

Chapter 2 Trends in Inward FDI in Japan



Chapter 2 introduces trends in the amount of inward FDI in Japan and major investment projects, and describes the recent trends in investment in Japan and initiatives to promote inward FDI in Japan.

Section 1. Trends in Inward FDI to Japan

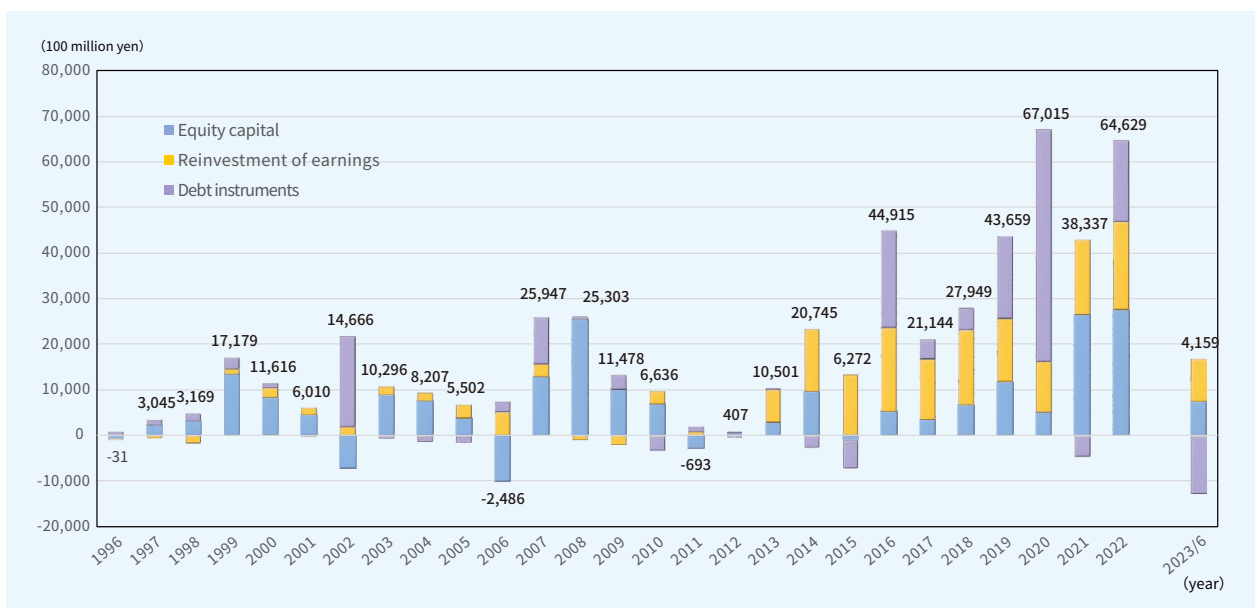


1. Flow



According to the "Balance of Payments" (asset and liability principle) of the Ministry of Finance (MOF) and Bank of Japan (BOJ), FDI flow to Japan in 2022 increased significantly by 68.6% year-on-year to 6.5 trillion yen (Chart 2-1). Looking at this by type of capital, equity capital increased 4.2% year-on-year to 2.7 trillion yen, reinvestment of earnings rose 18.3% year-on-year to 1.9 trillion yen, while debt instruments, which represent the lending and borrowing of funds between enterprises in capital ties, turned positive at 1.8 trillion yen from -0.4 trillion yen in the previous year. Equity capital, which reached a record high in 2021, continued to increase in 2022, and economic activities continue to develop for new investments and capital increases in Japan.

Chart 2-1: Trends in FDI Flow to Japan



Note: The figures before 2013 are calculated based upon a different principle.

Source: "Balance of Payments" (MOF, BOJ)

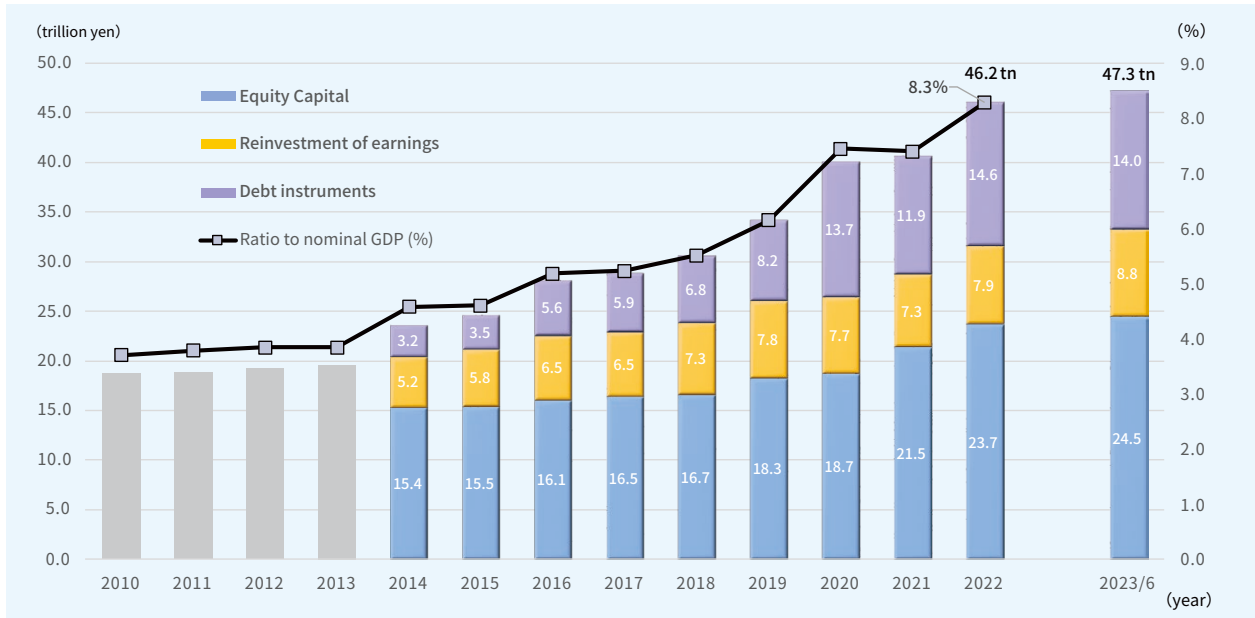
2. Stock



At the end of 2022, the FDI stock in Japan (asset and liability principle) was 46.2 trillion yen, up 13.5% from the previous year, and the ratio in relation to nominal GDP was 8.3%. As of the second quarter of 2023, the FDI stock had gradually increased to 47.3 trillion yen.

Looking at the FDI stock in Japan at the end of 2022 (asset and liability principle) by type of capital, equity capital increased 10.4% year-on-year to 23.7 trillion yen, reinvestment of earnings increased 8.0% year-on-year to 7.9 trillion yen, and debt instruments increased 22.4% year-on-year to 14.6 trillion yen. Reflecting the debt instruments turning positive as mentioned earlier, the share of debt instruments in the stock increased to 31.6% at the end of 2022 from 29.2% at the end of 2021 (Chart 2-2).

Chart 2-2: Trends in FDI Stock in Japan



Note: Breakdown of stock in 2013 and before is not disclosed.

Source: "International Investment Position of Japan" (MOF, BOJ), "National Accounts of Japan" (Japan Cabinet Office)

