

# JETRO Invest Japan Report

# 2022



# CHAPTER 2

## Business Operations of Foreign-affiliated Companies in Japan

Chapter 2 aims to provide information to foreign companies considering entry to Japan and to serve as reference material for attracting foreign-affiliated companies to Japan's regions and promoting collaboration with Japanese companies. It focuses on the impact of changes in the business environment, including the spread of COVID-19, on business plans, the status of foreign-affiliated companies expanding to Japan's regions and determinant factors in making additional investments, and the current state of open innovation (collaborative partnerships) with Japanese companies, based on the results of the "Survey on Business Operations of Foreign-affiliated Companies in Japan" released in March 2022 by JETRO. Note: Newly analyzed and added information are marked with New Analysis

## Section 1. Outline of Foreign-affiliated Companies



### 1. Survey on Business Operations of Foreign-affiliated



This questionnaire survey was administered to 6,582 foreign-affiliated companies in Japan during the period from September to October 2021, receiving responses from 1,315 companies (valid response rate: 20.0%).

Regarding the industry breakdown of respondents, 15.0% were in manufacturing, 38.6% in wholesale trade/general trade, 3.8% in retail trade, and 30.3% in services and others. By country/region of the foreign parent company, Europe accounted for 39.8%, Asia for 34.0%, and North America for 21.2% (Chart 2-1).

**Chart 2-1: Overview of Responded Companies 1**

<span style="border: 1px solid red; padding: 2px;">New Analysis</span>		
Industry of foreign parent companies	n	Proportion(%)
Manufacturing	197	15.0
Wholesale trade/ general trade	507	38.6
Retail trade	50	3.8
Services and others	398	30.3

**Chart 2-1: Overview of Responded Companies 2**

<span style="border: 1px solid red; padding: 2px;">New Analysis</span>		
Industry of foreign parent companies	n	Proportion(%)
Large enterprises	61	4.6
Small and medium-sized enterprises	1,088	82.7

**Chart 2-1: Overview of Responded Companies 3**

<span style="border: 1px solid red; padding: 2px;">New Analysis</span>		
Country/region of the foreign parent company	n	Proportion(%)
North America	279	21.2
USA	264	20.1
Canada	15	1.1
Asia	447	34.0
China	135	10.3
Taiwan	84	6.4
Korea	81	6.2
Hong Kong	75	5.7
Singapore	42	3.2
Other Asia	30	2.3
Europe	523	39.8
Germany	167	12.7
France	82	6.2
United Kingdom	70	5.3
Switzerland	50	3.8
Netherlands	33	2.5
Other Europe	121	9.2
Others	41	3.1

## 2. Foreign Parent Companies Breakdown by Share Ownership, Country and Region



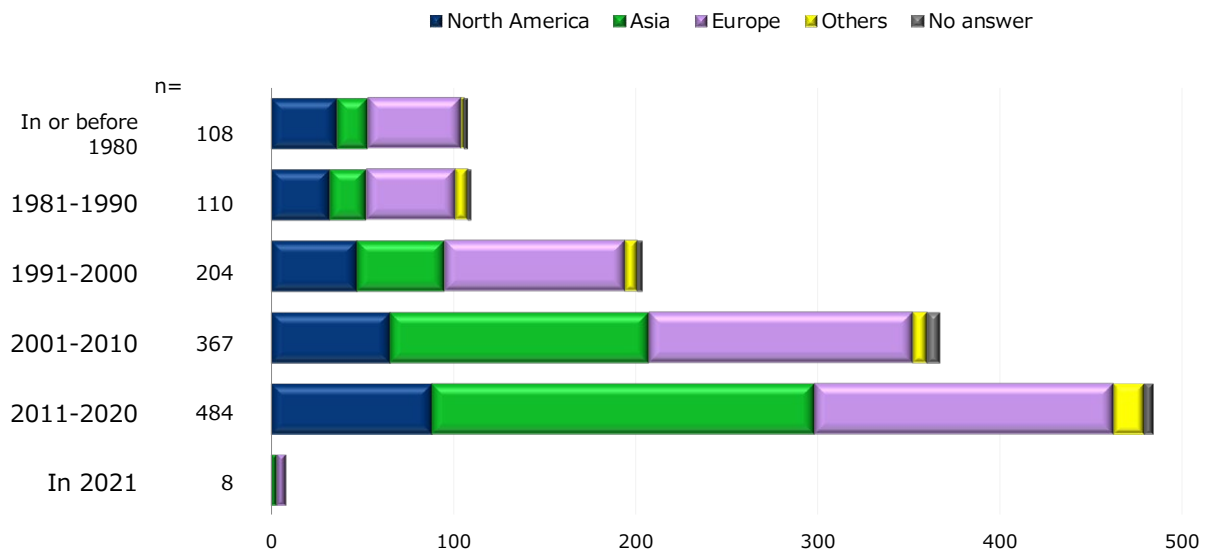
According to the survey on the ownership by foreign parent company, 68.1% of the respondents were 100% foreign-owned. By industry, 31.6% of the “retail trade” companies have an ownership ratio of over 50% to less than 100%, including many joint ventures (Chart 2-2). New Analysis

Looking at the countries and regions of foreign parent companies by the year of establishment/investment in Japan, the number of entries from Asia has increased significantly since 2001 (Chart 2-3).

**Chart 2-2: Ownership Ratio of Foreign Parent Company (Unit: # of companies, %)** New Analysis

Industry	n=	1/3 or less	Over 1/3 and less than 50%	50%	Over 50% and less than 100%	100%	No answer
Total	1,315	3.3	2.4	2.7	13.1	68.1	10.3
Manufacturing	670	2.7	2.5	2.7	12.8	71.6	7.6
Wholesale trade / general trade	115	5.2	1.7	4.3	9.6	66.1	13.0
Retail trade	19	5.3	5.3	—	31.6	47.4	10.5
Service and others	392	3.8	2.8	2.6	14.5	66.8	9.4

