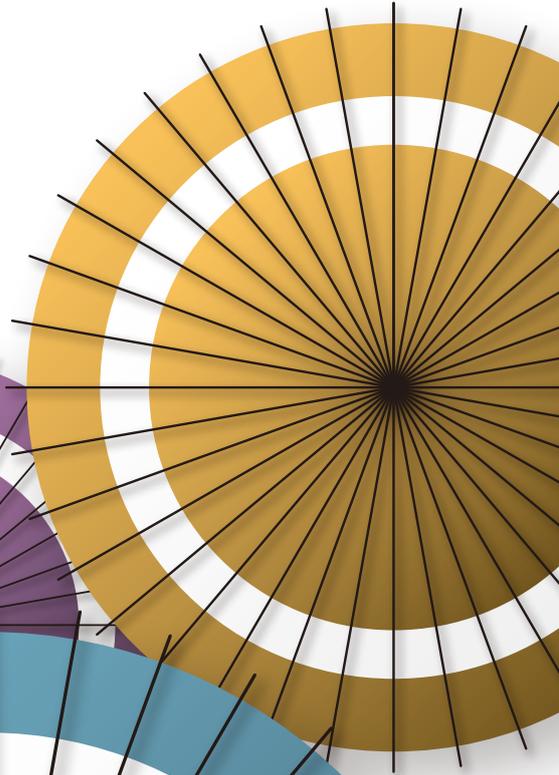
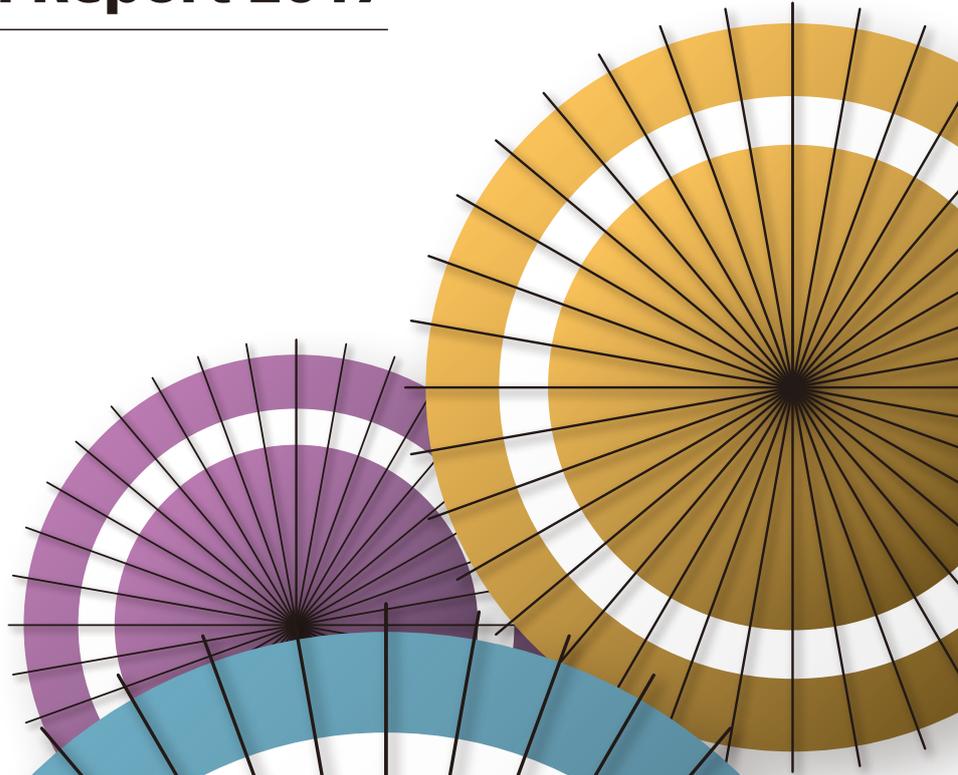


JETRO Invest Japan Report 2017



Message from the Chairman

With the goal of creating employment and innovation by attracting excellent human resources and technologies to Japan, the government has announced its target of increasing inward foreign direct investment (FDI) stock to 35 trillion yen by 2020. In 2014, inward FDI stock exceeded the 20-trillion-yen mark for the first time, and by the end of 2016 it had achieved a historical high for the third consecutive year with 27.8 trillion yen, increasing by 12.4% year-on-year. The policy target, which was once thought too ambitious, has now become feasible.

FDI in Japan is experiencing a number of qualitative changes today. Some trends which are gaining momentum include: (1) the establishment of research and development centers, (2) expansion of investment from Asia and (3) a focus on the tourism business in response to the rapid increase in visitors to Japan. In addition, there are new moves to contribute to solutions of problems that Japan, which is called a “frontrunner in overcoming global challenges,” is facing, through use of the Internet of Things, artificial intelligence and cutting-edge technologies of the so-called Fourth Industrial Revolution. With the expansion of e-commerce, there has also been investment in establishing procurement bases in Japan, which is also expected to help in the development of overseas markets by Japanese companies.

In order to expand, as well as accelerate, FDI into Japan, the country must continue to be an attractive market. “Business friendliness” is one important factor. In recent years, the government has realized various reforms—including of “bedrock regulations.” It has also lowered the corporate tax rate and encouraged the strengthening of corporate governance. Furthermore, in the Growth Strategy 2017 (decided by the Cabinet on June 9, 2017), the government announced a new reform policy meant to break free from existing frameworks and made from the viewpoint of enterprises. It includes a “regulatory sandbox” system to encourage development of business models through trial and error in order to foster new innovative businesses and a 20% reduction in cost for administrative procedures. With the success of Abenomics, both the investment environment and major economic indicators in Japan are steadily improving. Foreign-affiliated companies doing business in the country have become aware of these changes and many of them are actually planning to increase investment in Japan.

However, one of the greatest obstacles for these foreign-affiliated companies is the difficulty in securing human resources. The “Japanese Green Card for Highly-Skilled Foreign Professionals” established this spring is a bold measure by the government to address this by making it easier for qualified professionals from overseas to settle in Japan. JETRO is also contributing to solving this problem by calling the attention of international students in Japan to foreign-affiliated companies as potential places of employment.

Since the start of the “Invest Japan” campaign in 2003, JETRO, as Japan’s central organization for attracting inward FDI, has provided support for more than 16,000 projects aimed at entering the Japanese market, and helped in the successful establishment of over 1,600 companies. Experienced staff members and specialists in industry, law, accounting and other fields cooperate to address the challenges faced by foreign companies starting up in Japan, including those related to language, business practices, rules and regulations. This year, we introduced the “Personal Advisors System for Foreign Companies” in which our staff members serve as “attendants” to about 1,000 companies in order to provide enhanced consultation and solve individual problems. We are working to realize more projects by providing customized and highly-reliable services in cooperation with the central and local governments.

This report, which is in its third publication, is a compilation of information on recent trends, statistics on Japan’s inward FDI, the activities of foreign-affiliates and their perception of the Japanese business environment, related policies of the central and local governments and JETRO’s own activities. We hope it will be a useful resource for anyone considering starting business in Japan or supporting foreign investment into Japan.



Hiroyuki Ishige
Chairman and CEO
Japan External Trade Organization

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KEY FIGURES

27.8 trillion yen

Japan's inward FDI stock at the end of 2016 reached a record high for the third consecutive year

3.8 trillion yen

The net inflow of FDI in Japan in 2016 marked a record high.

10 times

Inward FDI stock from Asia at the end of 2016 (compared to the year 2000)

72%

The ratio of the foreign-affiliated companies which answered "We will expand our business" within the next 5 years

66%

The ratio of the candidate prefectures other than Tokyo for foreign-affiliated companies' secondary investment

70%

The ratio of the foreign-affiliated companies which answered "The number of employees will increase" within the next 5 years

-7%

The reduction rate of the effective corporate tax rates (FY 2003 → 2016)

-20%

The reduction rate of administrative costs which the government has set as a numerical target (by March of 2020)

1 trillion yen

The amount of China's cross-border EC purchase from Japan (in 2016)

200 staff members

The number of JETRO's staff members working to attract foreign investment

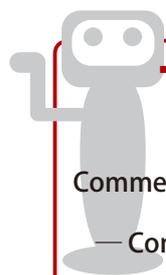
1,600 projects

Successful startups & business expansion by foreign/foreign-affiliated companies supported by JETRO (FY 2003-2016)

1,000 companies

The number of companies JETRO supports in the "Personal Advisors System for Foreign Companies"

KEY WORDS



The Fourth Industrial Revolution

Commercial opportunities in Japan, a frontrunner in overcoming global challenges
— Contributing to solutions of various problems through IoT and AI

Cross-Border EC

New trend of investment in Japan helping Japanese companies cultivate overseas markets

“Regulatory sandbox” system

Demonstration experiments to foster new innovative businesses

Japanese Green Card for Highly-Skilled Foreign Professionals

Greatly shortening the residence period for an application for permission of permanent residence

Productivity enhancement & work-style reform

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

Japanese market & stability of nation and society

First- and second-ranking appeal for foreign-affiliated companies doing business in Japan

Engineers who can communicate in foreign languages

Human resources which foreign-affiliated companies are particularly struggling to secure

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

Providing matching opportunity to foreign-affiliated companies having difficulty in recruiting global talent

Regional revitalization by attracting foreign-affiliated companies

Creating jobs and introducing cutting-edge technologies and innovative business management know-how
— Local governments' various efforts to attract FDI

Making Japan the most business-friendly country

— To create a more international and open business environment in Japan

Solid Growth in Japan's Inward FDI

Inward foreign direct investment (FDI) in Japan was vigorous in 2016, as its stock achieved the record high at the end of the year, while the full-year investment amount (net, flow) largely increased to about six times that of the previous year. Investment was especially active in the field of pharmaceutical and auto parts from Europe and in electric/electronics field from Asia. Large-scale deals include acquisition of long-term management rights of the Kansai International Airport and the Osaka International Airport (Itami Airport) by a consortium participated by French company VINCI Airports and acquisition of Sharp by the Hon Hai Group from Taiwan.