Section 2. Trends in Inward FDI to Japan by Country and Region

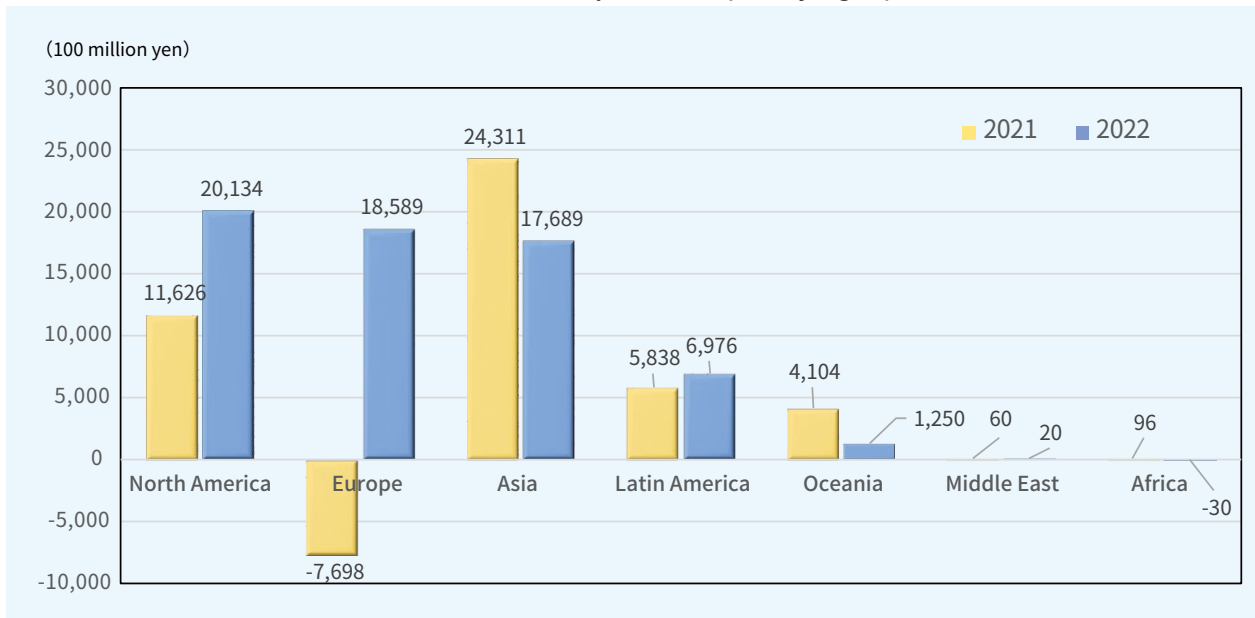


1. Flow



Breaking down FDI flow to Japan (asset and liability principle) in 2022 by region, North America accounted for the highest amount at 2.0 trillion yen, up 73.2% from the previous year, followed by Europe at 1.9 trillion yen, recovering from -0.8 trillion yen in 2021, and Asia at 1.8 trillion yen, down 27.2% from the previous year (Chart 2-3). In North America, which was the largest, the U.S. increased by 25.9% from the previous year to 1.4 trillion yen, making it the largest among all countries and regions in the world. Canada increased significantly to 0.6 trillion yen from 50 billion yen in 2021. In Europe, the second largest by country and region, negative net inflow in 2021 turned to be positive, as mentioned above, with the U.K. at 1.1 trillion yen, Switzerland at 0.4 trillion yen, and France at 0.2 trillion yen. In Asia, Singapore decreased -1.1% year-on-year to 0.8 trillion yen, Hong Kong saw a significant decrease to 0.4 trillion yen from 1.3 trillion yen in 2021, and Taiwan increased to 0.2 trillion yen from 25 billion yen in 2021 (Chart 2-4).

Chart 2-3: FDI to Japan in 2022 (flow by region)



Source: "Balance of Payments" (MOF, BOJ)

Chart 2-4: FDI Flow to Japan in 2022: Top 10 Countries and Regions (100 million Yen, %)

Ranking	Investor Country/ Region	2022	2022 Growth rate (YoY)	2022 Share
1	United States	14,000	25.9	21.7
2	United Kingdom	11,252	*	17.4
3	Singapore	8,434	-1.1	13.1
4	Cayman Islands	6,247	13.4	9.7
5	Canada	6,134	1,118.8	9.5
6	Switzerland	3,911	*	6.1
7	Hong Kong	3,523	-73.5	5.5
8	France	1,939	-24.9	3.0
9	Taiwan	1,835	638.4	2.8
10	Australia	1,723	-44.4	2.7
—	World	64,629	68.6	100.0

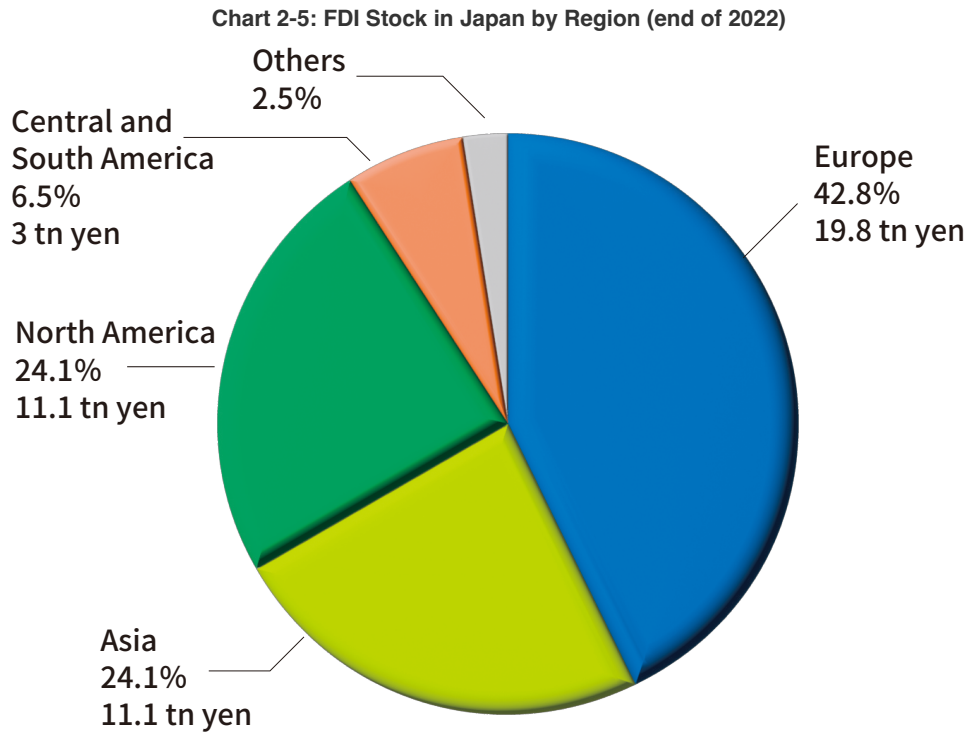
Note: The marks of * in the chart show that the investment in 2021 is negative due to net withdrawal and therefore growth rate is not applicable.

Source: "Balance of Payments" (MOF, BOJ)

2. Stock



Looking at the FDI stock at the end of 2022 (asset and liability principle), Europe was the largest at 19.8 trillion yen and accounted for 42.8% of the total, followed Asia and North America at 11.1 trillion yen (24.1% of the total) (Chart 2-5). In Europe, the overall composition ratio fell slightly from the previous year's ratio of 44.0% due to the decline in stock in the Netherlands (down 14.7% year-on-year) and sluggish growth in France (up 2.0% year-on-year). By country and region, the U.S. was the largest at 10.3 trillion yen (22.3% of the total), followed by the U.K. at 7.7 trillion yen (16.7% of the total) (Chart 2-6). The top 10 countries/regions accounted for 84.9% of the total FDI stock in Japan and were mainly taken up by Europe and Asia other than the U.S.



Source: "International Investment Position of Japan" (MOF,BOJ)

Chart 2-6: FDI Stock in Japan by Country and Region (end of 2022)(100 million yen, %)

Ranking	Country/ Region	Stock	Growth rate (YoY)	Ratio
1	United States	102,789	12.2	22.3
2	United Kingdom	76,966	36.3	16.7
3	Singapore	48,232	28.4	10.4
4	Netherlands	33,894	-14.7	7.3
5	France	32,309	2.0	7.0
6	Hong Kong	26,187	-5.4	5.7
7	Cayman Islands	24,990	43.0	5.4
8	Switzerland	21,744	11.2	4.7
9	Germany	13,940	13.9	3.0
10	Taiwan	10,733	19.6	2.3
—	Others	69,896	9.4	15.1
—	Total	461,680	13.5	100.0

Source: "International Investment Position of Japan" (MOF, BOJ)