**Chart 2-3: Year of Establishment/investment and Country/region of Foreign Parent Company**



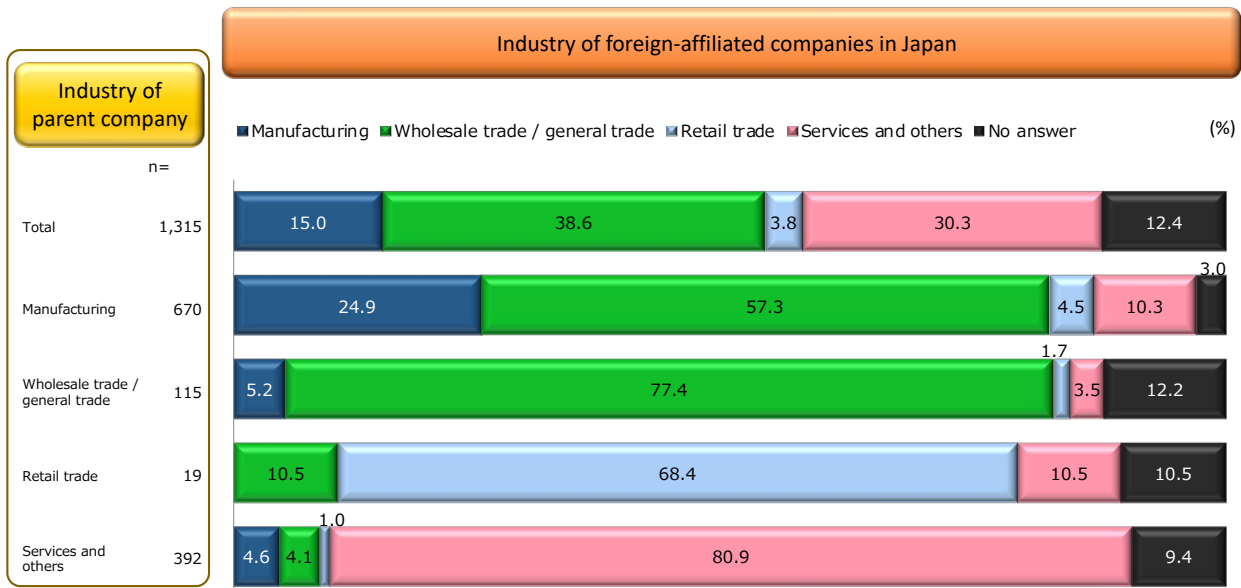
### 3. Industry Breakdown of Foreign Parent Companies and Foreign-affiliated Companies in Japan New Analysis



Looking at the industries of foreign parent companies, “manufacturing” accounted for the largest number of 670 companies (51.0% of the total), followed by “services and others” with 392 companies (29.8%), “wholesale trade/general trade” with 115 companies (8.7%), and retail trade with 19 companies (1.4%) (vertical axis in Chart 2-4).

57.3% of respondents have been established in Japan as wholesale trade/general trade companies, even if the foreign parent company is in the manufacturing industry (horizontal axis in Chart 2-4).

Chart 2-4: Industry Breakdown of Foreign Parent Companies and Foreign-affiliated Companies in Japan New Analysis



### 4. Size of Foreign-affiliated Companies in Japan New Analysis



The following are the survey results on the capitalization and the number of employees of the foreign-affiliated companies in Japan.

In terms of capital size, “over 5 million to 10 million yen” accounted for 21.9%, and “over 50 million to 100 million yen” for 20.6% of the total. Capital stock is relatively large among “manufacturing” and “retail trade” (Chart 2-5).

As for the number of employees, 82.7% of the total respondents have 50 or less, and 92.3% of “wholesale trade/general trade” have 50 or less (Chart 2-6).

Chart 2-5: Capital Size of Foreign-affiliated Companies in Japan New Analysis

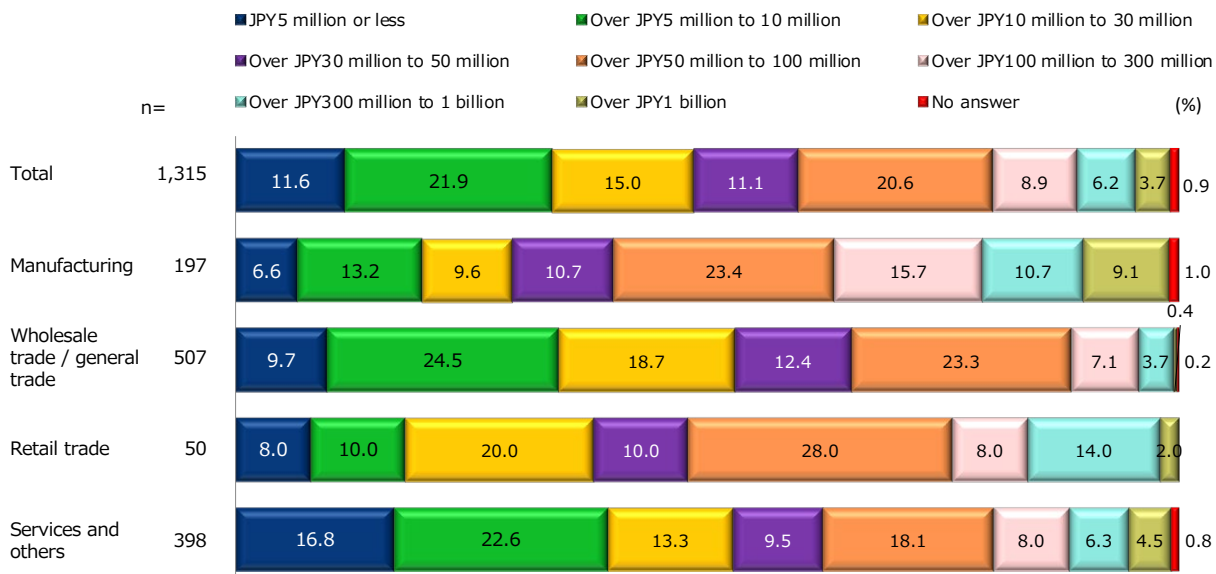
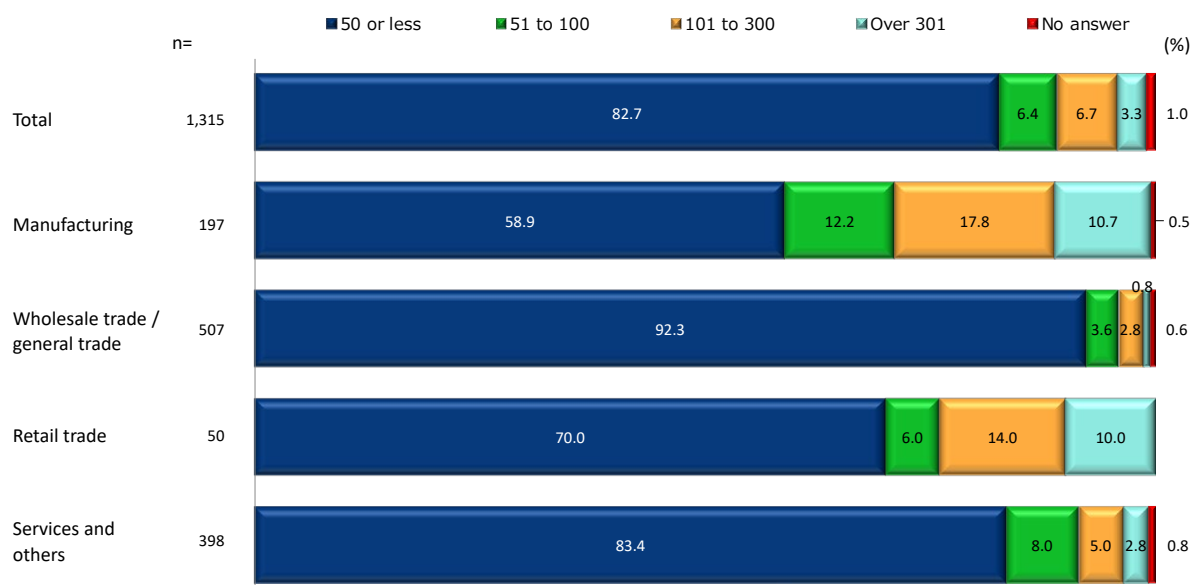