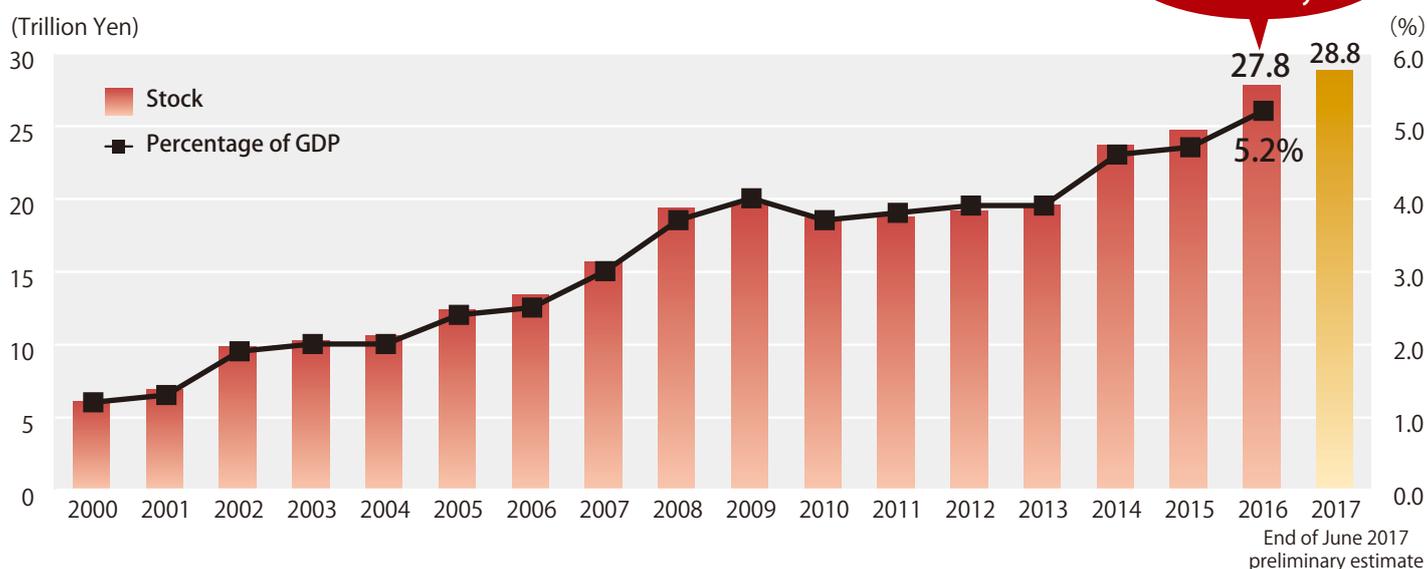
1. Inward FDI stock marked record highs and the inward FDI's ratio in nominal GDP was also a record high at over 5%

Japan's inward FDI stock at the end of 2016 was 27.84 trillion yen, marking 3.07 trillion yen growth from 24.77 trillion yen (value revised on May 26, 2017) at the end of 2015 and reached a record high for the third consecutive year (Chart 1-1).

By breakdown of the stock, "equity capital" which indicates stock acquisitions of and capital contributions to Japanese companies and subsidiaries in Japan by foreign companies (with over 10% voting rights) was 16.1 trillion yen. "Reinvestment of earnings," which is equivalent to the share of foreign companies according to the investment ratio in the undistributed earnings (retained earnings) of Japanese companies with contribution by foreign companies and subsidiaries in Japan was 6.3 trillion yen. "Debt instruments" that indicate debits and credits of fund transfers between parties involved in direct investment such as foreign companies and its subsidiary in Japan, and acquisition/disposal of debt was 5.4 trillion yen.

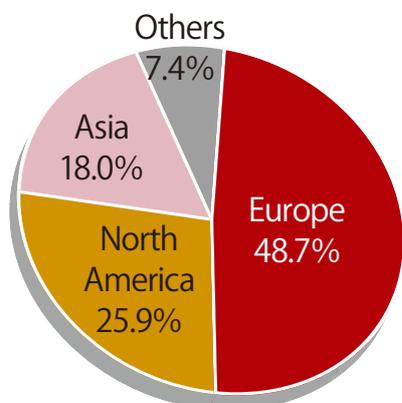
As a result of the increase in Japan's inward FDI stock, the ratio against its nominal GDP rose from 4.7% in 2015 to 5.2% in 2016, exceeding 5% mark for the first time. Comparing inward and outward FDI stock, outward FDI stock (159.2 trillion yen) was 5.7 times that of the inward FDI stock, still maintaining in an imbalanced state, as it has been in previous years.

Chart 1-1 The stock of inward FDI and its portion in the nominal GDP (based on BPM6)



[Source] "International Investment Position of Japan" (Ministry of Finance), "National Accounts of Japan" (Japan Cabinet Office)

Chart 1-2 Share of inward FDI stock in Japan by region (as of the end of 2016)



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

2. The largest investor is Europe - Vigorous investment activities in the fields of pharmaceutical and auto parts

By region, Europe has the largest FDI stock in Japan reaching 13.6 trillion yen (the share of 48.7%), followed by North America (7.2 trillion yen, 25.9%) and Asia (5.0 trillion yen, 18.0%) (Chart 1-2).

By country, the US ranks first with 7.0 trillion yen (the share of 25.2%), followed by the Netherlands (3.8 trillion yen, 13.6%) and France (3.4 trillion yen, 12.0%). The ranking of the top ten remained the same from the ranking at the end of the previous year (Chart 1-3).

Stock by industry is the largest for finance and insurance reaching 7.8 trillion yen (the share of 35.0%) followed by electric machinery manufacturing by 3.1 trillion yen (14.1%) and transportation equipment manufacturing by 3.0 trillion yen (13.6%) (Chart 1-4).

Manufacturing accounts for about 70% of the FDI stock from Europe that is the largest investor by region. In 2016, investment in Japan by pharmaceutical and auto parts companies stood out. In the pharmaceutical field, LEO Pharma of Denmark acquired the overseas dermatology business of Astellas Pharma for 675.0 million EURO (about 89.1 billion yen). AstraZeneca of UK that positions treatment of respiratory diseases as one of its strategic businesses acquired the respiratory medicine business of Takeda Pharmaceutical for 575.0 million US dollars (about 69.9 billion yen). These companies narrow down priority fields and pursue improvement of business efficiency through selection and concentration.

Chart 1-3 Inward FDI stock in Japan by country and region (as of the end of 2016) TOP 10

	Country/region	Stock (billion¥)	Ratio (%)
1	US	7,010	25.2
2	Netherlands	3,800	13.6
3	France	3,351	12.0
4	UK	2,262	8.1
5	Singapore	2,210	7.9
6	Switzerland	1,294	4.6
7	Cayman Islands	1,199	4.3
8	Hong Kong	1,099	3.9
9	Luxembourg	868	3.1
10	Germany	850	3.1

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

Chart 1-4 Inward FDI stock in Japan by industry (as of the end of 2016) TOP 10

	Industry	Stock (billion¥)	Ratio (%)
1	Finance and insurance	7,791	35.0
2	Electric machinery	3,127	14.1
3	Transportation equipment	3,019	13.6
4	Chemicals and pharmaceuticals	1,393	6.3
5	Services	1,179	5.3
6	Communications	859	3.9
7	Wholesale and retail	842	3.8
8	General machinery	595	2.7
9	Real estate	407	1.8
10	Transportation	327	1.5

[Note] In the statistics of the inward FDI stock by industry, the investment made by a subsidiary to the parent company is counted as the withdrawal of investment by the parent company (Directional Principle). Therefore, the calculation method differs from that of the statistics for inward FDI stock by region and investment type.

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

In the field of auto parts, Autoliv (Sweden), the world's largest air bag company, and Nissin Kogyo (Nagano Prefecture), Japan's leading brake manufacturer, established a joint company by making 51% investment and 49% investment respectively. They started joint development, production and sales of parts involved in brakes and control of four-wheeled vehicles with an eye to automatic driving. Valeo, a leading vehicle parts company of France, made Ichikoh Industries (Kanagawa Prefecture), a manufacturer of automobile lamps, its consolidated subsidiary through TOB (take-over bid). They will advance optimization of their R&D and production bases.

As the auto makers of the world are scrambling to develop automatic driving technologies, European auto parts suppliers are expanding their R&D functions in Japan. In 2016, Valeo, mentioned above, set up a test area for automatic driving in its Tsukuba Techno Center. The company announced that it will increase the number of employees to strengthen its R&D system for automatic driving and driving aid. Bosch of Germany, positioning Japan as an important development center following Germany and the US, started testing of automatic driving on public roads in Japan and set up a new system development department. Continental, another leading auto parts company of Germany, opened a test course for automatic driving in Mombetsu, Hokkaido.

3. Asia continues to increase its share

Inward FDI stock from Asia at the end of 2016 has rapidly increased to 971% above 2000 levels (Chart 1-5). It is the fastest growing investor region in recent years.

