practical training and study session for those engaged in investment promotion (with JETRO staff or consultants as instructors)
	b) Training by sectors and study sessions for investment promotion strategy building	b) Training and study sessions by experts from specific sectors (with experts and consultants as instructors)(audience would include those from local governments as well as relevant organizations and local companies.)
	c) Dispatch of experts and consultants for invest promotion strategy building	c) Dispatch of experts and consultants to participating local regions to support strategy building for inward investment promotion
	Supports for investment promotion materials	◆ Supports to improve existing inward investment promotion materials of participating local governments

JETRO has been hosting RBCs since FY2018 in its effort to strengthen collaboration with local governments. Starting in Fukushima and Fukuoka in October 2018, 8 RBCs have been hosted so far to introduce advantages and industrial clusters of these regions (Chart 4-13).

In Fukushima, in addition to the industrial cluster of medical equipment-related companies in the region, its effort for collaboration was introduced, including memorandums with the state of North Rhine-Westphalia (NRW) (September 2014) and Thailand (June 2017). Also, on the occasion of RBC, PURERON JAPAN, a manufacturer of precision devices for semiconductor manufacturing equipment in Iwaki City, announced the establishment of a joint company with PIXATECH, a Thai startup. PIXATECH is engaged in sales of small medical image diagnostic

equipment in Thailand. The joint company is working on improving their products in order to sell them in Japan and Southeast Asia.

Another RBC was hosted in Osaka City in March 2019. Rainmaking Innovation, an international innovation service provider, was invited to the conference and engaged in business matching with various local startups and interviews with experts on administrative procedures during the period, which resulted in them setting up business in Japan in the same month. Rainmaking Innovation hosted their accelerator “Startupbootcamp” together with partners like Hankyu Corporation in June 2019, and boosts the collaboration between foreign startups and local companies (see Chapter 1 for details).

Chart 4-13 RBCs hosted since FY2018 (including plans)

Yokohama (Oct. 2019)

Field	Life Science
Companies Invited	9 companies (Europe, North America)

GNI(Aichi Pref. Gifu Pref. Mie Pref. Nagoya) (Oct. 2019)

Field	AI/IoT-related sectors
Companies Invited	19 companies (Asia, Europe, Middle East, North America)

Kyoto (Jul. 2019)

Field	Life Science
Companies Invited	11 companies (North America)

Osaka (Mar. 2019)

Field	Accelerators, investors
Companies Invited	5 companies (Asia, Europe)

Fukuoka Pref. (Oct. 2018)

Field	IoT-related sectors
Companies Invited	8 companies (Europe)



Hokkaido (Pref.) (Jun. 2019)

Field	Tourism, Real Estate
Companies Invited	20 companies (Asia)

Hokkaido (Pref.) (Sched. Jan. 2020)

Field	Tourism, Inbound (Europe, North America)
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Sendai (Sched. Nov. 2019)

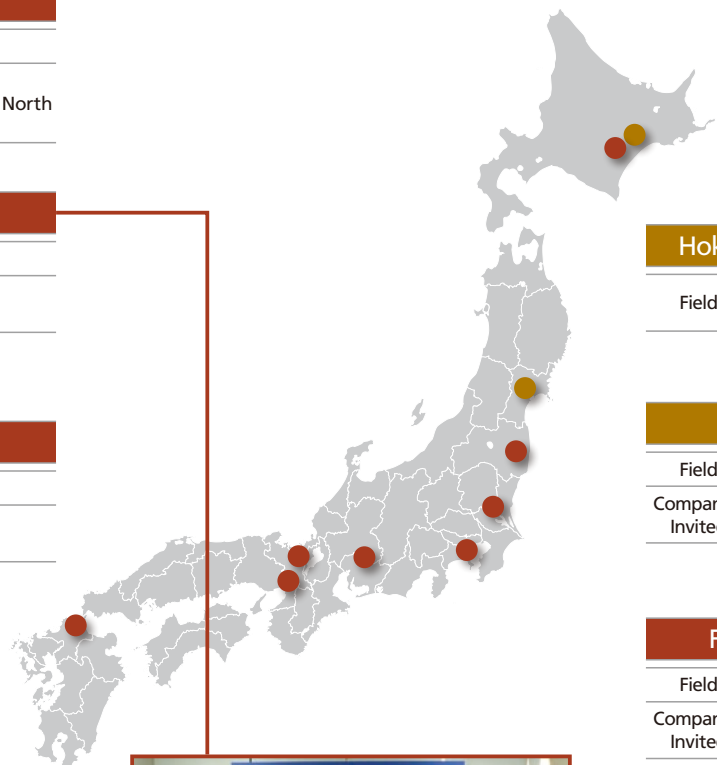
Field	ICT sectors
Companies Invited	8 companies (Europe)