Chart 2-6: Number of Employees of Foreign-affiliated Companies in Japan New Analysis



## 5. Business Performance of Foreign-affiliated Companies in Japan

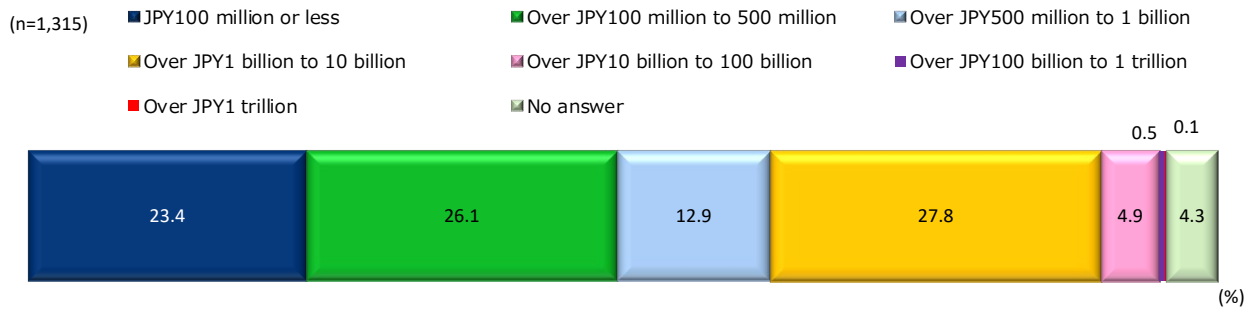


The following are the survey results on the sales and changes in sales of the foreign-affiliated companies in Japan.

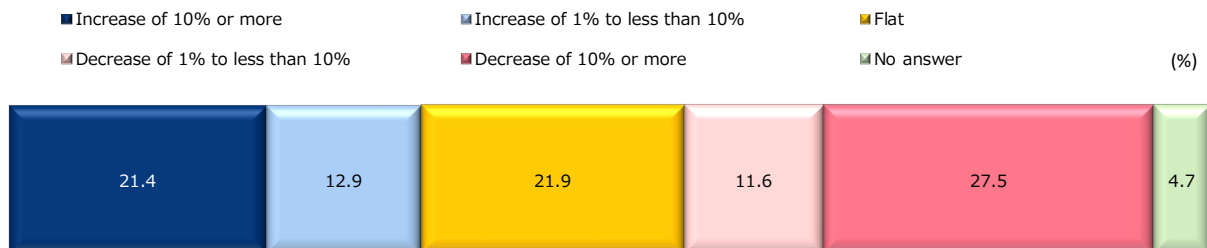
In terms of sales, "from 100 million yen to 500 million yen" was the most common range recorded by 26.1% of the respondents.

Regarding year-on-year increase/decrease in sales, "decrease of 10% or more" was the most common response at 27.5%, while "flat" and "increase of 10% or more" accounted for 21.9% and 21.4%, respectively, all above 20% range showing dispersed distribution (Chart 2-8).

**Chart 2-7: Sales of Foreign-affiliated Companies in Japan**



**Chart 2-8: Increase/decrease in Sales of Foreign-affiliated Companies in Japan**



## Section2. Changes in the Business Environment and Business Plan

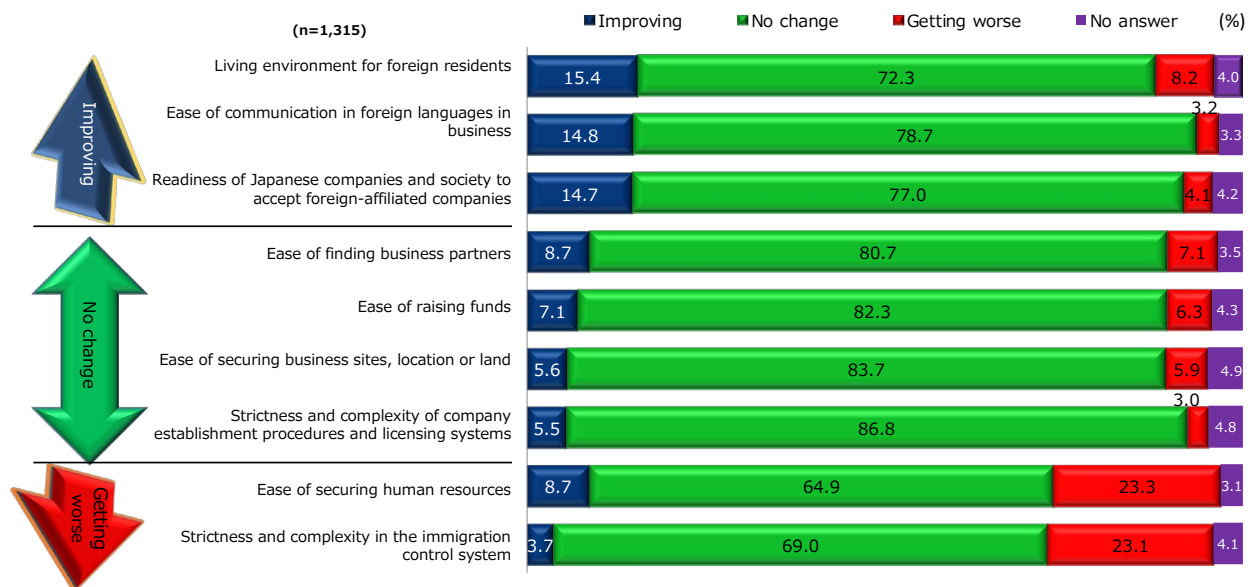


### 1. Changes in the Japanese Business Environment



Responses to questions about whether the business environment is “improving,” “no change,” or “worsening” with each of the following items indicate improvements in the living and social environment, such as “ease of living for foreigners” and “readiness of Japanese companies and society to accept foreign-affiliated companies.” On the other hand, as for the business environment, such as “ease of finding business partners” and “ease of raising funds,” responses are mixed with “improving” and “getting worse.” The impact of border control measures against the spread of COVID-19 is considered the reason for the worsening in the “strictness and complexity in the immigration control system” (Chart 2-9).