FDI stock increase is especially significant from Taiwan (764.4 billion yen, a 44.7% increase from the end of the previous year), Singapore (2.2 trillion yen, a 22.2% increase) and Thailand (217.9 billion yen, a

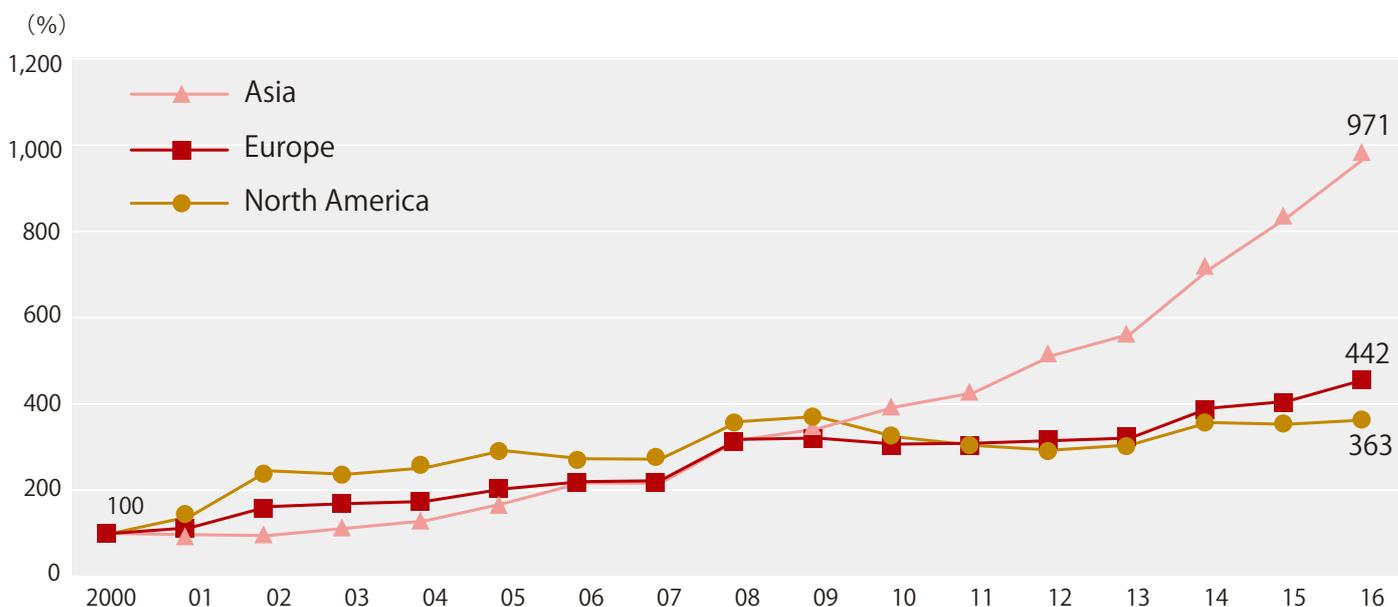
33.5% increase), among Asia.

From Taiwan, there was a large-scale M&A, acquisition of Sharp by the world's leading electronic manufacturing service (EMS) Hon Hai Precision Industry Group (for 388.8 billion yen). Hon Hai proposed a big contribution to Sharp that was reconstructing its business and completed the contribution in August 2016. As a result, Hon Hai became the biggest shareholder with about 66% of the voting power of Sharp.

About 90% of FDI stock from Singapore is in the non-manufacturing field. In recent years, with the expansion of 3PL (acronym for third-party logistics, a service to take care of logistics as a third party separately from shippers and carriers) and e-commerce, development of and investment in physical distribution facilities are vigorous. In other services, ASCOT of serviced apartments, Bee Cheng Hiang of pork jerky, Kwanpen of high-class bags, concierge shopper honestbee and others made their first entrance into Tokyo. The Singapore brand started to appeal to Japanese consumers. From Thailand, entry into the photovoltaic market is active in the last few years. In 2016, leading private power company Gunkul Engineering acquired GK Utsunomiya operating photovoltaic power plants for 24 billion yen, and BCPG Japan, a subsidiary of Bangchak Petroleum, built photovoltaic power plants in Akita and Okayama Prefectures.

80% of the FDI stock from the US, the largest investor country, is in the non-manufacturing industry. Finance and insurance, retail, telecommunications and services account for a large part of the stock. In recent years, private equity (PE) funds such as Kohlberg Kravis Roberts (KKR), Bain Capital and Carlyle have been making conspicuous M&A investments in Japan. Looking at M&A in Japan from the US by industry sector in the past three to four years, there have been more M&A in the high-tech sector including software and semiconductors.

Chart 1-5 Changes in Inward FDI stock in Japan by region (growth ratio when the stock as of year 2000 is 100)



[Note] The stocks for 2014 and after are calculated based on BPM6. The stocks before 2013 were recalculated from being BPM5-based to BPM6-based by JETRO.

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

4. Inflow greatly exceeded in 2016

The net inflow of inward FDI in Japan in 2016 marked 3.8 trillion yen, about six times that of the previous year (667.5 billion yen) and a record high since 1996 when comparisons could be made. By investment type, debt instruments were 1.9 trillion yen, reinvestment of earnings was 1.4 trillion yen and equity capital was 522.2 billion yen.

By region, flow was 2.0 trillion yen from Europe, 903.7 billion yen from Asia and 629.8 billion yen from North America. Inflow exceeded outflow for all three regions (Chart 1-6).

By industry type, the amount was largest in electric machinery at 493.0 billion yen where Taiwan (208.2 billion yen) accounted for the largest part. This is thought to be an effect of the acquisition of Sharp by Hon Hai mentioned above.

The net flow of inward FDI in Japan in January to September term of 2017 (provisional) was down from a year earlier but maintained a positive inflow of 1.24 trillion yen (Chart 1-7).

Chart 1-6 Changes in the flow (net) of inward FDI into Japan by country/region

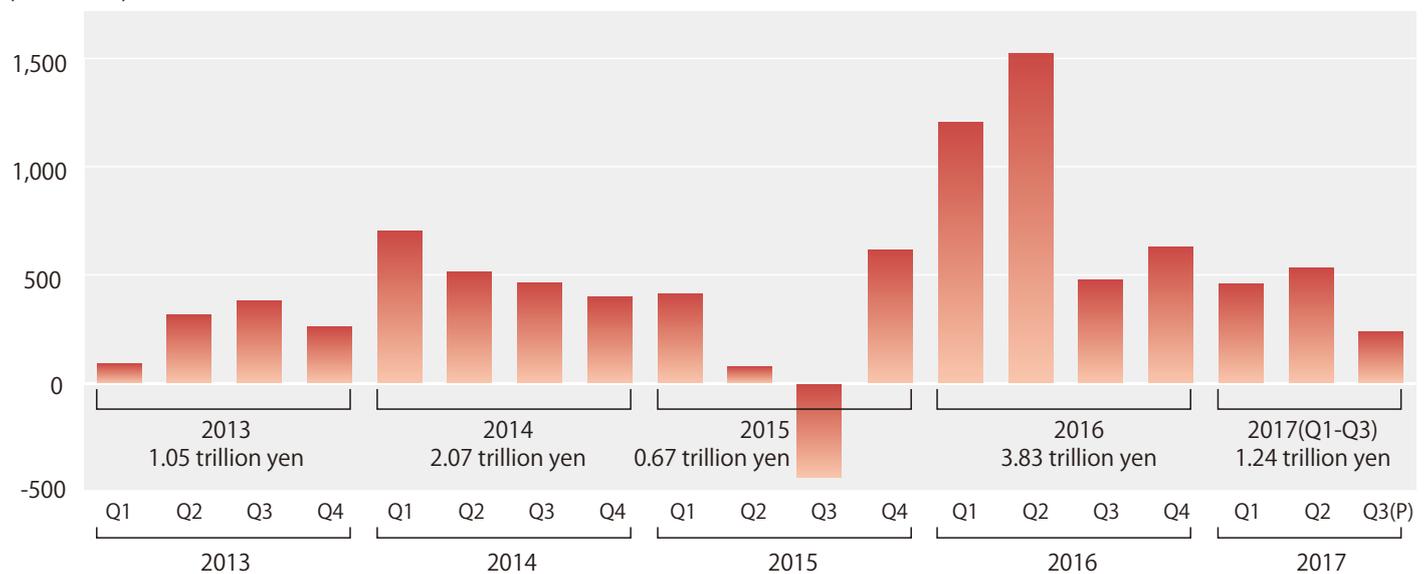
(Billion Yen)

	2014	2015	2016	2017 Jan.-Sep. (P)	Year- on-year growth (%)
Asia	678.2	673.7	903.7	524.7	-39.9
China	80.2	77.8	-15.1	64.7	34.5
Hong Kong	227.9	117.8	145.8	-35.4	-
Taiwan	126.4	87.6	258.9	56.5	-77.2
Korea	69.9	114.0	61.2	71.3	55.0
ASEAN	173.6	274.8	453.9	367.3	-9.2
Singapore	144.0	222.9	383.0	389.5	23.4
North America	758.6	629.7	629.8	440.1	-18.0
US	757.6	631.2	632.3	450.0	-16.1
Latin America	72.9	-248.4	180.8	159.4	6.8
Oceania	61.8	-75.9	90.8	-2.0	-
Europe	440.9	-339.0	2,012.7	111.1	-92.9
EU	375.8	-314.5	1,896.3	57.9	-96.1
World	2,074.5	667.5	3,830.7	1,237.0	-61.4

[Note] The data for 2017 is provisional.
[Source] "Balance of Payments" (Ministry of Finance)

Chart 1-7 Changes in the quarterly flow (net) of inward FDI into Japan

(Billion Yen)



[Note] Q1(Jan. ~ Mar.), Q2(Apr. ~ Jun.), Q3(Jul. ~ Sep.), Q4(Oct. ~ Dec.)
[Source] "Balance of Payments" (Ministry of Finance)

5. Acquisition of the management rights of Kansai International Airport and Osaka International Airport was the largest M&A in Japan

According to Thomson Reuters database, the largest M&A (completed) in Japan in 2016 was the acquisition of 44-year management rights of the Kansai International Airport and Osaka International Airport (Itami Airport) by a consortium led by VINCI Airports of France and ORIX (total value is about 2.2 trillion yen). This project is structured using a scheme called “concession,” that is a scheme for infrastructure development where the national or local government sells long-term management rights of public facilities to a private company while keeping their ownership. In other countries, the concession scheme has been introduced into areas such as airports, roads and water services. The project by the consortium above became the first large-scale concession project in Japan. Another concession project by a foreign-affiliated company in Japan is acquisition of the management rights of sewage treatment service of Hamamatsu City, Shizuoka Prefecture by a consortium including Veolia of France, JFE Engineering, ORIX and others (for 2.5 billion yen, announced by Hamamatsu City in March 2017).

Other major M&A deals in Japan in 2016 include investment by Asian companies in the electric/electronic field. In addition to the acquisition of Sharp by Hon Hai, Chinese home appliance manufacturer Midea Group acquired 80.1% (about 51.4 billion yen) of the share of Toshiba Lifestyle, a company manufacturing and selling home appliances under the umbrella of Toshiba. Investments by European pharmaceutical companies include acquisition of specific businesses by Leo Pharma and AstraZeneca as described above.