Fukushima Pref. (Oct. 2018)

Field	Medical devices
Companies Invited	11 companies (Asia, Europe)

Ibaraki Pref. (Feb. 2019)

Field	Life Science
Companies Invited	5 companies (Asia, Europe, North America)



(3) Comprehensive support of JETRO

i) Providing information through website and seminars

In FY2018, JETRO hosted 62 overseas seminars on investment in Japan and 5 RBCs in Japan. Not only officials of the central government ministries and agencies but also heads of local governments, municipalities, Japanese companies, and foreign companies in Japan made presentations to provide information on business environment and the attractiveness of industries/companies in Japan, as mentioned above. Also, the website of JETRO contains various information in seven languages as a comprehensive portal summarizing information for investment in Japan. The page, "How to Set Up Business in Japan," which attracts the highest number of accesses, contains a wide range of information on company registration in Japan, visa acquisition, the taxation system, and labor management. Also, "Investing in Japan's local regions" has a variety of information, such as basic economic/social information of prefectures/major cities, industries, infrastructures, living information for foreigners, and latest updates from local governments. Further, the website compiles useful information for foreign companies to start/expand business in Japan, such as past successful investment projects of foreign companies ("Success Stories") and incentives for foreign/foreign-affiliated companies.



ii) Hands-on support for foreign companies

JETRO's "Personal Adviser (PA) System for Foreign Companies" is the core service among supports JETRO offers. Under the PA system, a JETRO staff is assigned to each investment project by a foreign company it supports, and they provide thorough supports by working hand-in-hand with the company on regulations and administrative procedures for incorporation and business activities. Other PA supports include consultations on tax /labor issues as well as legal affairs, information services on market/regulation, and participation in business events, among others.

"Invest Japan Business Support Center (IBSC)," located at six domestic offices of JETRO (Tokyo, Yokohama, Nagoya, Osaka, Kobe, and Fukuoka), are temporary offices (no charge for 50 business days) for foreign companies during the period of business set-up in Japan. Various supports by staff and specialists there are provided to companies in IBSC. Also, "Tokyo One-Stop Business Establishment Center (TOSBEC)" (jointly operated by the Japanese government and Tokyo metropolitan government) neighbors IBSC within JETRO's Tokyo Headquarters. TOSBEC is a one-stop service center to help complete procedures necessary to establish a company and to start business in Tokyo.

iii) Support for securing human resources in Japan

According to a JETRO survey about investment climate in Japan on foreign-affiliated companies, "difficulty acquiring human resources" is cited as the top obstacles when doing business in Japan. In order to enhance mutual understanding between those companies and international students and facilitate foreign-affiliated companies to secure human resources, JETRO has been hosting networking events for international students and foreign-affiliated companies in Japan. A number of global human resources including international students participated in the events at the University of Tokyo (participation of 34 foreign-affiliated companies and 234 students), at Tohoku University (13 companies and 106 students) in June 2018, and at Tokyo Institute of Technology (28 companies and 243 students) in January 2019. Through collaboration between JETRO and each university, many students with scientific background were encouraged to attend the events so that the networking events would satisfy foreign companies' needs.

At Tokyo Institute of Technology, JETRO also has lectures for graduate students on careers at foreign-affiliated companies. In addition to introduction of foreign-affiliated companies in Japan in general from JETRO, foreign companies supported by JETRO give presentations to talk about their business in Japan.



iv) Making proposals to the government toward improvement of the business environment

JETRO has the role as a liaison to collect requests from foreign and foreign-affiliated companies for regulatory reforms and administrative improvement and to make recommendations to the government and related ministries and agencies. In addition to getting requests from its personal advisers of supporting companies, JETRO collects opinions through its annual survey on Japan's investment climate for foreign-affiliated companies and "Consultation hotline of investment in Japan." Depending on the contents of the requests, JETRO also coordinates and attends meetings between foreign companies and concerned ministries/agencies to boost improvement of business environment.

With regard to the "Regulatory Sandbox" scheme (see p.10) launched by the government in 2018, JETRO coordinates with a designated government's single window, the Government of Japan's Regulatory Sandbox Team, organized within the Cabinet Secretariat, to provide consultation and assistance to further facilitate the use of the scheme. Also, with regard to the "Investment Adviser Assignment System," in which vice-ministers are assigned as an advisor for a foreign company that meets certain criteria, launched in 2016, JETRO attends meetings and follows up on the consultation of the foreign-affiliated companies together with the Ministry of Economy, Trade and Industry.