Chart 2-9: Changes in the Japanese Business Environment



## 2. Impact of COVID-19 and Future Business Plan

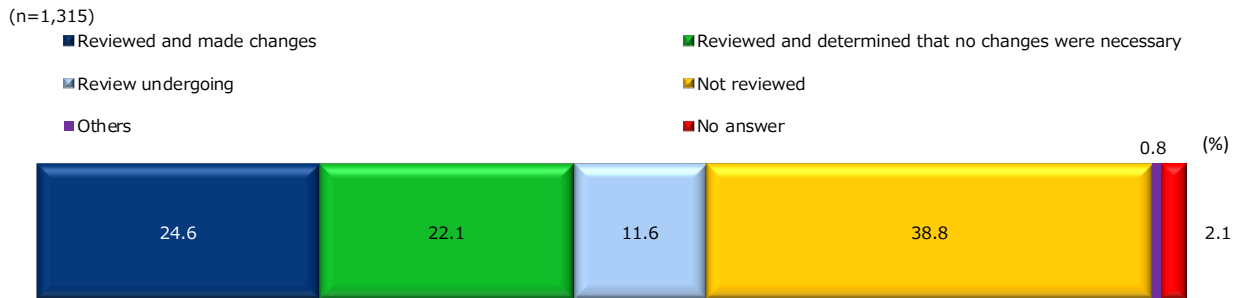


When asked whether they have reviewed or changed business plans in Japan due to the spread of COVID-19, 38.8% of the respondents answered that they have “not reviewed.” It, combined with the response “reviewed and determined that no changes were necessary,” indicates that about 60% of the responded companies have continued their business plans in Japan (Chart 2-10).

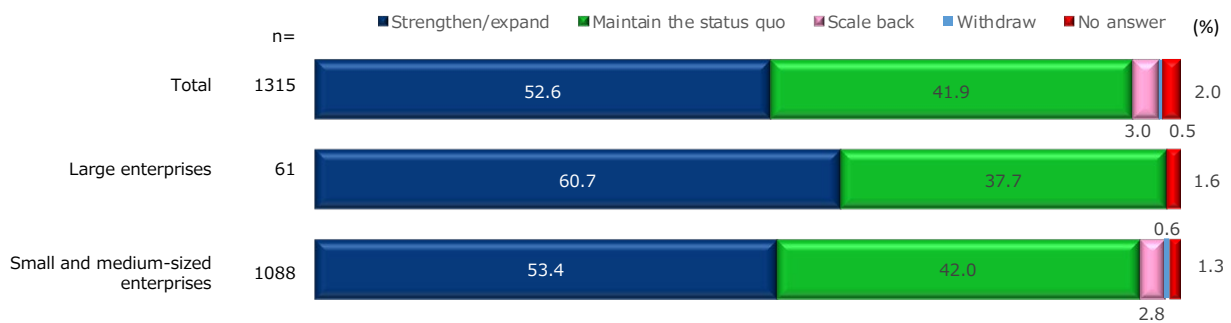
52.6% of the respondents said they would “strengthen/expand” their future business plans, with **large companies, in particular, showing a positive attitude at 60.7%** (Chart 2-11). New Analysis

These results show that many foreign-affiliated companies are aiming to expand their business in Japan in the future, despite the spread of COVID-19.

**Chart 2-10: Review/revision of Business Plans in Japan Due to the Spread of COVID-19** New Analysis



**Chart 2-11: Future Business Plans in Japan** New Analysis



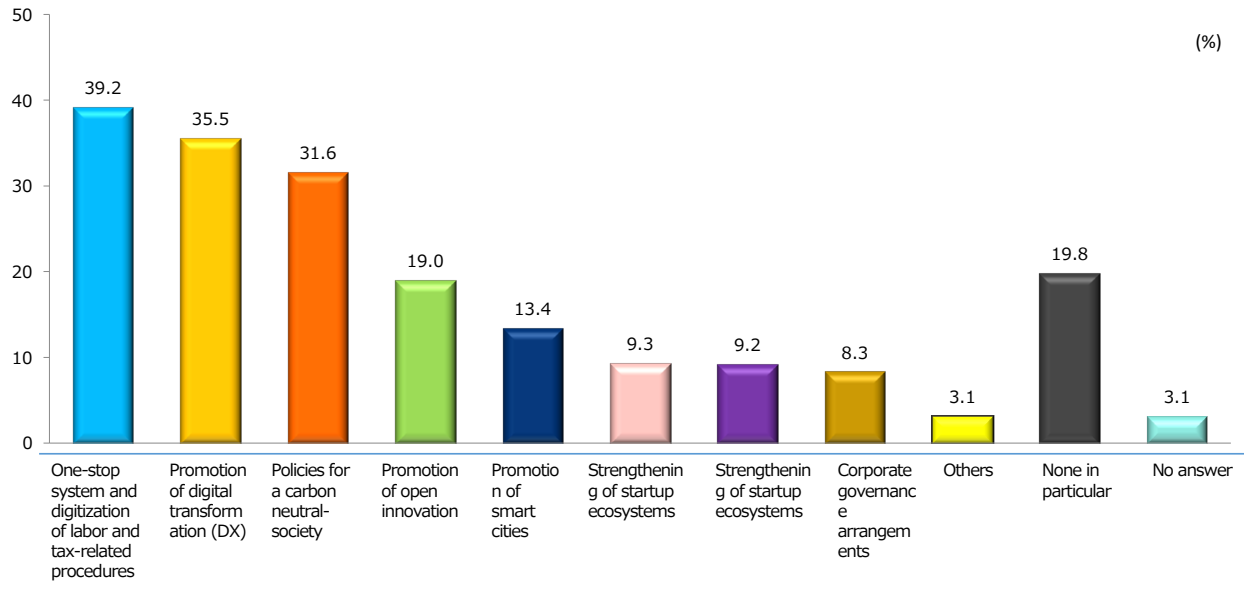


### 3. Notable Policies for Future Business Activities



When asked about government policies to pay attention to for future business activities in Japan, with multiple answers, "one-stop system and digitalization of labor and tax-related procedures" was the most popular answer chosen by 39.2% of the respondents (Chart 2-12). Interest in "promotion of digital transformation" was strong in the industry of services and others, while interest in "policy for carbon neutral society" was keen in the manufacturing industry, both exceeding 40%.