Section 3. Trends in Inward FDI to Japan by Industry

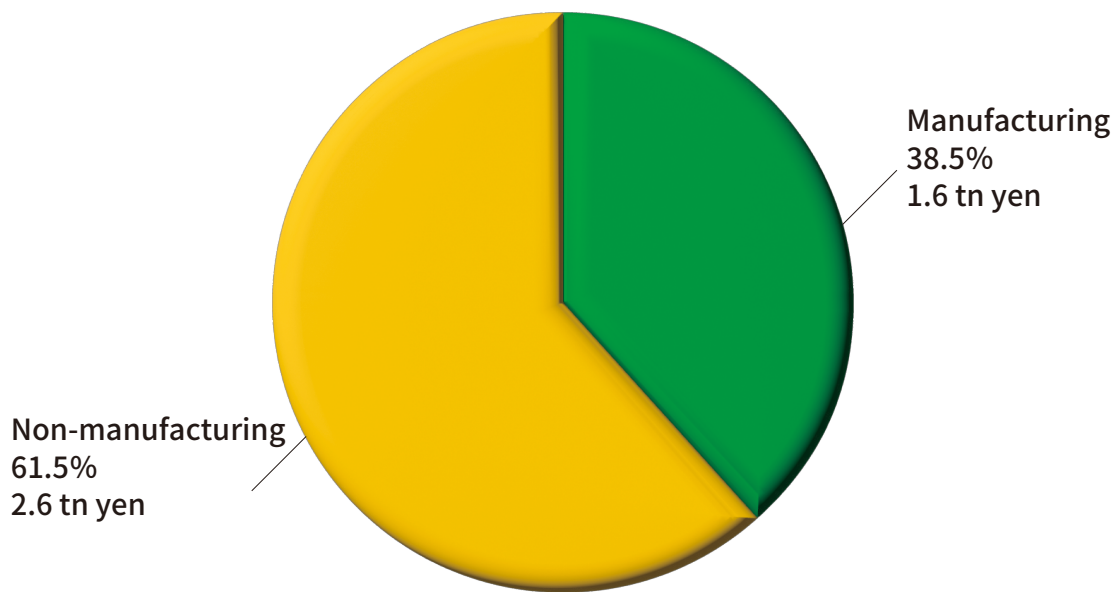


1. Flow



According to the statistics for FDI in Japan by industry based on the directional principle in 2022, FDI flow to Japan in total increased by 14.8% from the previous year to 4.3 trillion yen and marked a record high. In the manufacturing sector, the growth slowed slightly to 1.6 trillion yen (down 8.7% from 2021, or 38.5% of the total) due to the reversal of the sharp increase in 2021 (up 597.4% from 2020), while the non-manufacturing sector showed remarkable growth, reaching 2.6 trillion yen (up 36.8% from 2021, or 61.5% of the total) (Chart 2-7). Looking at the detailed industry sectors, the finance and insurance sector was the largest at 1.2 trillion yen despite a 2.2% decrease from the previous year, followed by the transportation sector at 0.7 trillion yen, up 232.0% from the previous year. Also, in the electrical machinery and equipment sector (up 80.9% from the previous year), which ranked third, there was a project to establish a Japanese subsidiary of a Korean EV battery material manufacturer (Chart 2-8).

Chart 2-7: FDI to Japan in 2022(Flow, by industry)



Note: This is based on the directional principle and different from that of the statistics by country/region(asset and liability principle).

Source: "Balance of Payments" (MOF, BOJ)

Chart 2-8: FDI to Japan in 2022: Top 10 sectors (100 million Yen, %)

Ranking	Sector	2022	2022 Growth rate (YoY)
1	Finance and insurance	11,649	-2.2
2	Transportation	7,305	232.0
3	Electric machinery	5,049	80.9
4	Iron, non-ferrous, and metals	3,699	4,592.7
5	Chemicals and pharmaceuticals	3,533	-77.7
6	Communications	3,193	2.5
7	Transportation equipment	3,100	*
8	Services	1,675	118.1
9	General machinery	734	*
10	Wholesale and retail	624	*
—	Construction	-52	—
—	Petroleum	-186	—

Note: (1) Directional principle (2) Negative amount indicates net withdrawal.

The marks of * in the chart show that the investment in 2021 is negative due to net withdrawal and therefore growth rate is not applicable.

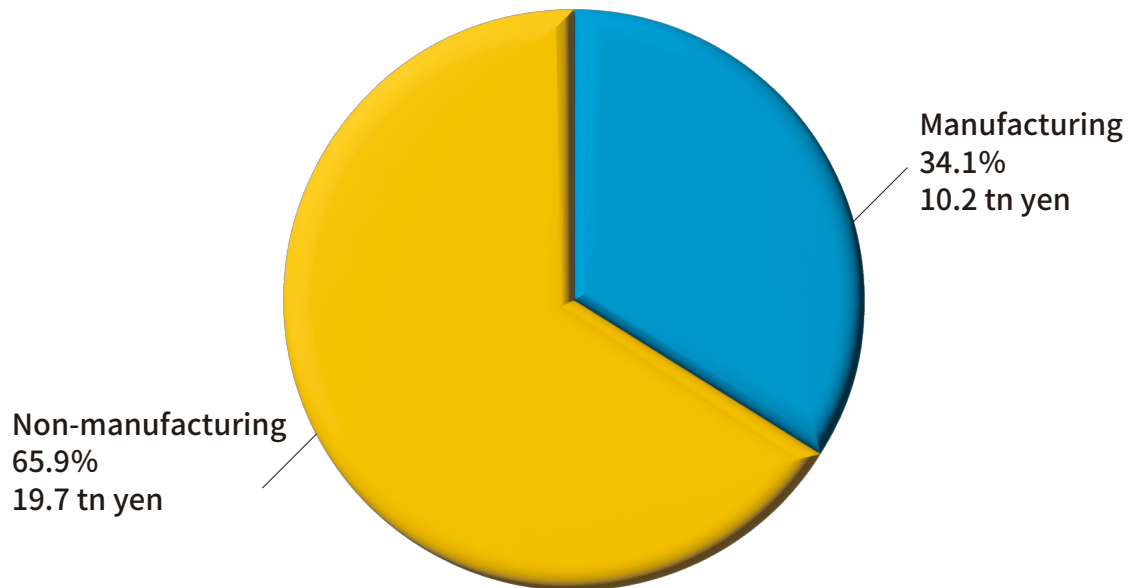
Source: "Balance of Payments" (MOF, BOJ)

2. Stock



At the end of 2022, the FDI stock in Japan by industry (directional principle) was 29.9 trillion yen in total, up 8.6% from the previous year. Looking at the stock by Industry, the manufacturing industry accounted for 10.2 trillion yen (up 9.2% year-on-year, 34.1% of the total), while the non-manufacturing industry accounted for 19.7 trillion yen (up 8.2% year-on-year, 65.9% of the total) (Chart 2-9). As for the detailed industry sectors, the finance and insurance sector was the largest, increasing 7.0% from the previous year to 11.8 trillion yen (39.4% of the total). This was followed by transportation equipment at 3.1 trillion yen (10.3% of the total), up 8.5% from the previous year. Notable year-on-year growth rates were 358.2% for Iron, non-ferrous and metals, with a value of 0.5trillion yen and 1.2 trillion yen for transportation (up 148.7% year-on-year) (Chart 2-10). On the other hand, the wholesale trade/retail trade fell 76.3% year-on-year to 0.1 trillion yen (0.4% of the total).

Chart 2-9: FDI Stock in Japan by Industry



Source: "International Investment Position of Japan"(MOF, BOJ)

Chart 2-10: FDI Stock in Japan: Top 10 sectors (at the end of 2022) (100 million yen, %)

Ranking	Sector	Stock	Growth rate (YoY)	Ratio
1	Finance and insurance	117,784	7.0	39.4
2	Transportation equipment	30,730	8.5	10.3
3	Chemicals and pharmaceuticals	29,020	-10.2	9.7
4	Communications	22,816	-2.7	7.6
5	Electric machinery	22,305	34.3	7.5
6	Services	16,366	17.0	5.5
7	Transportation	12,391	148.7	4.1
8	General machinery	5,849	-1.9	2.0
9	Real estate	4,752	4.0	1.6
10	Iron, non-ferrous and metals	4,623	358.2	1.5
—	Others	32,312	-5.3	10.8
—	Total	298,950	8.6	100.0

Source: "International Investment Position of Japan" (MOF, BOJ)

Section 4. Trends in Greenfield Investment in Japan



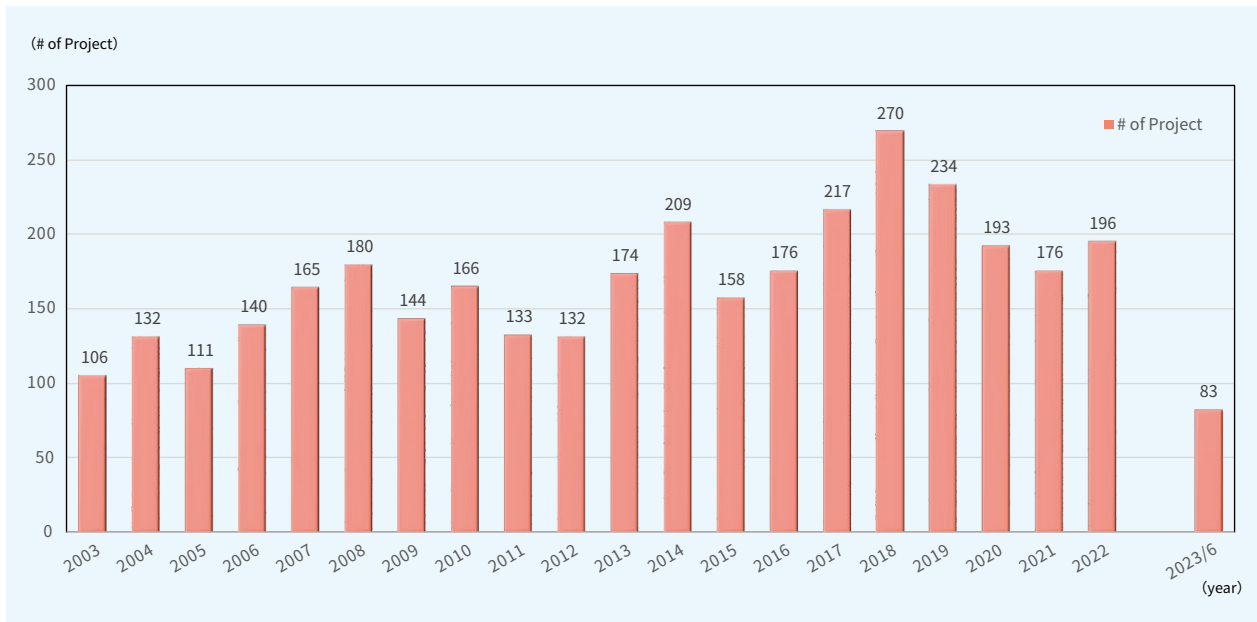
1. Number of projects



The number of greenfield investments in Japan in 2022 (based on date of publication) increased 11.4% from the previous year to 196, the first increase in four years.