M&A by foreign investment funds is spreading from manufacturing to services in recent years. A US investment fund Kohlberg Kravis Roberts (KKR) acquired Calsonic Kansei, the largest auto parts manufacturer under the Nissan group for 498.2 billion yen, and Hitachi Koki, one of the major subsidiaries of Hitachi, through TOB. Other M&A deals include acquisition of Hasegawa Holdings offering house cleaning and nursing-care services by UK investment fund CVC Capital Partners (35.0 billion yen), and acquisition of shares of Joyful Honda operating home improvement centers by Baring Private (Equity) Asia, an investment fund based in Hong Kong (38.9 billion yen) (Chart 1-8).

Chart 1-8 Major inward M&A deals in Japan (2016 to the first half of 2017)

Date effective	Target	Industry	Acquirer	Parent country/region		Value (Billion¥)	
				Parent country/region	Industry		
2016	Apr.	New Kansai Intl-Op Concession	Transportation & infrastructure	an SPV formed by ORIX-VINCI Airports consortium	-	Transportation & infrastructure	2,205.0
	Aug.	Sharp	Electronics	Hon Hai Precision Industry	Taiwan	Electronics	388.8
	Feb.	One M Logistics 2	Real estate	LaSalle LOGIPORT REIT	US	Real estate investment trust	161.4
	Apr.	Astellas Pharma-Dermatology	Pharmaceuticals	LEO Pharma	Denmark	Pharmaceutical	89.1 (675 million Euro)
	May	Takeda Pharm-Respiratory	Pharmaceuticals	AstraZeneca	UK	Pharmaceutical	69.9 (575 million USD)
	Jun.	Toshiba Lifestyle Products & Services	Consumer electronics	Midea International	China	Consumer electronics	51.4
2017	May	Calsonic Kansei	Autoparts	Kohlberg Kravis Roberts (KKR)	US	Investment firm	498.2
	Apr.	USJ	Leisure	Comcast NBCUniversal	US	Media	254.8
	Mar.	Accordia Golf	Leisure	MBK Partners	Korea	Investment firm	149.0
	Jul.	Hitachi Koki	Machinery	Kohlberg Kravis Roberts (KKR)	US	Investment firm	79.3

[Note] 1) As of September 2017. 2) Ranking according to single transaction amount. 3) “Acquirer” is the final acquirer (including corporate group)
[Source] Thomson Reuters

FDI and geographical/historical proximity

Flow of FDI from one country to another may be characterized by geographical/historical proximity of the two countries. To take an example of the Inward FDI stock of Germany and France by country and region, investment in the two countries from EU countries account for about 70% (Chart 1-9).

You can see that EU enterprises are vigorously making investments within the EU that gathers countries sharing the common currency Euro and close historical and cultural ties.

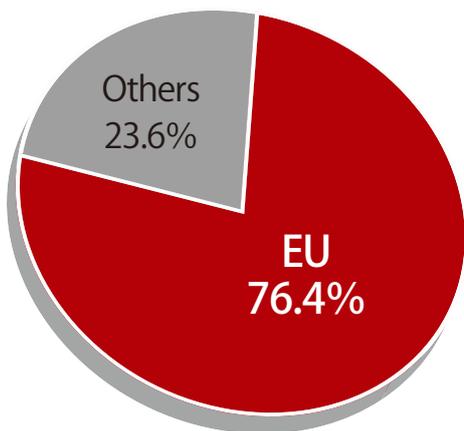
A similar trend is seen also in North America. Investments from the neighboring US account for about half of the inward FDI into Mexico and Canada. For Mexico, Spain is the second largest

investor following the US, due to the historical background. Canada, another member of NAFTA (North American Free Trade Agreement), is also Mexico's major investor.

On the other hand, currently the US and Europe have the large share of FDI stock in Japan but the amount of investment from Asian countries is greatly increasing. Geographical/historical proximity means ease of mutual visits, availability of information, and acceptability of culture, which are big advantages for business activities by enterprises. The role of Asia in investment in Japan will further increase in importance.

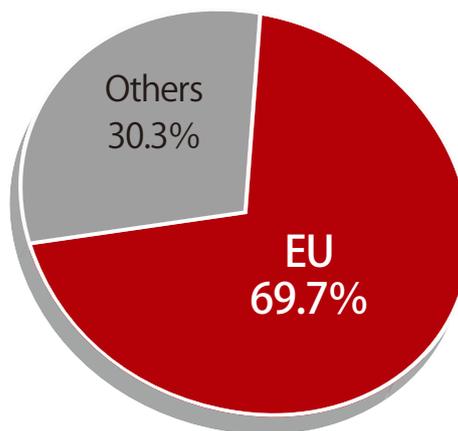
Chart 1-9 Inward FDI into each country by country and region

International investment position of Germany, liabilities (stock, 2015)



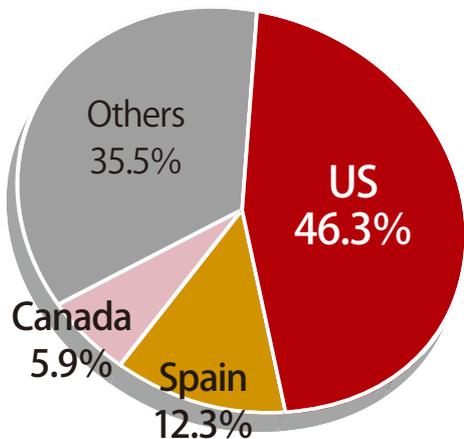
[Source] German Federal Bank

International investment position of France, liabilities (stock, 2015)



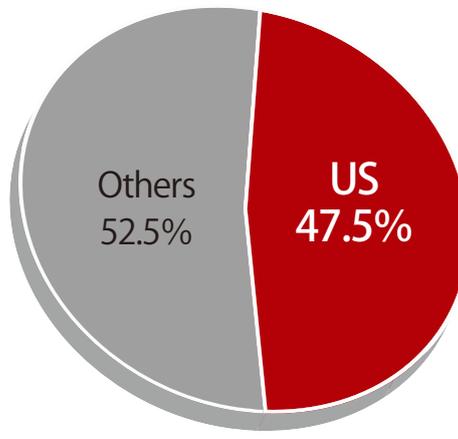
[Source] Bank of France

Inward FDI into Mexico (Cumulative, 1999-2016, net, flow)

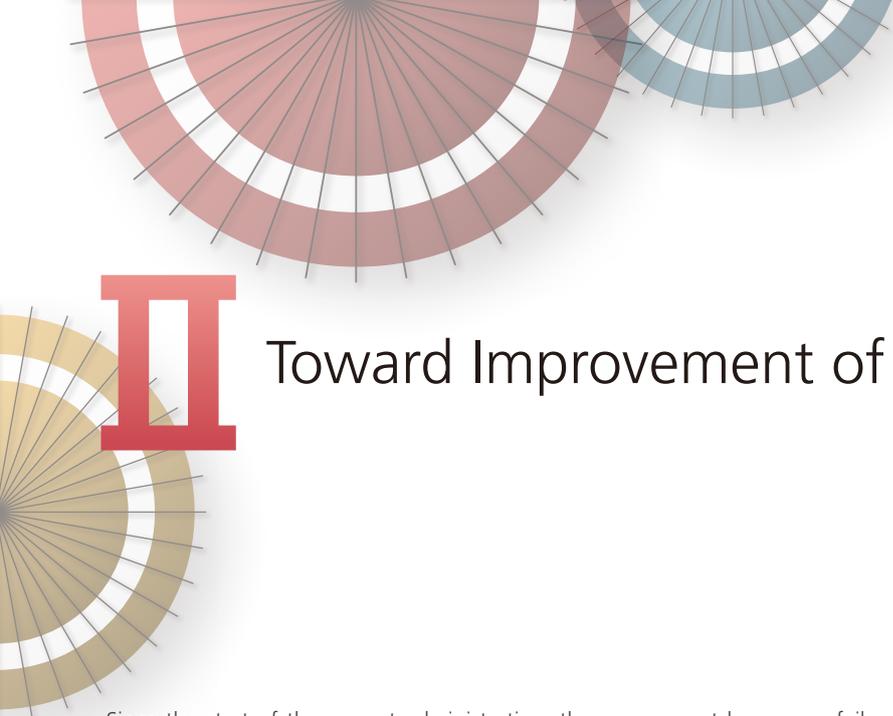


[Source] Secretariat of Economy, Mexico

International investment position of Canada, liabilities (stock, 2016)



[Source] Statistics Canada



II Toward Improvement of Business Environment

Since the start of the current administration, the government has set promotion of inward FDI in Japan as one of the pillars of its Growth Strategy, and has worked out various policies to make Japan "the most business friendly country in the world."

Above all, the government's commitment on reform to create an open market by implementing "bedrock regulations" reforms including the full liberalization of the electricity and gas markets for the first in 60 years has been a strong message to foreign companies to encourage their investment in Japan.

In addition, as innovations spread to every industry and community through the "Fourth Industrial Revolution" that is rapidly making progress in recent years, the government is introducing new reforms that are not bound by the existing framework.

This chapter will describe these initiatives by the government and their results as well as measures contributing to improvement of the business environment and attraction of foreign companies.

1. Further improving the business environment in Japan

(1) New social demonstration to allow "try first" approach: establishment of "regulatory sandbox" system

In the "Growth Strategy 2017" (Cabinet Decision on June 9, 2017), the government announced a "regulatory sandbox" system to encourage development of business models through trial and error in order to foster new innovative businesses.

The system is expected to be used when companies start new businesses that are not envisaged by existing regulations in fields such as IoT, AI, Big Data, drones and autonomous vehicles, which have been developing rapidly. The system is compared to playing in a sandbox because innovative services and products are developed through trial and error accepting small failures. Under the system, social demonstration pertaining to a new business is carried out for a limited period of time and by participants who agree to take part in the project after receiving an explanation on the demonstration content and risks in order to "think while running" on new rules based on data and knowledge obtained through the process. It is groundbreaking in that it encourages "trying first" in Japan where people find it difficult to accept unprecedented things. Unlike the National Strategic Special Zone system that is limited to a specific area and requires submission of an amendment bill to the Diet and its deliberation there, the new system promotes demonstration experiments at the project level. Flexible response will be made to advance demonstrations, but data obtained in the process of a

failure is also a valuable asset. The government will provide careful hands-on support including securing of data obtained through demonstrations to use the results for development of rules and policy planning in the future.