Chart 2-12: Notable Government Policies (Multiple answers given)



## Section3. Expansion of Foreign-affiliated Companies into the Region



### 1. Head Office Location of Foreign-affiliated Companies in Japan



This section examines how foreign-affiliated companies are expanding into Japan's regions as the Strategy for Promoting Foreign Direct Investment in Japan calls for expanding foreign-affiliated companies into regions and leading to revitalizing local economies.

Regarding the head office location of foreign-affiliated companies in Japan, 72.4% were in the Kanto region. **As for industry characteristics by region, in the Kanto and Kansai regions, the percentage of wholesale trade/general trade companies was high at 38.9% and 42.7%, respectively, while in Chubu region, the manufacturing industry accounted for a high percentage of 34.1% (Chart 2-13).**

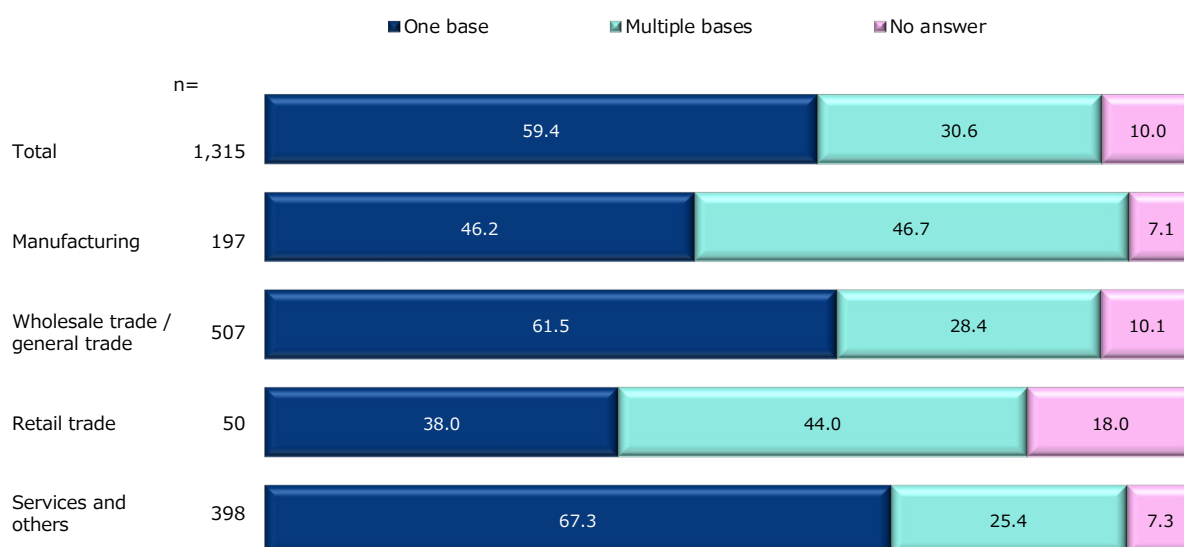
New Analysis

**30.6% of the companies had multiple bases in Japan. The manufacturing and retail trade industries tended to have multiple bases (Chart 2-14). By prefecture, Aichi, Osaka, and Fukuoka prefectures were the most common locations for companies with multiple bases, apart from Tokyo.** New Analysis

Chart 2-13: Head Office Location by Region New Analysis



Chart 2-14: Number of Bases by Industry New Analysis



## 2. Attractiveness of the Business Environment in Japan

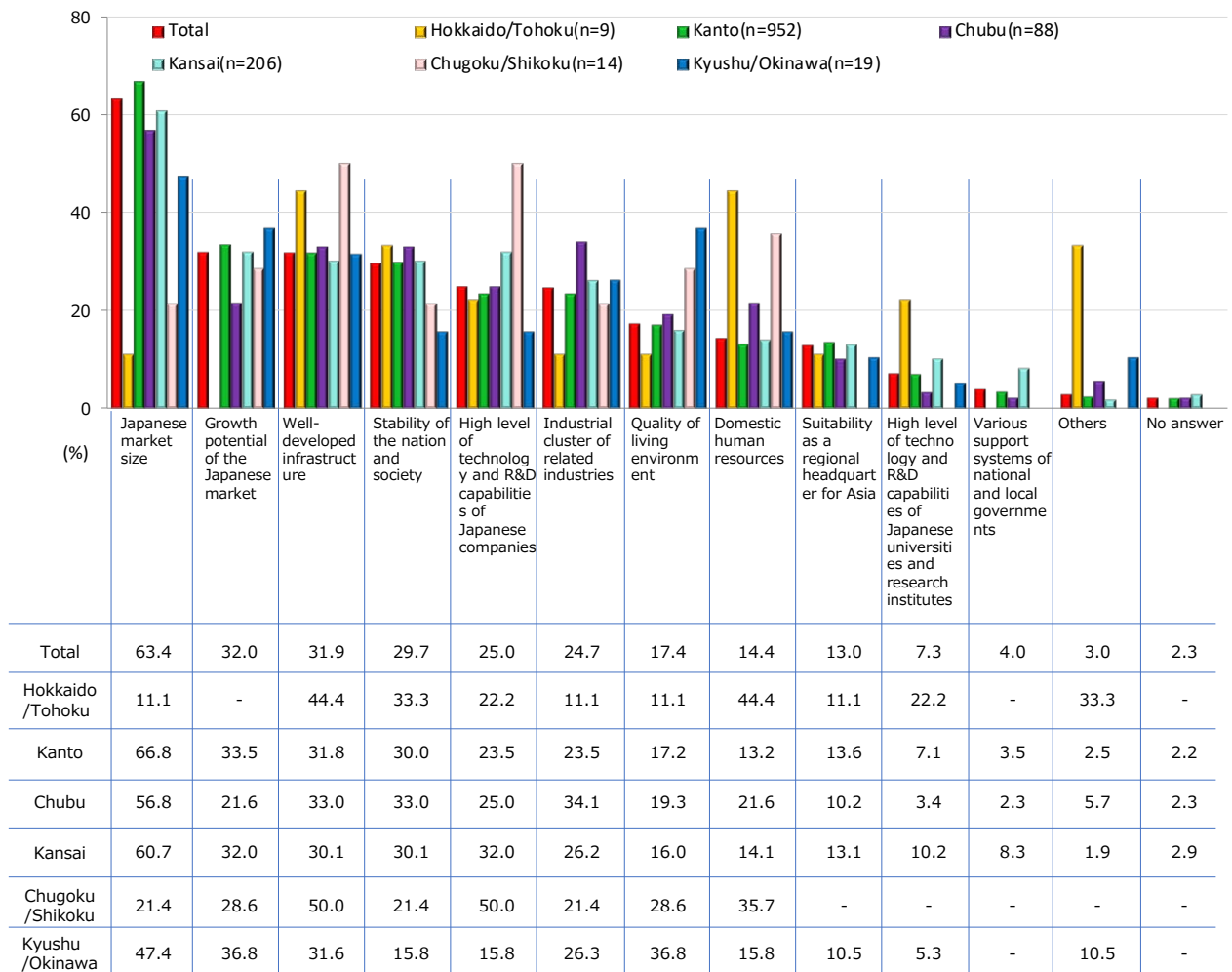


Regarding the business environment in Japan that foreign-affiliated companies find attractive, "market size" was the most attractive feature of the business environment in Japan, chosen by 63.4% of the respondents, followed by "growth potential of the Japanese market" at 32.0%, and "well-developed infrastructure" at 31.9%.