Through the second quarter of 2023, the number of cases is 83, maintaining the same pace as in the previous year (Chart 2-11).

Chart 2-11: Trends in Number of Greenfield Investments in Japan



Source: "fDi Markets" (Financial Times) (as of Oct. 20, 2023)

2. Top 5 Countries and Regions / Top 5 Sectors



Looking at greenfield investments in Japan in 2022 by investor country/region, the U.S. was the largest with 57 investments, up 5.6% from the previous year. France, which was the second largest, saw a significant increase in the number of investments with 17 cases, up 240.0% compared to five cases in the previous year. The U.K., the third largest, maintained the same ranking as the previous year, despite an 11.1% decrease year-on-year. Germany, on the other hand, had 11 cases, down 45.0% from the previous year (Chart 2-12).

By sector, Software & IT services accounted for the largest number of cases at 70, up 32.1% year-on-year. This was followed by business services with 30 cases, up 76.5% year-on-year, and these sectors accounted for the majority of the total. In addition, the number of cases for communication was 14, down 30.0% year-on-year (Chart 2-13).

Chart 2-12: Number of Greenfield Investments in Japan in 2022 by Investor Country and Region (# of Projects, %)

Ranking	Country/ Region	# of Projects	Growth rate(YoY)	Share
1	United States	57	5.6	29.1
2	France	17	240.0	8.7
3	United Kingdom	16	-11.1	8.2
4	Germany	11	-45.0	5.6
5	Singapore	10	-23.1	5.1
5	Australia	10	150.0	5.1
—	Total	196	11.4	100.0

Source: "fDi Markets" (Financial Times) (as of Oct. 20, 2023)

Chart2-13: Number of Greenfield Investments in Japan in 2022 by Sector (# of Projects, %)

Ranking	Country/ Region	# of Projects	Growth rate(YoY)	Share
1	Software & IT services	70	32.1	35.7
2	Business services	30	76.5	15.3
3	Financial services	14	40.0	7.1
4	Communications	14	-30.0	7.1
5	Industrial equipment	13	0.0	6.6
—	Total	196	11.4	100.0

Source: "fDi Markets" (Financial Times) (as of Oct. 20, 2023)

3. Major Greenfield Investment Projects from January 2022 to June 2023



Looking at greenfield investment projects in Japan during the above period, there were cases such as an investment by U.S. semiconductor manufacturer Micron to upgrade production facilities and an investment in a fulfillment center (logistics base) by Amazon Japan, a subsidiary of U.S. Amazon. By sector, investment projects in the renewable energy field continued to show a presence (Chart 2-14).

Chart 2-14: Major Investments in Greenfield in Japan from January 2022 to June 2023

Company	Country/ Region	Sector	Destination (Prefecture)	Outline	Date (Based on announcement/ press release)
Micron Technology	U.S.	Semiconductors	Hiroshima	Micron Technology, a leading U.S. semiconductor memory company announced plans to invest up to 500 billion yen over the next several years in 1γ (gamma) generation technology at its Hiroshima Plant (Higashi-Hiroshima City, Hiroshima Prefecture) .	May 2023
Octopus Energy Group	U.K.	Renewable energy	Tokyo, Others	Octopus Energy is developing its renewable energy business in partnership with Tokyo Gas and currently has approximately 200,000 retail customers. In addition to a £600 million investment in solar and wind power, the company also announced plans to invest another £300 million to advance technological innovation and position Tokyo as a retail hub.	May 2023
Fidelity Investments	U.S.	Real estate	Chiba	Fidelity Investments announced that its subsidiary, Colt Data Centre Services, a global provider of hyperscale data center solutions for large enterprises, has begun construction of its fourth major data center in Inzai City, Chiba Prefecture, in a joint venture with Mitsui & Co.	April 2023
Amazon Japan	U.S.	Consumer goods	Hyogo	In March 2022, it announced the opening of the Amazon Amagasaki Fulfillment Center (FC) in Amagasaki City, Hyogo Prefecture. It is the largest FC of the company in western Japan, expecting to create more than 2,000 jobs in Amagasaki and surrounding areas.	March 2022
Total Energies	France	Renewable energy	Tokyo	The French leading energy company established a joint venture with ENEOS (50% stake each) in June 2022, which will implement a project to support self-consumption of solar power generation for corporations in Japan, India, Thailand, Viet Nam, and other Asian countries. In Japan, the company proposes introduction of solar power generation facilities, and implements the management of the facilities, aiming to develop more than 300MW of power generation capacity over the next five years.	April 2022
Mitsubishi Estate・Simon	U.S.	Real estate	Saitama	The company, a joint venture of the U.S. real estate developer Simon Property Group and Mitsubishi Estate, developed an outlet mall in Fukaya City, Saitama Prefecture, opening in October 2022.	October 2022

GLP	Singapore	Renewable Energy	Tokyo and the Kansai region	In February 2022, the Japanese subsidiary of Singapore-based logistics facility developer GLP announced its full-scale entry into the data-center business. In the Tokyo metropolitan area and the Kansai region, the company acquired suitable land totaling approximately 600MW, with construction starting sequentially in 2023 and completing sequentially in 2024. The company plans to invest 1 trillion yen or more in the future, aiming for supply capacity of 900 MW by around 2027-2028 at the latest.	February 2022
Google	U.S.	Communications	Chiba	In October 2022, the company announced a plan to invest a total of 100 billion yen in Japan's network infrastructure through 2024, and said that the initiative was launched in 2021, and it would open Google's first data center in Japan in Inzai City, Chiba Prefecture. The opening ceremony was held in April 2023.	October 2022
Advanced Nano Products	Korea	Electronic components	Aichi	The Korean EV battery material manufacturer established a Japanese subsidiary in July. Its production is implemented in Tahara-cho, Aichi Prefecture.	July 2022
Pattern Energy Group	U.S.	Renewable energy	Hokkaido	In September 2022, Green Power Investment (GPI), a Japanese subsidiary of Pattern Energy, an American renewable energy equipment developer, announced the conclusion of a financing contract for its constructing Ishikari Bay offshore wind power generation project with a capacity of 112MW, accelerating the construction. Subsequently, in May 2023, NTT Anode Energy and JERA announced that they would acquire GPI by the end of 2023.	September 2022
Copenhagen Infrastructure Partners	Denmark	Renewable energy	Aomori	The Danish green energy investment company announced in July 2022 that it had established a joint venture with Tokyuu Land for offshore wind power generation project in the Sea of Japan off the coast of Aomori Prefecture (the south side).	July 2022
Gestamp Hot Stamping Japan	Spain	Transportation equipment	Mie	In May 2022, Gestamp Hot Stamping Japan, a Japanese subsidiary of a Spanish automotive stamping components manufacturer, announced the expansion of its new plant building to meet growing demand for components, with operations scheduled to commence in June 2023.	May 2022
Equinix	U.S.	Communications	Tokyo	In November 2022, the U.S. data center company announced the establishment of a new data center, its 15th location in Tokyo. The initial investment is 115 million dollars, and the opening is scheduled to be in the second half of 2024.	November 2022

Note: In order of investment amount based on an announcement or on a press basis

Source: Prepared from "fDi Markets" (Financial Times) and announcements by each company.