It is said that a similar system has already been introduced in the field of FinTech in the UK and Singapore. In Japan, the 8th Council on Investments for the Future (held on May 12, 2017) discussed its introduction to services to watch over seniors and children using high-speed power line communications. In addition to establishment of the "sandbox" regulation system for individual projects, the "Growth Strategy 2017" will establish a framework to ensure prompt and smooth implementation of demonstration experiments of automated driving, drones and other near-term technologies by fundamentally reviewing relevant preliminary regulations and procedures also in the National Strategic Special Zones.

(2) 20% reduction in costs of administrative procedures

Japan's administrative procedures have long been pointed out by business operators as a "considerable burden." Foreign-affiliated companies are no exception. In the "Survey on Japan's Investment Climate" of foreign-affiliated companies conducted by JETRO every year, "complicated administrative procedures and regulations" have always been among the top obstacles for doing business in Japan.

In order to improve the situation, the government states in the Japan Revitalization Strategy 2016 (Cabinet Decision on June 2, 2016) that it will "decide areas of focus where the government should promote regulatory reforms, simplification of administrative procedures, and evolution of information technology in an integrated and unified manner, and, on a full-scale basis, decide the goals to reduce regulatory and administrative procedural costs within FY2016, and promote systematic efforts to accomplish them." It is the first time for the government to conduct direct setting of a numerical target regarding reduction of administrative procedural costs.

Consequently, since September 2016, the Subcommittee for Administrative Burden Reduction under the Council for Promotion of Regulatory Reform reviewed existing efforts in Japan and abroad to obtain suggestions for Japan and studied and grasped business operators' needs for administrative procedural cost reduction from their perspective. Based on the study, it was decided on policies to reduce the costs of administrative procedures by at least 20% by March 2020 at the Council for Promotion of Regulatory Reform meeting on March 29, 2017.

For reduction of administrative procedure costs, the council

adopted three principles: thorough digitalization of administrative procedures (digital-first principle), no second request for the same information to businesses (once-only principle), and unification of documentary formats. It was also decided to select nine priority fields including: procedures for obtaining permission or approval for business license, those for social insurance, national tax, local tax, procedures for subsidies, and cooperation provisions for surveys or statistics research.

The “Growth Strategy 2017” (Cabinet Decision on June 9, 2017) appraised this as “a big step” and indicates that “it is necessary that we make a big change from ‘administrative procedures’ of government viewpoints to ‘public service’ from the perspective of the businesses, review every procedure and make efforts across the ministries to improve user friendliness.”

(3) Final Report of Working Group for Revising Regulations and Administrative Procedures

In the Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub (adopted by the Council for Promotion of Foreign Direct Investment in Japan on May 20, 2016) and the Basic Policy on Economic and Fiscal Management and Reform 2016 (Cabinet Decision on June 2, 2016) the government states that for the purpose of fundamentally simplifying regulations and administrative procedures associated with inward FDI in Japan, it will draw conclusions within one year.

For this purpose, the Council for Promotion of Foreign Direct Investment in Japan that is a cabinet meeting set up the Working Group for Revising Regulations and Administrative Procedures consisting of experts, business persons, foreign-affiliated company executives and other people appointed by the Minister of State for Economic and Fiscal Policy. The Working Group has been discussing the issue since August 2016.

Based on the discussions, the Working Group compiled a final report on concrete initiatives for implementation by related ministries on April 24, 2017. The final report was approved at the Council for Promotion of Foreign Direct Investment in Japan on May 10, 2017. In light of indications made by foreign companies and others in surveys as well as opinions of members, the working group took concrete measures with a sense of urgency, which led to various reviews.

Below are the key points of the final report:

Incorporation and registration of companies

① Expansion of the scope of holders of bank accounts for proof of payment and the list of financial institutions to which contribution can be paid

When a foreign company incorporates a subsidiary stock company in Japan, the contribution in money for the capital must be paid to the bank account (in Japan) of the incorporator or the person appointed as representative director of the subsidiary. From March 2017, the contribution may be paid also to the bank account of a person appointed by the incorporator.

In reality, founder of foreign companies or the prospective representative directors living in a foreign country (the requirement that one of the representative directors must be living in Japan was eliminated in March 2015) have difficulties in opening a bank

account in Japan because they do not have addresses in Japan. As a result, the payment of the contribution cannot be executed, and smooth implementation of the procedure for corporate foundation is hindered.

To address this issue, regarding the scope of financial institutions to which contribution in money can be paid under the Companies Act, the Director-General of the Civil Affairs Bureau of the Ministry of Justice issued a notification to clarify and to inform the parties concerned that contribution can be paid to overseas branches of Japanese banks. The Financial Services Agency has requested Japanese banks that have bases all over the world (so-called megabanks) to develop a framework and each bank has taken action.

② Signature certificate

When a foreigner who does not have a seal certificate applies for corporate registration, a signature certificate issued by the authorities of the home country may be needed as the substitute for a seal certificate. The applicant had to acquire a signature certificate in his/her home country or in Japan (the country's consul in Japan). Therefore, if a foreigner lived in a third country, he or she needed to go to the home country or Japan to acquire a signature certificate, which was a great burden.

To address this issue, the Civil Affairs Bureau of the Ministry of Justice notified that, regarding a foreigner's signature certificate for corporate registration, those issued by the home country's authorities in a third country (such as the home country's consul in his/her country of residence) are also permitted. In addition, a signature certificate issued by a Japanese notary was permitted as a relief measure from February 2017 if a signature certificate could not be acquired from the home country's consul in Japan even when it can be acquired in his/her country of origin.

③ Facilitation of procedures to open a bank account after incorporation

Because it takes time to open a bank account for a Japanese company newly founded as a foreign company's subsidiary or because the opening of such a bank account may be denied, foreign companies that wish to begin business in Japan in earnest often suffer time or economic loss.

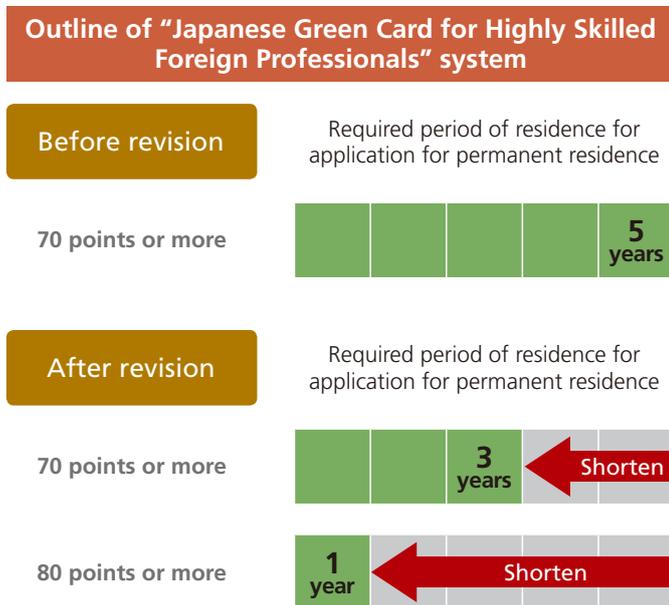
To address this issue, the Financial Services Agency requested the three megabanks to promptly develop a support system for smooth opening of bank accounts for domestic subsidiaries or branches of foreign companies, such as by listing of bank branches where such procedures will be handled smoothly, information sharing, and appropriate processing of clerical affairs. Responding to the request, the three megabanks have developed such a framework and clarified the contact point for consultation. A list of contact points has been placed on the website of JETRO in March 2017.

Status of residence

④ Japanese Green Card for Highly-Skilled Foreign Professionals

In order to invite more highly skilled foreign professionals to Japan, the Japanese Green Card for Highly-Skilled Foreign Professionals

Chart 2-1 Japanese Green Card for Highly-Skilled Foreign Professionals



system was established in April 2017 to greatly shorten the residence period of five years necessary for an application for permission of permanent residence, to make it the most quickly obtainable green card in the world (Chart 2-1).

As a result, foreign nationals are allowed to apply to the permission of permanent residence only after one-year residence in Japan if their score is 80 points or more in the points-based system for highly-skilled foreign professionals, or after three-year residence in Japan if their score is 70 points or more. To facilitate the use of the points-based system, revision was made in April 2017 to increase the evaluation items including bonus points to people who are engaged in an advanced project in a growth field (IT, etc.) with the involvement of a relevant ministry or agency, or who graduated from a top-class university, for example.

The requirements for the acceptance of domestic workers accompanying highly-skilled foreign professionals will be reviewed so that they can also bring over such workers after coming to Japan. Necessary measures will be taken by around the fall of 2017.

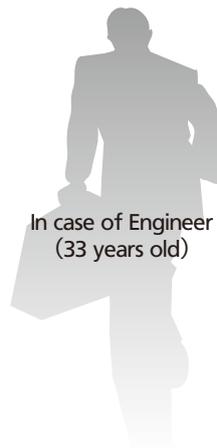
⑤ Online procedures for status of residence

It was burdensome to carry out the procedures for status of residence, including those to be carried out at the Immigration Bureau. In addition, it takes time to carry them out because the Immigration Bureau is congested. To solve this issue by starting the online system for carrying out the procedure for status of residence in FY2018, it was decided to proceed with the preparations after studying the whole vision and details of the online system.

Although the standard period for handling the procedure for status of residence had been publicly announced, it was difficult to estimate time necessary for the completion of the procedures because it may take a certain period of time from application to authorization. To address this issue, Ministry of Justice began to publish data on the results of procedure periods from FY2017. In

Example of point calculation

Points are calculated based on age, annual salary, academic background, professional career, research achievement, etc. 70 or more points holders receive preferential treatment.