By region, a higher percentage of companies in the Chugoku and Shikoku regions selected "high level of technology and R&D capabilities of Japanese companies." In addition, "quality of living environment" tended to be higher in the south (Chart 2-15).

New Analysis

Chart 2-15: Attractiveness of the Business Environment in Japan (Multiple answers given) New Analysis



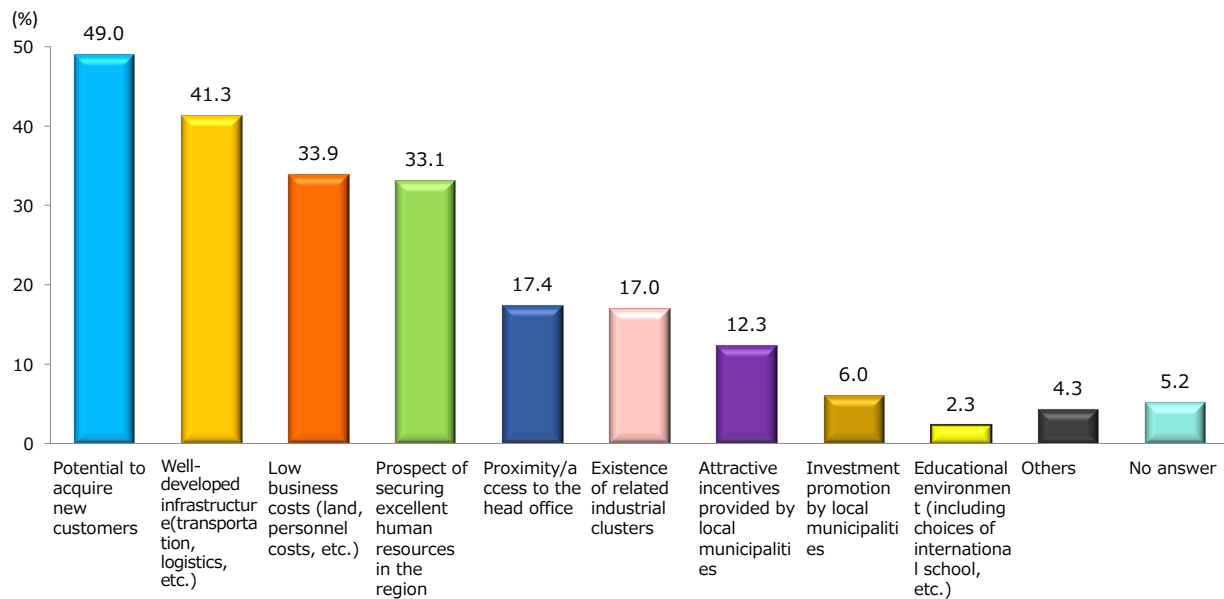
### 3. Factors considered important when Establishing a New Site

New Analysis



When asked to select what factors were considered important in deciding on a location (regions/prefectures) for strengthening an existing base or establishing a new base, the most common response overall was “potential to acquire new customers” (Chart 2-16). This trend is particularly pronounced in the industries of retail trade, and services and others. On the other hand, “low business costs” is more important in the manufacturing industry.

Chart 2-16: Factors Considered Important When Establishing a Site (Multiple answers given) New Analysis



## Section4. Open Innovation (Collaboration and Cooperation)



### 1. Collaborative Partners of Foreign-affiliated Companies in Japan



Regarding the implementation status of collaboration/cooperation with partners such as Japanese companies, universities, research institutes, 41.2% of all respondents answered that they "have implemented," "had implemented in the past," or are "considering implementing" collaboration and cooperation. **By industry in Japan, a high percentage in the manufacturing industry (29.4%) and services and others (25.9%) responded that they "have implemented."** On the other hand, 18.0% of respondents in the retail trade industry answered that they "have not implemented, but considering now," indicating a strong willingness for implementation (Chart 2-17). [New Analysis](#)

Looking at collaborative partners (including those under consideration) by country and region of the parent company, SMEs (excluding distributors) were the most common in Asia (51.1%), while universities were the most prevalent in North America and Europe (52.1% and 46.4%, respectively) (Chart 2-18). [New Analysis](#)

Chart 2-17: Implementation Status of Collaboration/cooperation by Industry [New Analysis](#)