Section 5. Trends in Inbound M&A in Japan



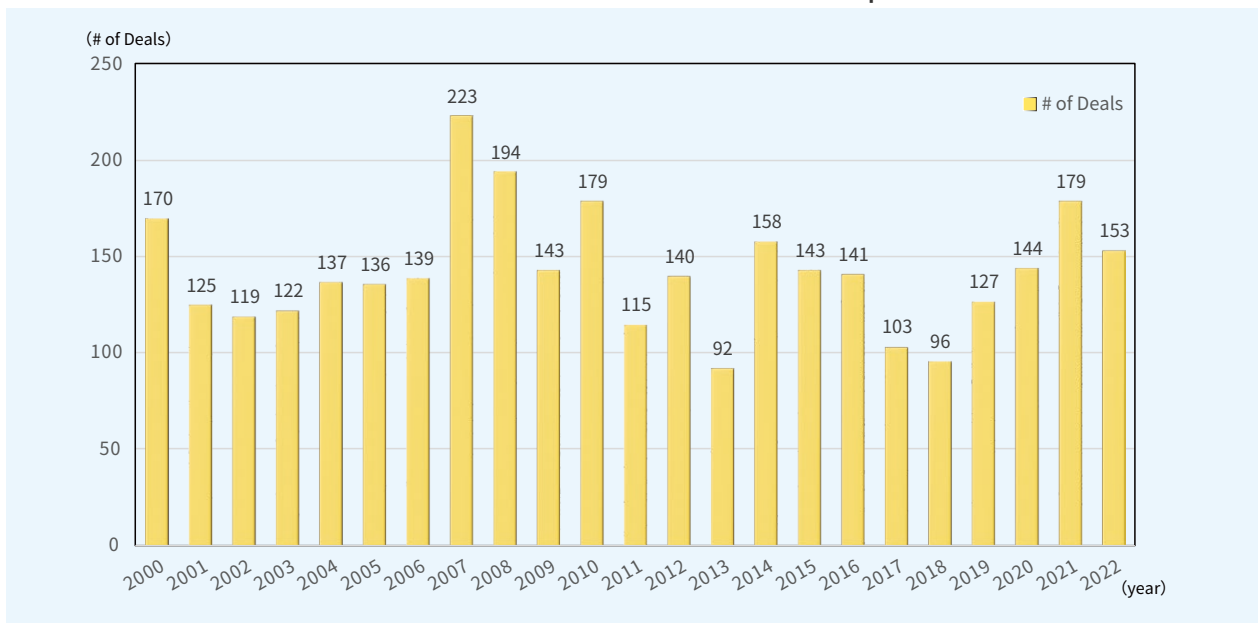
1. Number of M&A Deals : Top 5 Countries and Regions



In 2022, the number of cross-border M&A deals in Japan (hereafter, inbound M&A deals) was 153 (on a completion date basis), down 14.5% from the previous year (Chart 2-15). The number of inbound M&A deals increased by double digits for three consecutive years from 2019 to 2021, but turned downward in 2022.

Looking at the number of inbound M&A deals in 2022 by investor country and region, the U.S. was the largest with 52 deals (34.0% of the total), followed by Hong Kong (19 deals, 12.4% of the total) and China (16 deals, 10.5% of the total). Singapore, which ranked second with 20 deals in 2021, had 8 deals (60.0% decrease year-on-year) (Chart 2-16).

Chart 2-15: Trends in Inbound M&A Deals in Japan



Source: "Workspace" (Refinitiv) (as of Oct. 20, 2023)

Chart 2-16: Inbound M&A Deals in Japan in 2022 by Investor Country and Region (# of Projects, %)

Ranking	Country/ Region	# of Projects	# of Projects Growth rate(YoY)	# of Projects Share
1	United States	52	-11.9	34.0
2	Hong Kong	19	137.5	12.4
3	China	16	0.0	10.5
4	South Korea	13	-35.0	8.5
5	Singapore	8	-60.0	5.2
—	Total	153	-14.5	100.0

Source: "Workspace" (Refinitiv) (as of Oct.20, 2023)

2. Major Inbound M&A Deals in Japan from January 2022 to June 2023



Major inbound M&A deals in the above period include the tender offer for Hitachi Transport System by HTSK (a special purpose company of the U.S. investment fund KKR), tender offer for Hitachi Metals by BCJ-52 (a special purpose company led by U.S. investment fund Bain Capital), tender offer for NIPPO Co. by Roadmap Holdings (a special purpose company established by Goldman Sachs and ENEOS) (Chart 2-17).

Chart 2-17: Major Inbound M&A Deals in Japan from January 2022 to June 2023

Completion	Target Company	Target Company :Sector	Acquiring Company	Acquiring Company: Country / Region	Acquiring Company:Sector	Outline	Value (Million US\$)
February 2023	Hitachi Transport System	Transportation, logistics, and infrastructure	HTSK(KKR)	U.S.	Other finance	U.S. investment firm KKR acquired Hitachi Transport System for about 670 billion yen through a special-purpose company HTSK and others (March 2023). Hitachi Transport System changed its name to LOGISTEED. (April 1, 2023) and formed a strategic partnership with Hitachi, formerly the parent company of Hitachi Transport System, to promote the bulk logistics contracting business.	5,985
December 2022	Hitachi Metals	Metals and mining	BCJ-52(Bain Capital)	U.S.	Other finance	BCJ-52, led by investment fund Bain Capital, purchased Hitachi Metals' shares. The company is no longer Hitachi's consolidated subsidiary, and aims to strengthen its competitiveness and recover profitability under Bain Capital and others.	4,000
April 2023	Evident	Health/medical equipment and materials	BCJ-66(Bain Capital)	U.S.	Other finance	Olympus transferred all shares of its wholly owned subsidiary Evident, which is involved in the scientific business such as biological microscopes and industrial endoscopes, to a BCJ-66 led by investment fund Bain Capital. Evident will take over the scientific business, which has different business characteristics from the medical field, and the two companies each will establish a management structure suited to their respective characteristics.	3,110
April 2022	Mitsubishi-UBS Realty	Asset management and investment advisory	76(KKR)	U.S.	Asset Management and investment advisory	In March 2022, U.S. investment firm KKR agreed to acquire, through its subsidiary, all outstanding shares of Mitsubishi-UBS Realty, held by Mitsubishi and UBS Asset Management for 230 billion yen. Mitsubishi-UBS Realty is a real estate management company with assets under management of approximately 1.7 trillion yen (US\$15 billion).	1,937

March 2022	NIPPO	Transportation, logistics and infrastructure	Roadmap Holdings (Goldman Sachs, ENEOS)	U.S.	Other finance	A tender offer by Roadmap Holdings, a special-purpose company formed by Goldman Sachs Group and ENEOS, NIPPO's parent company. ENEOS has been reviewing the ideal form of NIPPO, a listed subsidiary, from the perspective of improving the corporate value of the entire group and capital efficiency, and has decided to dissolve the parent-subsiary listing and aim to optimize NIPPO management.	1,865
March 2023	Prince Hotel	Real estate	Reco Pine	Singapore	Other finance	As part of efforts to strengthen the financial and business structure of the Seibu Holdings Group, Prince Hotel, a consolidated company of the Group, transferred 26 assets including hotels it owns, to Singaporean corporation Reco Pine. The transfer price of the asset is 123.7 billion yen.	906
August 2022	Toshiba Carrier	Machinery	Global Comfort Solutions	U.S.	Other finance	U.S. air-conditioning equipment manufacturer Carrier acquired, through its subsidiary, Toshiba's 55% stake in Toshiba Carrier, a joint venture with Toshiba, which is also in the air-conditioning business, for approximately 100 billion yen. Toshiba's shareholding ratio became 5%.	901
September 2022	Huis Ten Bosch	Leisure and entertainment	PAG HTB Holdings	Hong Kong	Other finance	PAG, one of the largest asset-management companies in Asia, acquired all shares of Huis Ten Bosch owned by HIS for 66.66 billion yen, and it also acquired shares held by Kyushu Electric Power and others, making Huis Ten Bosch a wholly owned subsidiary of PAG. The total purchase price is about 100 billion yen.	481
January 2023	KITO	Machinery	Lifting Holdings BidCo (KKR)	U.S.	Professional services	A tender offer by a company established by U.S. investment firm KKR and others. It enhances corporate value through synergies from the management integration of KITO, a leading manufacturer of material handling equipment (hoists and cranes), and Crosby Group (U.S.), a leading provider of lifting and rigging solutions. The planned purchase price based on the data of announcement is 56.5 billion yen.	479
August 2022	Trend Micro	Software & Internet services	Valueact Capital Partners	U.S.	Alternative financial investment	U.S. investment firm Valueact Capital invested about 83.4 billion yen to acquire a stake in Trend Micro, taking its ownership to 8.73%. One of its objectives is to provide advice to the management team.	431

February 2022	SNK	Software	Electronic Gaming Development	Saudi Arabia	Other finance	MISK Foundation, a Saudi youth development support organization established by Saudi Arabia's Deputy Crown Prince Mohammed bin Salman, acquired Japanese game developer SNK, through its subsidiary, for about 51.2 billion yen, raising its stake from 33.3% to 96.18%. It aims to strengthen the entertainment sector.	415
March 2022	Blackstone's property portfolios	Housing	M&G Asia Property Fund	U.K.	Other finance	It acquired 30 residential properties or 1,575 units in Tokyo, Osaka, and Nagoya for 49.2 billion yen.	415
March 2022	SENQCIA	Machinery	Lone Star Funds	U.S.	Alternative financial investment	U.S. investment firm Carlyle transferred all of its shares in building materials manufacturer SENQCIA to Lone Star Funds, another U.S. investment fund.	411
December 2022	ALBERT	IT consulting	Accenture	Ireland	Professional services	Consulting firm Accenture acquired ALBERT, a big data analytics company, and made it a wholly owned subsidiary, strengthening services utilizing data and artificial intelligence (AI).	272

Note: Major transactions are listed. The nationality of the acquisition company is the location of the ultimate parent company.