34 years old or younger	10 points
Annual salary 7 million yen	25 points
Master's degree	20 points
Job experience of three years	5 points
Passed level N2 of Japanese-language proficiency test	10 points
Graduated from a top-tier university	10 points
Total	80 points

[Source] Points-based Preferential Immigration Treatment for Highly Skilled Foreign Professionals
http://www.immi-moj.go.jp/newimmiact_3/en/index.html

addition, when considering establishing an online system for the procedure for status of residence, introducing a system for online check of the status of progress for processing (application accepted, under examination, result notified, etc.) will also be considered.

Promote one-stop administrative services

⑥ Expansion of services at the Tokyo One-Stop Business Establishment Center

In April 2015, the Tokyo One-Stop Business Establishment Center was founded at JETRO headquarters as one of the efforts using National Strategic Special Zones. The Center has booths that integrate procedures related to corporate foundation. However, because limitations were imposed on its services, such as not accepting applications related to national taxes and commercial registration, its further improvement of convenience was an issue.

For this purpose, it has been made possible to submit electronic applications in six fields, including registration, taxation, and pension procedures and accept all eight types of applications at the Center.

The Tokyo One-Stop Business Establishment Center limited the acceptance of applications for status of residence to "business manager" and "intra-company transferee" and applications had to be submitted within six months after corporate foundation. Now, categories of "engineer, specialist in humanities, international services" were added to the types of status of residence and the time limit for application will be expanded by stages.

Import

⑦ Reducing companies' burden of classification by reorganization of "national subdivisions" of the statistical code

It sometimes takes a lot of time to classify and check the statistical codes of commodities used for customs clearance, and the procedure has become a burden to companies. To address the issue, it was decided to reduce companies' burden of classification by reorganizing national subdivisions of the statistical code (HS code, etc.)

Specifically, the national subdivisions of toys were merged in FY2017, while the national subdivision of commodities related to apparel and clothing which is not often required for collecting trade statistics will be considered toward consolidation in FY2018, beginning with T-shirts in FY2017.

Related ministries shall work on reduction of the national subdivisions of the commodities other than apparel and clothing.

Others

⑧ Exhibiting of unapproved medical equipment at trade shows

Regarding exhibiting unapproved medical devices, it was difficult to understand the cases in which such devices can be displayed without coming into conflict with the Pharmaceuticals and Medical Devices Act. Based on studies by the Ministry of Health, Labour and Welfare on how to clarify and disseminate rules on whether to exhibit unapproved medical devices, guidelines on exhibiting unapproved medical equipment were revised. Regarding trade shows for overseas businesses without Japanese subsidiaries to gain domestic businesses that will produce and sell their products in Japan (so-called business matching,) the new guidelines clarify that display is allowed under certain conditions including (i) specifying that the product is not approved and cannot be sold or granted and (ii) clarifying regarding production method, effect-efficacy and performance should be based on facts including data of precise and objective experiments.

(4) FY2017 Tax Reform

① Revision of the scope of payment obligations of the inheritance and gift taxes concerning foreign assets

On March 27, 2017, the Act on Partial Revision, etc. of the Income Tax Act, etc. was enacted and the scope of payment obligations of the inheritance and gift taxes concerning foreign assets was revised (Chart 2-2).

It was sometimes the case that if a foreign person died in Japan, Japan's inheritance tax was applied not only to the assets in Japan but also to the assets existing outside of Japan including real estate

and financial assets in the mother country, regardless of whether the expat was living alone: leaving family members outside of Japan, or living together with family members. This had been a cause for foreign professionals to be reluctant to come to Japan as an expat.

In this revision, inheritance tax, etc. on the assets possessed outside of Japan by highly-skilled foreign workers who meet certain conditions were reviewed to prepare more comfortable working conditions for them in Japan. As a result, foreign assets will be exempt from taxation in the case of inheritance between foreign nationals (Note) with a status of residence in Japan that is temporary.

The revision has been applied to inheritances and gifts from April 1, 2017.

(Note)Those who have status of residence as defined by Appended Table I of the Immigration Control and Refugee Recognition Act and have registered addresses in Japan for a total of 10 years or less during the past 15 years

② R&D tax system

The Act on Partial Revision, etc. of the Income Tax Act, etc. that was enacted recently fundamentally revised the research and development tax system that is a tax credit system for experimental research.

What is remarkable among the revision points is that those pertaining to development of new "services" based on the Fourth Industrial Revolution utilizing big data, etc. are included in the categories to be supported by the R&D tax system in addition to existing "manufacturing" R&D in the manufacturing industry.

This is a measure to support the creation of new businesses through the Fourth Industrial Revolution leveraging IoT, Big Data, artificial intelligence and other technologies. The measure applies to projects that covers all of the following: (i) automatic data collection using sensors, etc., (ii) analysis by experts using information analysis techniques and (iii) design of a new service using a regularity found based on data analysis, and (iv) confirmation of reproducibility of the service. Examples of covered service development may include service to provide more precise and real-time natural disaster prediction by analyzing combinations of image and meteorological data collected using drones, and healthcare service to recommend an optimum fitness plan/diet or hospital visit by collecting and analyzing data of individuals' health state including exercise, sleep, diet, body weight and heartbeat using wearable devices.

The revision of the definition of costs of experimental research has made the R&D tax incentive available also for service development to create value using data as a key factor in the age of the Fourth Industrial Revolution. Driving innovation further is expected in the service development field by the revision.

Chart 2-2 An example of revision pertaining to scope of taxation

1. In the case that a foreign expatriate in Japan dies:

- (1) If an expatriate who is living alone leaving his/her family members outside of Japan dies, the levy is limited to the assets in Japan which are to be inherited by his/her relatives outside of Japan .
- (2) If an expatriate who is living in Japan together with his/her family members dies, the levy is limited to the assets in Japan which are to be inherited by his/her family members.

2. In the case that a relative living outside of Japan of an expatriate in Japan dies:

- (3) If a relative living outside of Japan of an expatriate who is living in Japan dies, the levy is limited to the assets possessed in Japan by the relative.

(5) Deregulation in the tourism sector

May 26, 2017, the Act for Partial Revision of the Licensed Guide Interpreters Act and the Travel Agency Act was enacted. It is expected to be enforced in FY2017. In the past, only people with the national qualification of Licensed Guide Interpreter were permitted to provide paid guide interpreter service for foreign tourists, but now people without the qualification will be also permitted to provide the service.

The number of foreign tourists visiting Japan exceeded 10 million first in 2013 and reached 24 million in 2016 making a new record for four consecutive years. About 70% of the tourists come from East Asia, but, according to the Japan Tourism Agency, Licensed Guide Interpreters are saturated in large cities and their language is rather concentrated in English. With travelers' needs for guide interpreter diversifying, the mismatch has become an issue.

The past Licensed Guide Interpreters Act provided that guides providing paid interpreter and tourist guide service needed the national qualification. Given that this does not fit reality, the government made the deregulation which was the first since 1949 when the system was established. The revision changed the qualification of Licensed Guide Interpreter from a monopoly of duties to monopoly of name. The amendment also sets out for a new program of "regional guide interpreters" who work in specific areas to combat the shortage of guide interpreters in provincial regions.

Regarding so-called "home lodging" to take lodgers using a vacant room of a private home or a room of an apartment, the Act on Home Lodging Business to establish the rules of this activity came into effect on June 9, 2017. Ways to provide lawful private

home lodging service in Japan were limited, including some special provisions and the system of private home lodging in National Strategic Special Zones. After enforcement of the act, landlords will be permitted to provide home lodging service up to 180 days a year by notification to the local government.

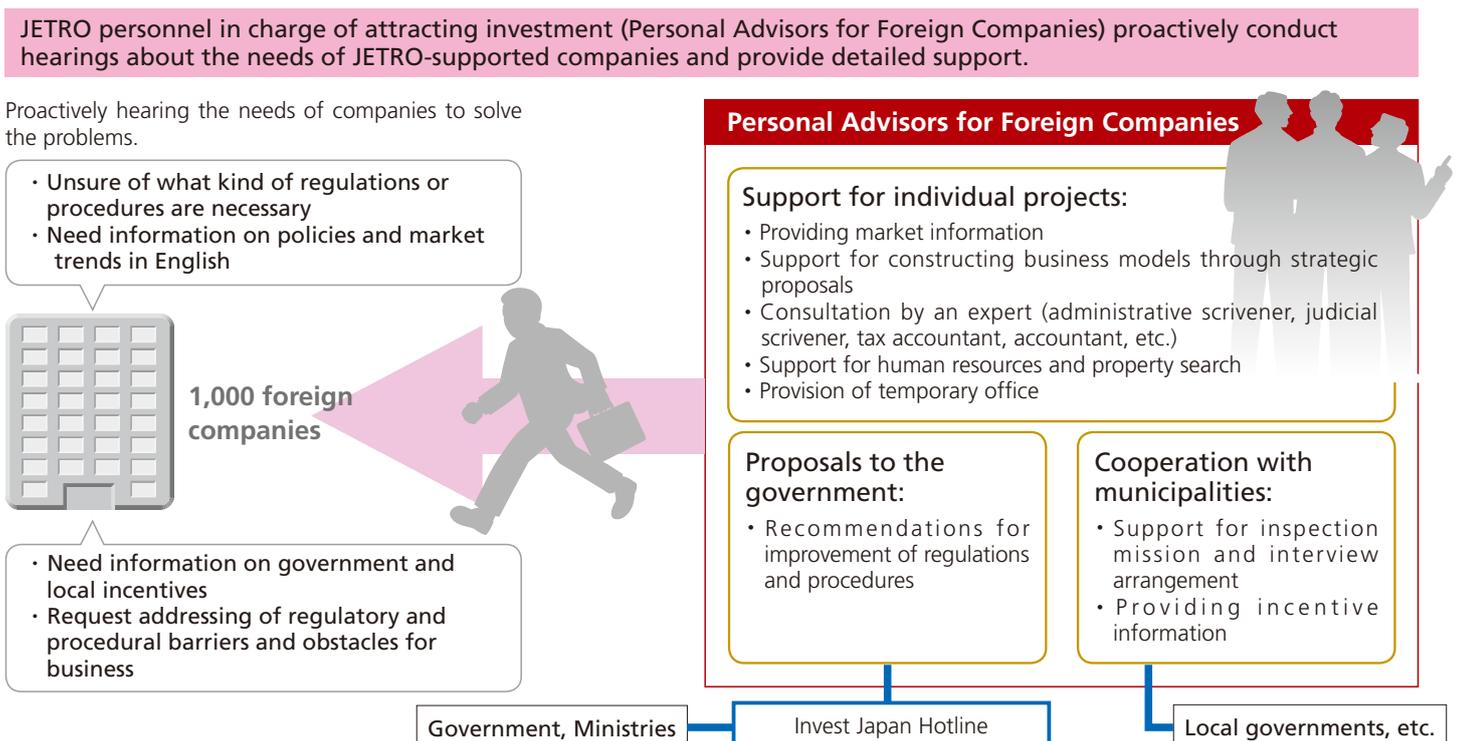
In response to the enactment of the new act, leading foreign-affiliated companies providing home lodging service gave comments welcoming the change one after another. It is expected that home lodging services will play a role as a new way to cater to rapidly increasing foreign tourists.