The Government's Efforts and JETRO's Inward FDI Promotion Activities

2003	Jan	The government decided on the target to "double the inward FDI stock compared to the value as of the end of 2001 in 5 years."
	May	The government held up "Invest Japan" as a slogan and set up "Invest Japan Offices" in the relevant ministries. The "Invest Japan Business Support Center (IBSC)," a one-stop center for information about investing in Japan, was set up in JETRO.
2006	Mar	The government set up a new goal to "double the ratio of inward FDI stock to its GDP (to about 5%) by the end of 2010."
2007	May	The regulation on "flexible merger consideration (triangular merger)" in the Companies Act was enforced.
2010	Jun	The "New Growth Strategy" was approved by the Cabinet, aiming to double the flow of people, things, and money into Japan."
2011	Jan	"Subsidy Program for Projects Promoting Asian Site Location in Japan" was created (the secretariat was placed in JETRO).
	Aug	The "Comprehensive Special Zone Law" was enforced, with an aim to create industrial clusters in regions through taking preferential measures such as tax and regulation reforms.
	Dec	The "Great East Japan Earthquake Reconstruction Special Zone Law" was enforced, to provide incentives such as tax/regulatory reforms for investment in the affected areas. "Program for Promoting Japan as an Asian Business Center and Direct Investment into Japan" was approved. Goals were set to increase the numbers of high added-value business bases and to double the number of employees at foreign-affiliated companies.
2012	Apr	Effective corporate tax rate was lowered (40.69% → 38.01%)
	May	The "Points-based Preferential Immigration Treatment for Highly Skilled Foreign Professionals" was started.
2013	Jun	The "Japan Revitalization Strategy" was approved by the Cabinet, setting up a clear goal to increase the inward FDI stock to 35 trillion yen by 2020, and indicating the strengthening of industrial specialist program and Invest Japan Hotline in JETRO.
2014	Mar	The special corporate tax for reconstruction was abolished (effective corporate tax: 38.01% → 35.64%).
	Apr	The Council for Promotion of FDI in Japan was founded.
	Jun	The "Japan Revitalization Strategy (Revised in 2014)" was approved by the Cabinet, clarifying the role of JETRO to cooperate with Japanese embassies and local governments to attract FDI into Japan.
2015	Mar	The second meeting of the Council for Promotion of FDI in Japan was held. Prime Minister Abe announced the "Five Promises for Attracting Foreign Businesses to Japan."
	Apr	The "Tokyo One-Stop Business Establishment Center (TOSBEC)" opened in the Tokyo Area of the National Strategic Special Zones (in JETRO Tokyo HQ).
	Jun	The "Japan Revitalization Strategy (Revised in 2015)" was approved by the Cabinet, clarifying the role of JETRO to enhance PR & dispatch of information and to work on promotion of target fields by cooperating with Japanese embassies and local governments.
	Sep	The government announced the "New Three Arrow" of Abenomics, aiming to create a stronger economy and more support for childcare and social security.
2016	Feb	The "Subsidy Program for Global Innovation Centers" was established (the secretariat was placed in JETRO).
	Apr	Effective corporate tax rate was lowered (32.11% → 29.97%).
		The third meeting of the Council for Promotion of FDI in Japan was held. The "Investment Advisor Assignment System" was established. Under this system, State Ministers act as advisors to companies that have made significant investments in Japan.
	May	The fourth meeting of the Council for Promotion of FDI in Japan was held. The "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub" and establishment of the "Working Group for Revising Regulations and Administrative Procedures" were approved by the Council.
	Jun	The "Japan Revitalization Strategy 2016" was approved by the Cabinet, increasing the promotion activities and support for individual companies through the strengthening of JETRO's structure.
2017	Apr	The working Group for Revising Regulations and Administrative Procedures adopted the "Final Report." The "Japanese Green Card for Highly-Skilled Foreign Professionals" system was established.
	May	The fifth meeting of the Council for Promotion of FDI in Japan was held.
	Jun	The "Growth Strategy 2017" was approved by the Cabinet, introducing the "Personal Advisor System for Foreign Companies" to JETRO.
2018	Apr	Effective corporate tax rate was lowered (29.97% → 29.74%).
	May	The sixth meeting of the Council for Promotion of FDI in Japan was held. The "Support Program for Regional Foreign Direct Investment in Japan" was approved by the Council.
	Jun	The project-based "Regulatory Sandbox" system was established. The "Growth Strategy 2018" was approved by the Cabinet, clarifying the role of JETRO and related ministries to cooperate with local governments to attract foreign companies into Japan.
2019	May	The seventh meeting of the Council for Promotion of FDI in Japan was held, in which "Program to Intensively Attract Foreign Direct Investment in Regional Japan" was approved.
	Jun	The "Growth Strategy" was approved by the Cabinet.

[JETRO's Global Network]



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