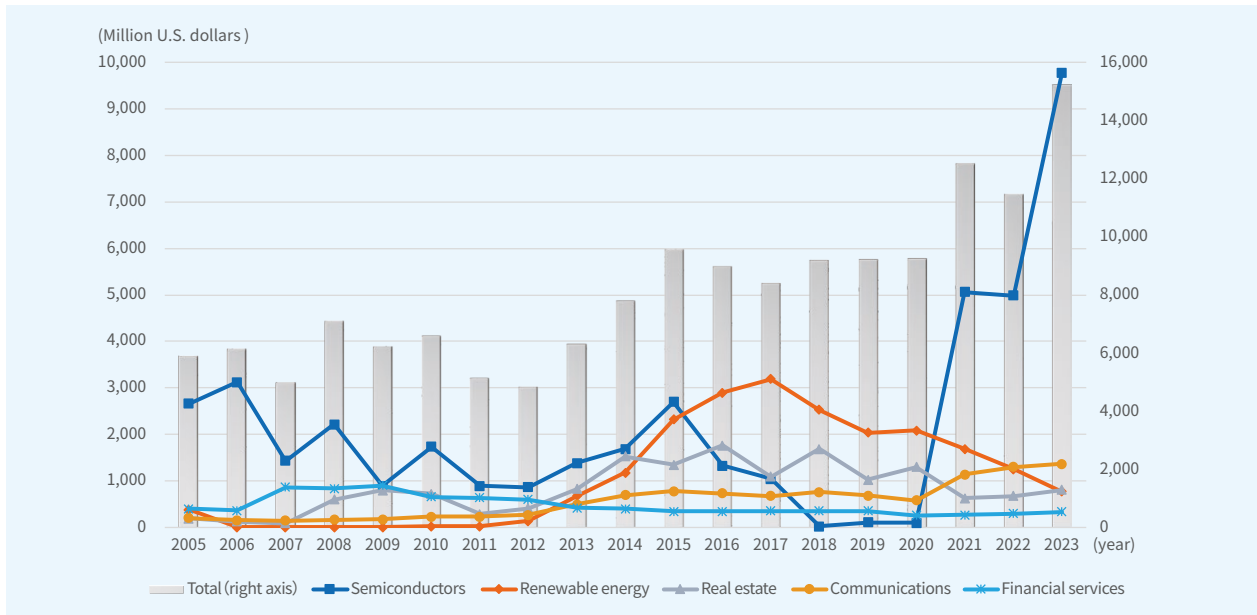
Source: Compiled from "Workspace" (Refinitiv) (as of October 20, 2023)

Section 6. Long-Term Trends in Greenfield Investment Projects in Japan



Looking at the trends in greenfield investment in Japan (announced basis) over the long term, it shows that semiconductor-related projects have been driving the overall trend in recent years (Chart 2-18).

Chart 2-18: Trends in Greenfield Investment in Japan by Sector (top 5 industries)
 (3-year moving average of investment value, on an announced basis)



Note: For 2023, data through August announcements is shown.
 Source: "fDi Markets" (Financial Times)

Looking at inward FDI projects announced since 2003 in order of scale, the top investments are in semiconductors, which is particularly concentrated in recent years (Chart 2-19). In addition, as for the trends in greenfield projects in major detailed sectors other than semiconductors, we can see that the accommodation industry has stagnated due to the spread of Covid-19. On the other hand, data processing, hosting & related services, including data centers, have seen rapid growth in recent years, which can be inferred to be affected by the emergence of geopolitical risks (Chart 2-20).

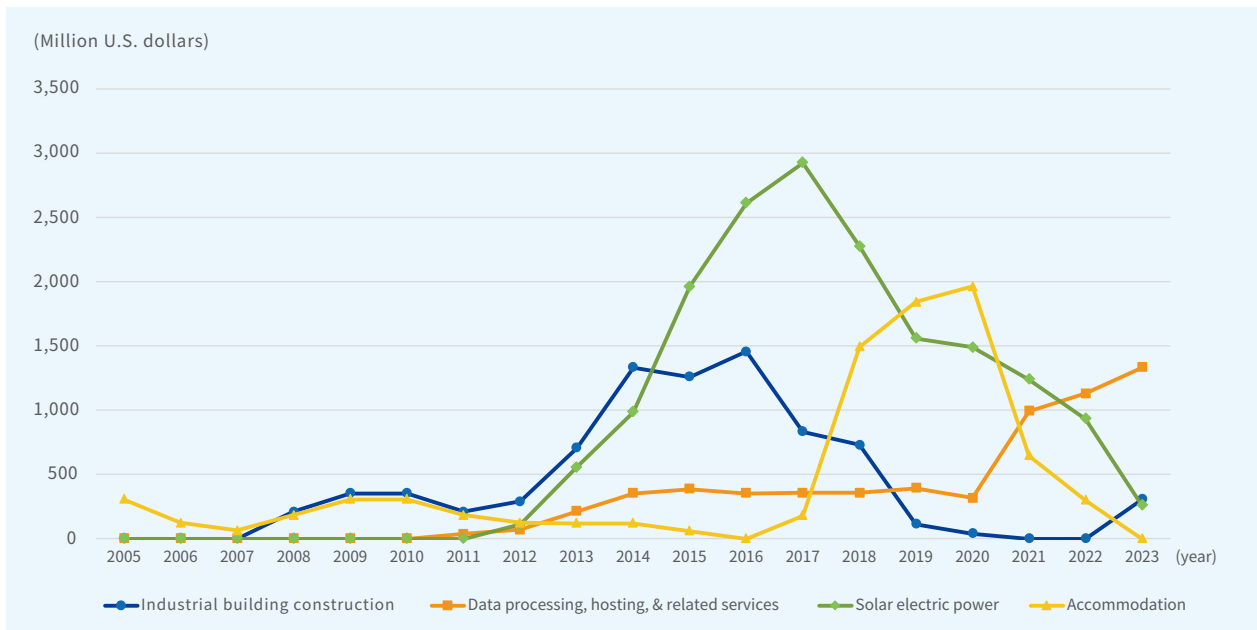
Chart 2-19: Major Greenfield Investments in Japan
(Projects announced from 2003 to August 2023, on an announced basis)

Detailed Industry	Company	Country/Region	Date of Announcement
Semiconductors & other electronic components	Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)	Taiwan	Jul 2021
	Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)	Taiwan	Jul 2023
	Micron Technology	U.S.	Oct 2021
	SanDisk	U.S.	Aug 2013
	Micron Technology	U.S.	May 2023
	Powerchip Semiconductor Manufacturing Corporation (PSMC)	Taiwan	Jul 2023
	Skyworks Solutions	U.S.	Aug 2015
	SanDisk	U.S.	Apr 2006
	SanDisk	U.S.	Dec 2003
	Entegris	U.S.	Feb 2004
	Cabot Microelectronics	U.S.	Jul 2004
	Advanced Semiconductor Engineering (ASE)	Taiwan	Aug 2008
	Intel	U.S.	Nov 2010
Spansion (now Infineon Technologies)	U.S.	Jun 2006	
Other petroleum & coal products	Hydrodec Group	U.K.	Jul 2011
Petroleum refineries	Petrobras	Brazil	Apr 2008
Nuclear electric power generation	Orano (New AREVA Holding)	France	Jan 2009
Industrial building construction	GLP Japan Development Venture	Singapore	Dec 2016
Pharmaceutical preparations	Chugai Pharmaceutical (Roche Group)	Switzerland	May 2019
Data processing, hosting & related services	Princeton Digital Group (PDG)	Singapore	Jun 2021

Note: Top 20 deals in fDi Markets since 2003 in terms of investment value (announced or press released basis) are listed. Projects in the same detailed industry are listed in descending order of investment values.

Source: "fDi Markets" (Financial Times) and company announcements

**Chart 2-20: Trends in Greenfield Investment in Japan by Detailed Sector
(3-year moving average of investment value, on an announced basis)**



Note: For 2023, data through August announcements is shown.