(6) Personal Advisors System for Foreign Companies

In order to provide foreign companies with finely tuned support and solutions in relation to regulations and administrative procedures, the government introduced the "Personal Advisors System for Foreign Companies" (Chart 2-3). Under this system, persons in charge of attracting investment at JETRO actively identify the needs of about 1,000 companies selected for the support and speedily respond them. This initiative is also incorporated in the "Growth Strategy 2017" (Cabinet Decision on June 9, 2017). JETRO will take measures such as disseminating English information on 10 focused fields (Note), enhancing consultations for foreign companies and resolving individual issues by persons in charge and teams of specialists through cooperation with related ministries and agencies.

(Note)10 fields of focus: environment/energy, life science, tourism, service, ICT, manufacturing/infrastructure, status of residence, tax, labor/social insurance and incorporation

Chart 2-3 Outline of the Personal Advisors System for Foreign Companies

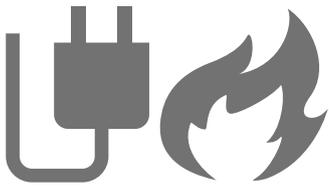


2. Past business environmental improvement efforts and their progress

(1) Progress of reform of the “bedrock regulations”

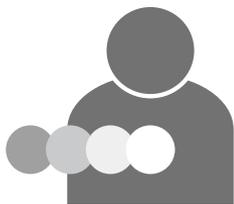
① Energy field

Full liberalization of the electricity retail market (April 2016)
 Full liberalization of the gas retail market (April 2017)



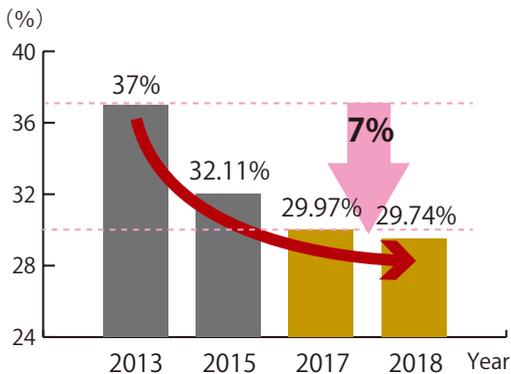
② Medical field

Introduction of an early approval system of regenerative medicine (November 2014)



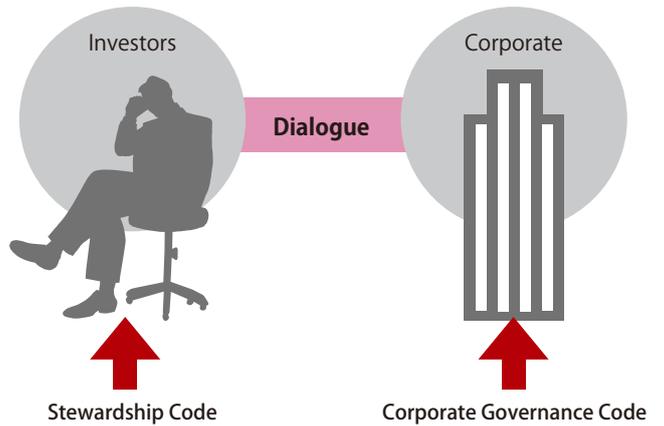
③ Reduction of the effective corporate tax rates

About 7% reduction in three years from FY2013 to 2016
 Scheduled to be reduced to 29.74% by FY2018



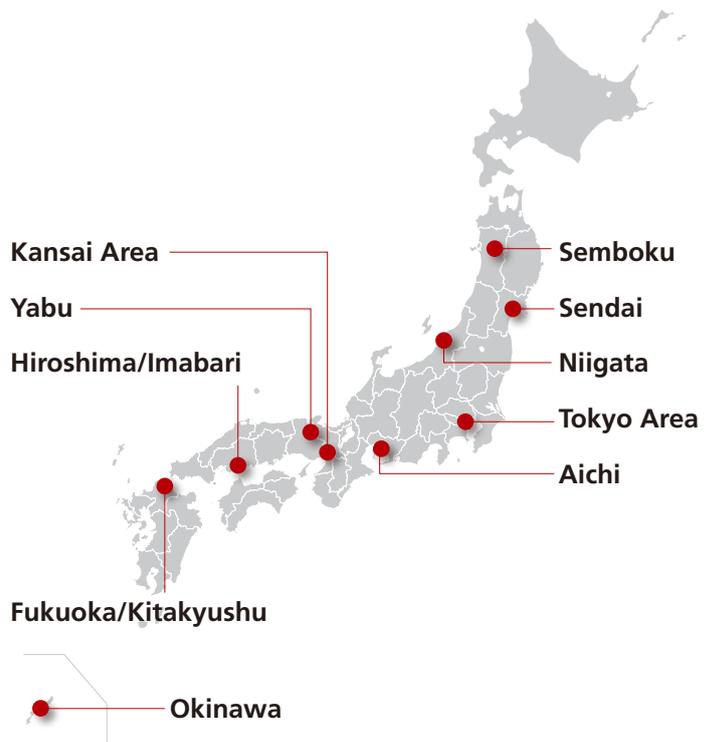
④ Enhancement of corporate governance

Formulation of Japan's Stewardship Code (February 2014)
 Start of application of the Japan's Corporate Governance Code (June 2015)



⑤ Utilization of National Strategic Special Zones

The system was established for advanced reform of the “bedrock regulations.” Since the enactment of the law in December 2013, 10 areas have been established as special zones. More than 70 deregulation initiatives including national measures have been realized up to now. 253 projects (as of September 2017) have been certified in 10 zones and are rapidly making visible progress.



(2) Five Promises for Attracting Foreign Businesses to Japan

The Council for Promotion of Foreign Direct Investment in Japan that was held with attendance of the Prime Minister on March 17, 2015, adopted "Five Promises for Attracting Foreign Businesses to Japan" to address issues frequently suggested by foreign companies as "obstacles to convenience."

They are, (1) Overcome language barriers at retailers and restaurants, (2) Facilitate better Internet connectivity, (3) Accommodate business jets at local airports, (4) Enhance educational environment for expatriate children, and (5) Strengthen advisory and consultation services to support foreign businesses, in order to develop an environment for foreign companies to do business easily and improving the living environment for foreigners.

Progress of efforts to realize the five promises is as follows (as of the end of FY2016).

Chart 2-4 Progress of the "Five Promises for Attracting Foreign Businesses to Japan" (as of the end of FY2016)

First promise: Overcome language barriers at retailers and restaurants

Item	Progress
Multilingual retailers	<ul style="list-style-type: none"> "Multilingual Guidelines for In-store Signs in the Retail Industry" developed in FY2015 were disseminated to distribution groups. Dissemination of the guidelines will continue.
Multilingual medical care	<ul style="list-style-type: none"> Eight medical centers, to which interpreters specialized in medical fields were assigned, were newly selected bringing the total to 27. Budget for 10 such centers are prepared for FY2017. The medical institutions will be selected from among applicants. In December 2015, two foreign doctors passed Japanese national examinations for medical practitioners using the English language in a National Strategic Special Zone in Tokyo. They started examination of foreign patients in September 2016.
Multilingual restaurant	<ul style="list-style-type: none"> Following the basic edition compiled in the previous fiscal year, the advanced edition of the "Guidebook for Inbound Services" was compiled in FY2016. Inbound service seminars were held at five places across Japan. As of February 2017, about 70% of stores of major food service chains have prepared multilingual menus, etc.
Speech translation system	<ul style="list-style-type: none"> Efforts were made to further improve the accuracy of the multilingual speech translation system and expand the technology to fields other than travel phrases. The multilingual speech translation application was downloaded about 621,000 times by the end of March 2017.

Second promise: Facilitate better Internet connectivity

Item	Progress
Free Wi-Fi	<ul style="list-style-type: none"> Free Wi-Fi service has been expanded for foreigners visiting Japan. As of February 2017, SoftBank is providing the service at 400,000 spots across the country; NTT BP and Wire and Wireless are offering 150,000 spots and 200,000 spots respectively. Usability is improved for Japan Free Wi-Fi website introducing free Wi-Fi spots along with invitation to register free Wi-Fi spot information. 143,000 spots have been registered as of March 2017.

Third promise: Accommodate business jets at local airports

Item	Progress
Accommodate business jets at local airports	<ul style="list-style-type: none"> Immigration lanes were increased by 44 in 14 airports in FY2015. In July 2015, an additional 15 immigration officers were assigned impromptu to branch offices having jurisdiction over local airports, and examination task forces of 20 members in total were deployed at two immigration offices. In FY2016, immigration lanes were increased by 6 in 4 airports. In September, 62 immigration officers were urgently assigned in addition to the increase of 155 officers. In October, Bio Cart for prior acquisition of information for personal identification (fingerprint and face picture) was introduced to Kansai international, Takamatsu and Naha Airports.