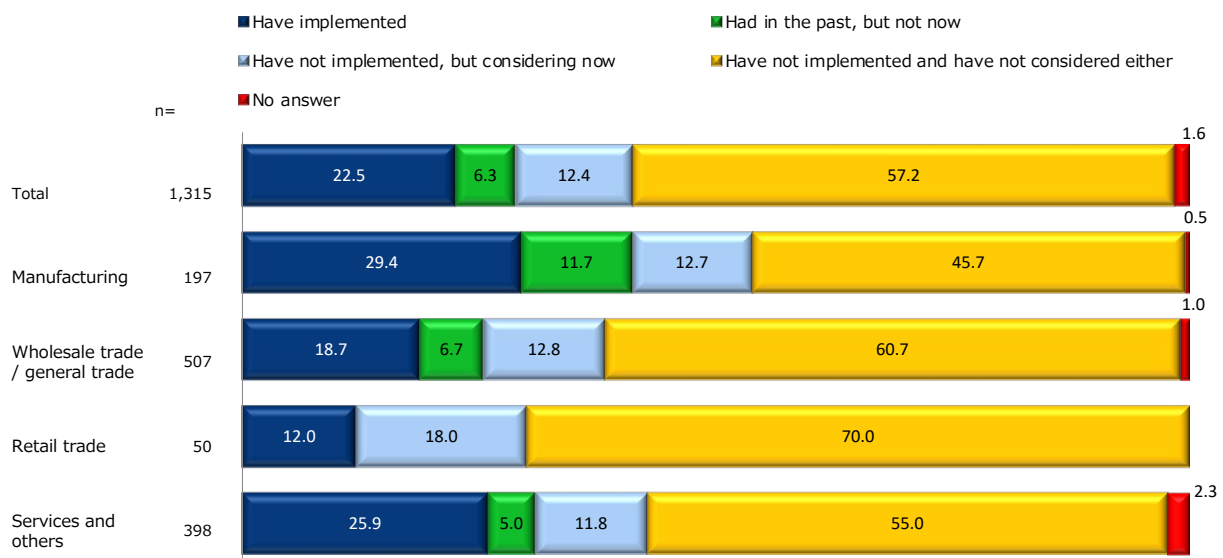
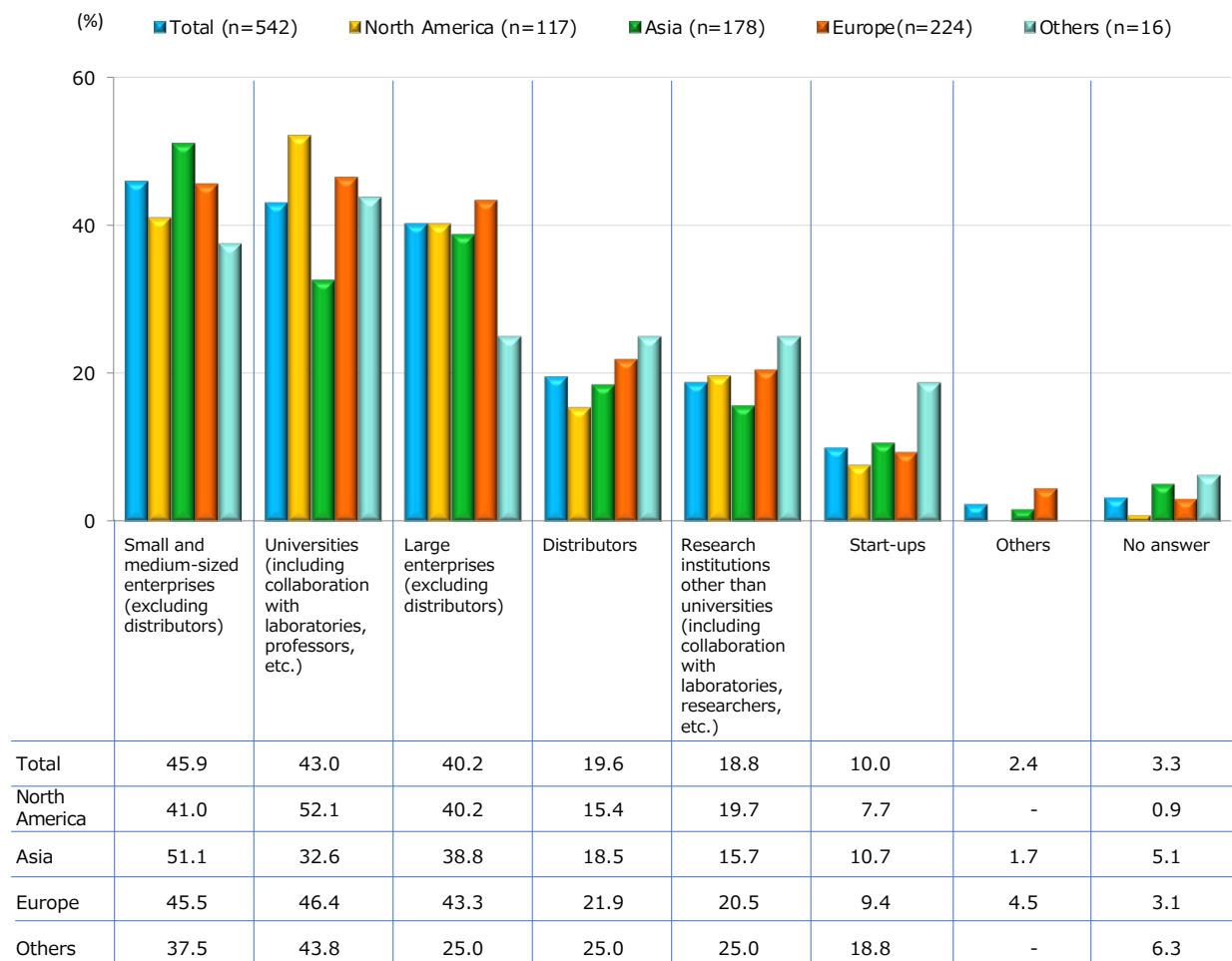


Chart 2-18: Collaborative Partners (Multiple answers given) New Analysis

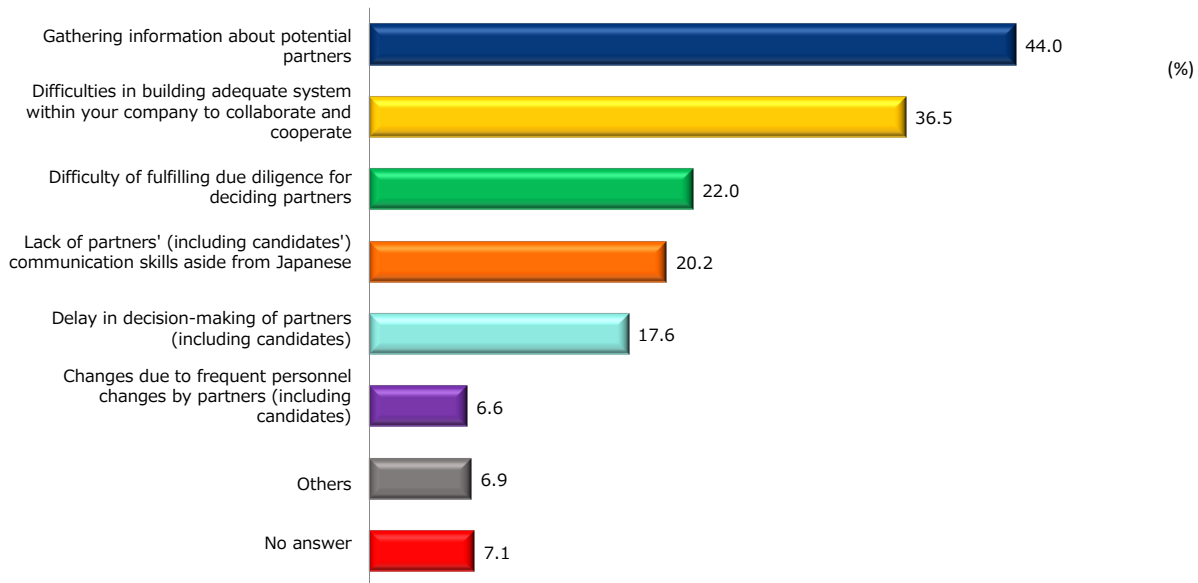
## 2. Challenges in Conducting Collaboration/Cooperation



Regarding challenges in conducting collaboration/cooperation, "gathering information about potential partners" was the most common response among 44.0% of the respondents, followed by "difficulties in building adequate system within your company to collaborate and cooperate" at 36.5% (Chart 2-19).