Source: "IDI Markets" (Financial Times)

[Column 1] JETRO's initiatives for the entry of semiconductor-related companies into Japan



Following the entry of Taiwan Semiconductor Manufacturing Company (TSMC) into Kumamoto, related foreign companies are increasingly interested in expanding into Kumamoto Prefecture and surrounding areas. For this reason, the Japan External Trade Organization (JETRO) established the "Invest Kumamoto Semiconductor Business Support Desk" at JETRO Kumamoto in September 2023. The "Support Desk for Foreign Businesses," which supports foreign companies business expansion, is set up when the interests of foreign enterprises and affiliates increase. "Invest Kumamoto Semiconductor Business Support Desk" is the first case of such Support Desk establishment.

Invest Kumamoto Semiconductor Business Support Desk

Establishment: Friday, September 22, 2023

Activities:

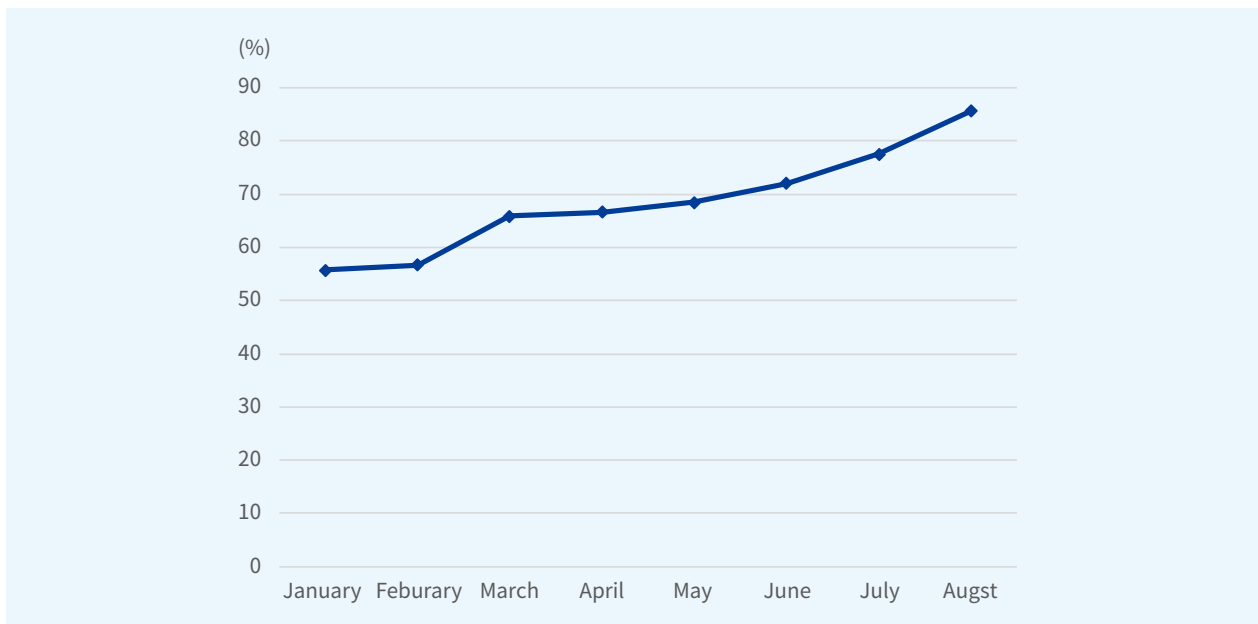
1. Assign dedicated staff to respond to inquiries/consultations for domestic and overseas companies regarding expansion into Kumamoto Prefecture.
2. Provide temporary office space and incubation facilities service to foreign companies during preparation of incorporation registration or business expansion.
3. Support business establishment by dispatching experts from JETRO Head Office (Tokyo) for a certain period of time, and implement corporate support through strengthened cooperation with JETRO Fukuoka's coordinators.
4. Invite foreign companies/startups to Kyushu region including Kumamoto Prefecture.
5. Share knowledge gained from attracting foreign companies with local governments, universities and research institutions, industrial communities, local companies, and financial institutions in Kyushu region including Kumamoto Prefecture.

[Column 2] With the recovery of inbound tourism, Japanese tourism assets is once again in the spotlight



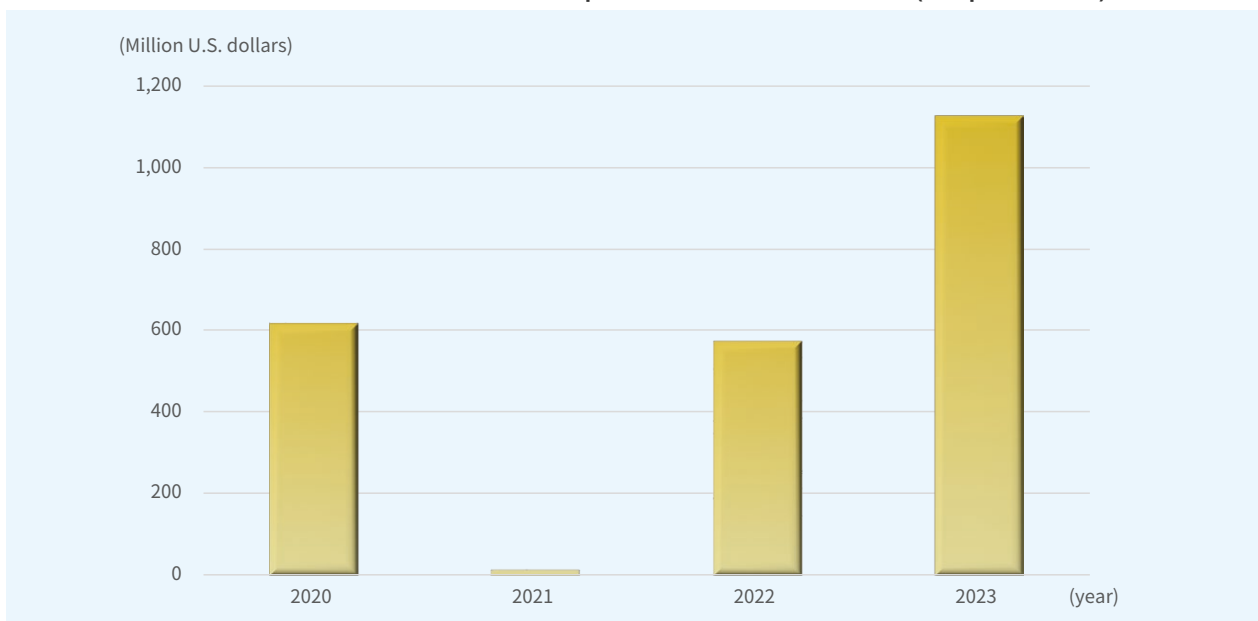
As shown in Section 6, greenfield investment in the tourism sector, which had been expanding steadily, saw a slowdown following the spread of COVID-19. On the other hand, foreign visitors to Japan began to recover in February 2022, accelerated significantly from the beginning of 2023, and recovered to around 85% of the level before the COVID-19 crisis as of August 2023 (Chart 2-21). In addition, looking at the trends in tourism-related M&A deals by foreign companies, we see a similar trend, bottoming out in 2021 and recovering from 2022 onward (Chart 2-22). Large-scale projects such as the case of Daiwa House Industry (Daiwa Resort) are emerging, and Japanese tourism assets are once again attracting attention (Chart 2-23).

Chart 2-21: Number of foreign visitors to Japan in 2023 compared to 2019 (before COVID-19 pandemic) (compared to the same month)



Source: The Japan National Tourism Organization (JNTO)

Chart 2-22: Amount of M&A deals in Japan in tourism-related sectors (completed basis)



Source: "Workspace" (Refinitiv)

Chart 2-23: Large-scale acquisitions in tourism-related industries from 2022

Acquisition Completion Date	Acquired Company: Company Name	Acquired Company: Business	Acquiring Company: Company Name	Acquiring Company: Ultimate Parent Company Location	Acquiring Company: Industry	Acquisition Amount
September 2022	Huis Ten Bosch	Leisure/ Entertainment	PAG HTB Holdings	Hong Kong	Finance	100 billion yen
July 2023	Daiwa House Industry (Daiwa Resort)	Hotel	Investor Group (Japan Hotel REIT Advisors)	Singapore	Finance	55.617 billion yen
July 2022	KKDAY JAPAN	Travel portal	TGVest capital	Taiwan	Finance	20 million dollars (95 million dollars, total from 2020)
March 2023	Royal Hotel	Hotel	Blossoms Holding HK	Canada	Finance	Undisclosed
September 2023	WD Holdings	Entertainment ticket arrangements	Vivid Seats	U.S.	Wholesale, Services	8.7 billion yen
August 2023	Bespoke Hotel Shinsaibashi	Hotel	City Developments	Singapore	Media, Entertainment	8.5 billion yen