There is a significant need to disseminate information and provide matching opportunities.

Chart 2-19: Challenges in Conducting Collaboration/cooperation (Multiple answers given)

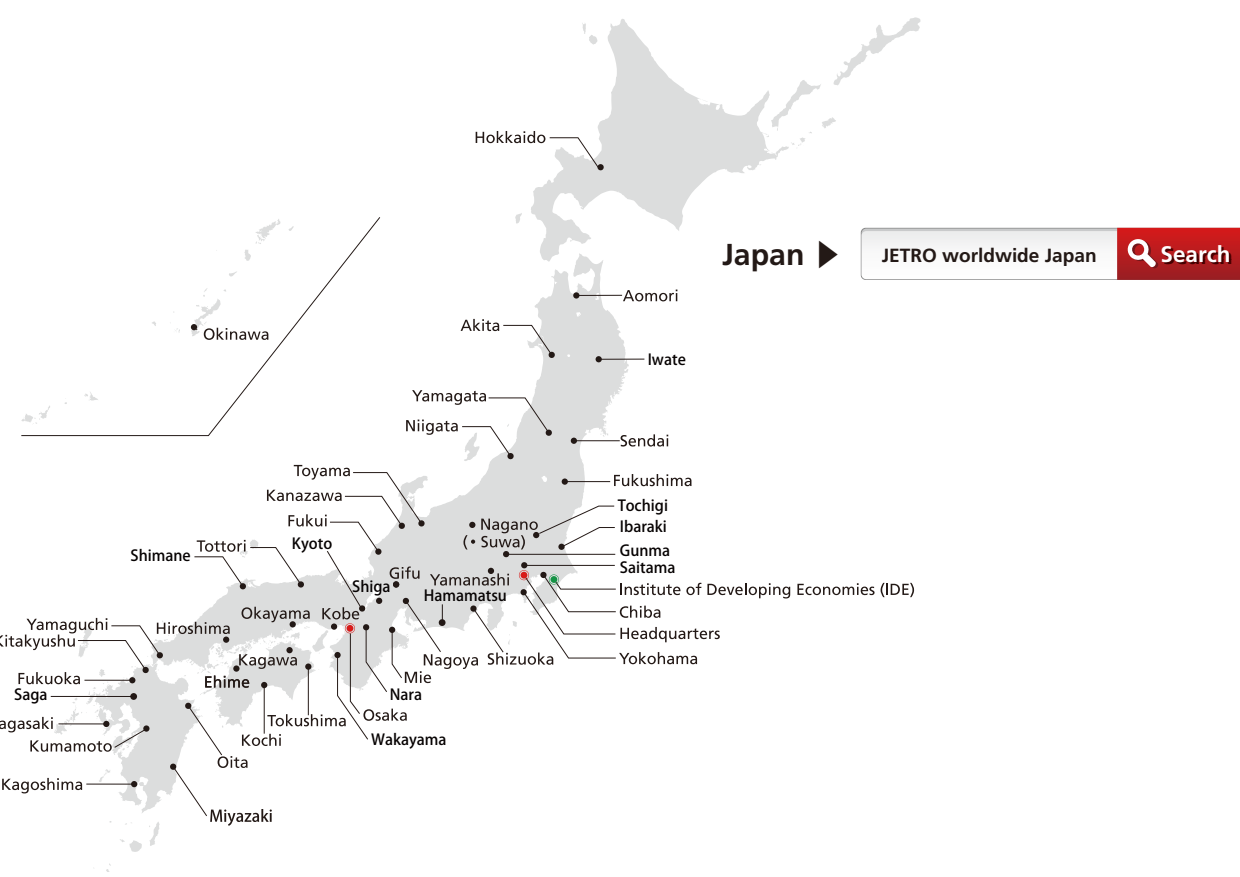


## [Column] JETRO's Activities to Promote Collaboration and Cooperation



- [Project] Regional Business Conference (RBC) (URL:<https://www.jetro.go.jp/en/invest/rbc2022/>)
- RBC is a project to promote the attractiveness of Japan's regional business environment to foreign companies and encourage collaboration and cooperation with local companies and universities. For regions of Japan, the project helps to attract technologies and services that can solve social issues. At the same time, it enables foreign companies to efficiently explore opportunities for collaborative partnerships with local companies, universities, research institutes, and other candidates. In fiscal 2022, JETRO will hold RBCs in the healthcare, travel tech, and food tech fields.
- [Project] Global Open Innovation
- JETRO supports connecting the seeds of technologies and research results of universities and university ventures in Japan with foreign and foreign-affiliated companies and overseas universities looking to collaborate and cooperate with Japanese companies and universities. In fiscal 2022, JETRO targets the healthcare field and support open innovation initiatives by foreign and foreign-affiliated companies, such as joint R&D, in cooperation with JETRO's international business collaboration support platform "J-Bridge"(URL:<https://www.jetro.go.jp/en/j-bridge.html>) and others.
- [Support Cases] Cooperation between the National Cancer Center (NCC) and foreign companies and institutions
- JETRO invited the Frederick National Laboratory for Cancer Research (FNLRC) (Note) of the U.S. to Japan and arranged business meetings. As a result, FNLRC and the NCC Exploratory Oncology Research & Clinical Trial Center (NCC EPOC) concluded a collaboration agreement in September 2021, centered on AI diagnostics and drug discovery. (Note) A US national research institute that conducts research in the biomedical field, with a focus on cancer, under the umbrella of the National Cancer Institute (NCI), part of the National Institutes of Health (NIH), the largest healthcare research institute in the United States.
  - JETRO invited Arjuna Therapeutics, a Spanish company developing drugs for treating intractable cancer, and arranged business matchings for them. In September 2019, the company and the National Cancer Center concluded a joint research agreement on drug discovery for intractable cancers.

# [ JETRO's Global Network ]



**JETRO** | Invest Japan Department  
**Japan External Trade Organization (JETRO)**  
 1-12-32, Akasaka, Minato-ku, Tokyo  
 107-6006 Japan  
 Tel. +81 3 3582 5571

[www.jetro.go.jp/en/invest/](http://www.jetro.go.jp/en/invest/)

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