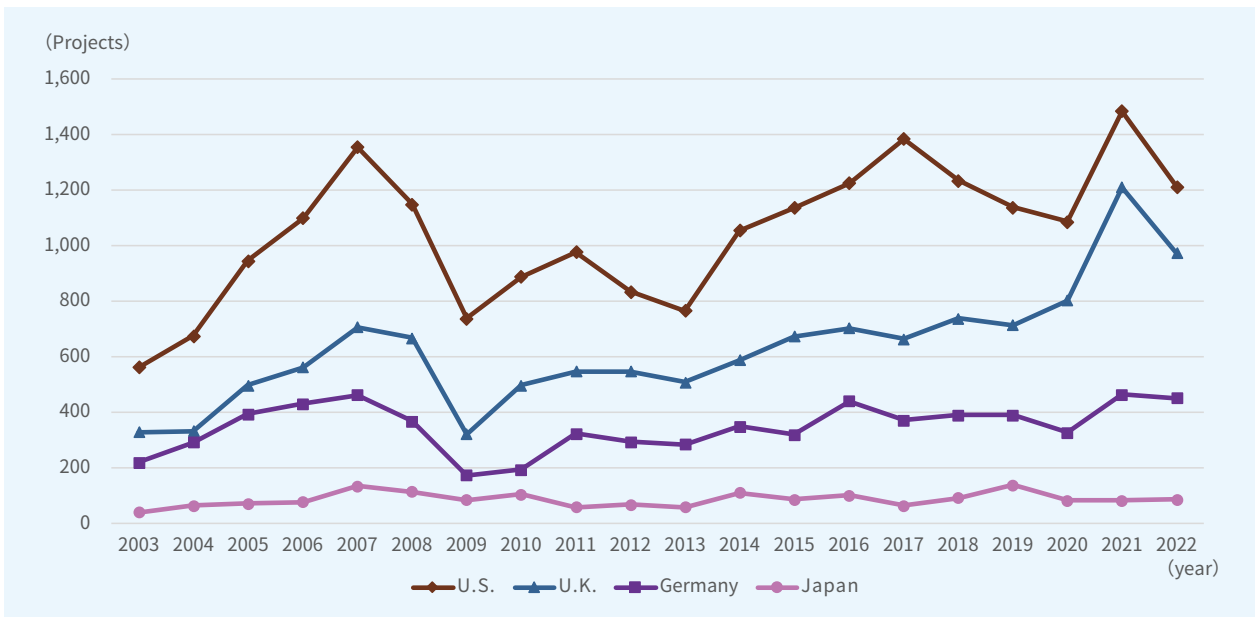
Source: "Workspace" (Refinitiv) and company announcements

[Column 3] Promotion of More Active and Desirable M&A in Japan



M&A is one of the effective options to achieve speedy and non-consecutive growth in the fierce global competition, and many companies are expanding overseas sales channels, improving management, and strengthening and developing human resources by utilizing global networks and know-hows held by foreign investors. On the other hand, Japan's inward M&A remains at a low level compared to that of other major countries (Chart 2-24). In light of this, in 2023, the Ministry of Economy, Trade and Industry (METI) released the "Case Studies relating to the use of inbound M&A transactions" to publicize it more widely as an option for corporate growth. In addition, METI issued "Guidelines for Corporate Takeovers" to facilitate desirable acquisitions for the economy through the healthy development of market functions in a fair M&A market (Chart 2-25).

Chart 2-24: Number of Cross-Border M&A Acquisitions in Major Countries



Source: The United Nations Conference on Trade and Development (UNCTAD)

Major Benefits for Target Companies That Accepted Foreign Capitals



Management Base

Sophistication of business and financial management by acquiring global knowledge and management know-how

Sophistication of business management, promotion of DX, and improvement of productivity/profitability were achieved through incorporating management know-how, expertise, and global standards of governance, in which areas foreign investors are more advanced, such as KPI*¹ management, ROIC*²-conscious investment, and business portfolio management.

Strengthening of the organizational structure through human resources support

The organizational structure was strengthened through introduction of the most suitable human resources for the issues confronted by the target company, based on the foreign investor's rich personnel networks.

Employees

Enhancement of employees' motivation through the introduction of a new personnel evaluation system

Introduction of a new personnel system and a highly transparent evaluation system as well as the grant of stock options and other measures, as used by the foreign investor, contributed to enhancing the employees' motivation.

Development and strengthening of global human resources

Training programs and exchanges with global human resources made it possible for the company to develop and strengthen its employees, enabling them to gain a global perspective and mindset. The company became able to recruit more globally-minded human resources, as being under the umbrella of a foreign investor.

Business Operations

Expansion of the overseas sales channels through a global network

Expansion of the overseas sales channels was achieved through utilization of the network and brand power of the foreign investor. This contributed to the increase in overseas sales ratio and the expansion of the company's presence in overseas markets.

Utilization of products, services, and business models in the fields that are more advanced in overseas markets

Expansion of the range of products and services and quality enhancement were achieved through incorporation of technologies, know-how, and business models related to products and services that are more advanced in overseas markets.

In addition, there are other multiple specific benefits, subject to different case studies. For the target company, benefits may include the optimization of its business portfolio and the securing of funds. For the acquiring party, benefits may include strengthening of ESG and diversity management, progresses in management reforms based on delisting, actively investing in and increasing R&D costs, expanding employment, and carrying out additional M&A transactions, etc.

*1. KPI: Key Performance Indicator. *2. ROIC (Return On Invested Capital)

Source: METI, "Case Studies relating to the use of inbound M&A transactions"

In August 2023, the "Guidelines for Corporate Takeovers" were published. In light of the various changes in the M&A situation in recent years, the purpose of the guidelines is to examine how parties involved should behave regarding acquisitions, and present principles and best practices that should be shared by the parties, to make takeovers that increase corporate value more likely to occur (and those that do not less likely to occur), by improving the predictability and desirability for parties involved in takeovers. Based on the premise that M&A will contribute, in principle, to the enhancement of "corporate value" of Japanese companies by creating synergies through acquisitions and improving inefficient management, etc. *¹, actions to take were discussed when an acquirer and a target company have different evaluations of an acquisition proposal. Balancing the interests of both parties, the guidelines as fair rules regarding M&A that should be shared in the Japanese economy and society were created.

Outline (partial excerpt)



The Guidelines present the following three principles that should be respected in acquisitions of corporate control of listed companies in general.

Principle 1: Principle of Corporate Value and Shareholders' Common Interests

Whether or not an acquisition is desirable should be determined on the basis of whether it will secure or enhance **corporate value and the shareholders' common interests**.

- "Corporate value" represents **the sum of the present values of the discounted future cash flows generated by a company**, and is explicitly defined as, not qualitative, **but a quantitative concept** [can be expressed as the sum of shareholder value (market capitalization as valued in the market) and net debt values from the perspective of capital financing sources]. This includes the value arising from quantifiable increases in future cash flows resulting from the contributions by employees, counterparties, and other stakeholders in business activities.
- When a takeover proposal is received, in general, "sincere consideration" is given to a "bona fide offer" (an acquisition proposal that is specific, rationale of purpose, and feasible), and in considering the pros and cons, the acquisition price and other terms of the transaction should be seriously examined (it can be reasonably inferred that a high acquisition price offer is expected to increase corporate value).

Principle 2: Principle of Shareholders' Intent

The rational intent of shareholders should be relied upon in matters involving the corporate control of the company.

- The board of directors of the target company is required to present its own opinion to shareholders, apart from its own interests, as to whether it believes that the proposed acquisition will contribute to enhancing corporate value and securing interests of shareholders, and whether there are other more desirable alternatives.
- Respecting shareholders' intent in an acquisition takes the form of obtaining judgment of shareholders such as through their decision to tender shares or not, and regulatory frameworks are established to ensure that the necessary information (including a statement of opinion by the target company) is available and there is time for the shareholders' judgement. However, **in exceptional and limited circumstances** where the regulatory frameworks are not considered to be sufficient from the perspective of ensuring transparency, **takeover response policies or countermeasures may be applied in response to an acquisition attempt without consent, at the initiative of the company**. In such event, it is fundamental to confirm **what the reasonable intent of shareholders is at a shareholders' meeting in respect of approval or rejection of takeover response policies and countermeasures in response to such an acquisition attempt**.

Principle 3: Principle of Transparency

Information useful for shareholders' decision making should be provided appropriately and proactively by the acquiring party and the target company. To this end, the acquiring party and the target company should ensure transparency regarding the acquisition through compliance of acquisition-related laws and regulations.

Note *1: Acquisitions are made when the acquirer is confident that it will significantly increase the value of the company above the level currently reflected in the stock price. It should be noted that, in addition to the expectation that synergies will enhance value and improve management efficiency through rational behavior in acquisition transactions, the possibility of a takeover will serve as a discipline to current management.

Source: METI "Guidelines for Corporate Takeovers"