Fourth promise: Enhance educational environment for expatriate children

Item	Progress
Job for international students	<ul style="list-style-type: none"> Publication of the Career Support Network for International Students in Japan at seminars, etc. resulted in an increase in the number of member universities, registered international students and private companies. As of March 2017, 87 universities, about 3,000 international students and about 800 private companies are registered. The publication of the network to universities, private companies, and others will be continued. Job interview sessions for international students were held in August, October and March in FY2015. In FY2016, sessions were held in Tokyo (July, October and January), Saitama (May and July), Aichi (October), Osaka (November) and Fukuoka (May) with participation of 6,376 students and 473 companies in total.
International schools	<ul style="list-style-type: none"> In July 2015, Ministry of Education, Culture, Sports, Science and Technology asked prefectures to ease their criteria for approval of establishment of international schools in various categories. Tokyo reduced the requirement of land/building lease years from 20 to 10 years in January 2016.
Teaching English in elementary schools	<ul style="list-style-type: none"> Assistant Language Teachers (ALTs) of the Japan Exchange and Teaching Program (JET Program) were increased from 4,101 of FY2014 to 4,404 in FY2015 and 4,536 in FY2016. The goal is to increase the number to 6,400 by FY2019. The number of ALTs (including those other than of JET Program) employed in elementary schools increased from 7,735 in December 2013 to 10,163 in December 2014, 11,439 in December 2015 and 12,424 in December 2016. The promotion of their employment will be continued.

Fifth promise: Strengthen advisory and consultation services to support foreign businesses

Item	Progress
Investment Advisor Assignment System	<ul style="list-style-type: none"> The "Investment Advisor Assignment System" was established. In this system, State Ministers act as advisors to companies that have made important investments in Japan. Nine companies were selected in March of 2016. Operation of the system started in April 2016 and State Ministers interviewed the companies 12 times in total by the end of FY2016.
Collaboration with local governments	<ul style="list-style-type: none"> "Portal site for creation of the global economic cycle for regional economies" was built to attract companies to provincial regions and was launched in August 2015. The portal site was made multilingual (English, French, Chinese and Korean) in FY2016 to disseminate information of local products registered with the site.

(3) Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub

On May 20, 2016, The Council for Promotion of Foreign Direct Investment in Japan adopted the "Policy Package for Promoting

Foreign Direct Investment into Japan to Make Japan a Global Hub."

One of the pillars of the package is efforts focused on smooth activities by foreign companies and foreigners. Major progress (and initiatives scheduled for FY2017 and after) as of the end of FY2016 is as follows.

Chart 2-5 Progress of the "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub" (as of the end of FY2016)

(1) Improvements in regulations and administrative procedures

Item	Progress
The Council for Promotion of Foreign Direct Investment in Japan will draw conclusions within one year as to how regulations and administrative procedures pertaining to foreign companies can be simplified. Matters to be addressed ahead of others will be started promptly by deciding on concrete measures by the end of the year	<ul style="list-style-type: none"> Working Group for Revising Regulations and Administrative Procedures met four times since August 2016. Members discussed the regulatory and administrative procedures that were criticized for their complexity concerning foreign companies' investment in Japan and business development. The fourth session of the working group held on December 22, 2016, compiled initiatives to be implemented by ministries and agencies as the "Immediate Report." The fifth session of the Working Group for Revising Regulations and Administrative Procedures was held on April 24, 2017, and adopted the "Final Report" of the working group.
Additional 500 laws and regulations at minimum will be translated into foreign languages by FY2020.	<ul style="list-style-type: none"> Translation of additional 97 laws and regulations were published in FY2016. With regard to procedures and the form of written application of registration, visa and labor procedures necessary when foreign companies establish and operate a company in Japan, samples explaining points and showing examples of items listed were posted on the JETRO website (December 2016)
Expand the functions at the Tokyo One-Stop Business Establishment Center from current consultation, etc. to acceptance of applications, etc.	<ul style="list-style-type: none"> Function of the center was expanded on December 22, 2016 to accept all eight types of applications at the application window. The environment was improved to enable submission of electronic applications in six fields, including registration, taxation and pension, while improving the support system. The scope of corporations that can make applications for residence status will be expanded by stages for corporations within five years after establishment

(2) Attracting and fostering globally competitive human resources

Item	Progress
The residence period requirement for highly-skilled foreign professionals to apply for permanent residence permission will be significantly shortened from five years. (One of the world's most quickly obtainable "Japanese-version green card" system for highly-skilled foreign professionals)	<ul style="list-style-type: none"> Related ordinances, guidelines, etc. were revised in April 2017 to establish Japanese Green Card for Highly-Skilled Foreign Professionals system and added special bonus points to the point-based system.
Online application for status of residence will start in FY2018.	<ul style="list-style-type: none"> For facilitation and speedup of status of residence procedures including going online, specific contents are under consideration at the Ministry of Justice. In order to start online procedures related to status of residence in FY2018, necessary preparation will be made after studying the entire picture of the online procedures including the scope of covered procedures and details of the system in the first half of FY2017.
Promote acceptance of foreign housekeeping support workers in National Strategic Special Zones (in addition to Kanagawa prefecture and Osaka city, Tokyo and other areas will also implement the projects in response to demand).	<ul style="list-style-type: none"> A third-party administrative council consisting of the national and local governments was set up and started to accept applications for confirmation that the enterprises intending to accept foreign housekeeping support workers meet a certain standard (Kanagawa prefecture: March 2016, Osaka city: June 2016, Tokyo: November 2016) From March 2016 foreign housekeeping support workers have entered the country and started to provide housekeeping services to user households.
Increase the proportion of international students employed in Japan after graduation from approximately 30% to 50% by FY2020	<ul style="list-style-type: none"> Dissemination of information on employment of international students and employment support for them at workshops for educational institutions (three sessions) and seminars for private companies to employ and utilize international students (five sessions) Worked to increase use of the Career Support Network for International Students in Japan and conducted broad-based public relations and enlightenment activities to invite companies to register their recruiting offers. As a result, 87 universities, about 800 private companies and about 3,000 international students were registered. Job fairs for international students, etc. were held in cooperation with Japanese companies and Japanese overseas affiliated companies in five cities of Japan and ASEAN.
Preferential treatment of simplifying the application procedures for changing the status of residence for international students who have completed specified programs of Japanese business culture or business Japanese, internships, etc.	<ul style="list-style-type: none"> Regarding the preferential treatment for acquiring status of residence by people completing a human resource development program using ODA or other public funds, public comment on bonus points in the points-based system for highly-skilled foreign professionals was conducted from January 18 to February 16, 2017. Related ministry ordinances, etc. were revised and enforced in April 2017. Regarding simplification of documents to be submitted for status of residence application, the Ministry of Foreign Affairs and the Ministry of Justice continue to discuss its operation.
A total of 20,000 or more external human resources including Assistant Language Teachers (ALTs) will be deployed at all elementary schools by FY2019.	<ul style="list-style-type: none"> As of December 2016, the total number of ALTs, etc. employed in elementary schools was 12,424, an increase of 985 from the previous year. Publication for use of the instructor dispatch project for the JET Program, supplementary lessons, and special teacher's certificate, etc. The goal is to increase the number of ALTs of the JET Program to at least 6,400 by FY2019.

(3) Improvement of the living environment for foreign nationals

Item	Progress
Japanese language support will be made available by 2020 to all elementary and junior high schoolchildren who require it. (As of FY2014, it is available to approximately 80% of such schoolchildren)	<ul style="list-style-type: none"> Based on the revision of the Compulsory Education Standard Act, the set number of teachers will be calculated according to the number of schoolchildren who need special support according to their Japanese proficiency from FY2017. Based on the report of an expert committee compiled in June 2016, support will be provided to local governments working to establish systems for promotion of enrollment of returnees and foreign schoolchildren to schools and enhancement of Japanese language support.
Increase the proportion of elementary and junior high schools that introduce the Japanese as a Second Language (JSL). Policy goals will be set.	<ul style="list-style-type: none"> Support for local governments working to establish systems for enhancement of Japanese language support, etc. was expanded in the FY2017 budget. Based on the result of the Survey on Enrollment of Pupils Who Require Japanese Language Support 2016, concrete policy goals will be set.
Increase the number of medical institutions to around 40 across Japan that are equipped with the capabilities to accept foreign patients by the end of FY2016.	<ul style="list-style-type: none"> Support was provided for establishment of systems to accept foreign patients including assignment of interpreters specialized in medical fields and medical coordinators and multilingual hospital documents. Continue to support assignment of interpreters specialized in medical fields and medical coordinators so that foreigners can receive medical services safely and with security in Japan.
Information of medical institutions, banks, mobile phone operators, and electricity/gas suppliers offering services in foreign languages will be posted on JETRO's website in an integrated manner.	<ul style="list-style-type: none"> Sites of medical institutions, banks, mobile phone operators, and electricity/gas suppliers that can offer services in foreign languages were posted on JETRO's website in an integrated manner. (December 2016) The contents and convenience will be further improved from the perspective of users.

Toward improvement of “Doing Business” ranking

According to the report “Doing Business 2018” issued (end of October 2017) by the World Bank Group, the overall ranking of Japan’s business friendliness comes 34th among 190 economies, ranking the same as the previous year. The Japanese government has been working to improve the country’s business environment, but the ranking in all 190 countries did not improve since the other countries have also made efforts. (The rank among OECD high income economies moved up by two places in the ranking from the 26th of the previous year to the 24th).

Ten indicators used for evaluation in “Doing Business” are: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Overall ranking is determined based on the DTF Score (Note) calculated for each indicator.

In recent years, the overall DTF score of Japan has tended to improve, and it increased by 0.07 points from the previous year in 2018. In addition, in “Paying taxes”, reduction of corporate tax rate was highly appreciated as the progress was made.

On the other hand, looking at the detail of “Starting a business,” Japan’s scores of cost and paid-in minimum capital are in the top class while the score concerning the number of procedures is low. With regard to “Trading across borders,” scores of documentary compliance (time for documentary requirements in the export and import clearance process) is high while the scores of time/cost required for cargo inspection and transportation are relatively low.

For “Enforcing contracts,” the scores of electronic filing of initial complaint and electronic service of process for claims are low in the indicator concerning the quality of judicial processes.

In light of the above, the government states in the “Growth Strategy 2017” (Cabinet Decision on June 9, 2017) that (1) the public and private sectors will undertake full-scale examination to enable users to process all procedures online with one-stop and will reach a conclusion by the end of FY2017, (2) regarding general trade procedures, for overall optimization to realize shortening of cargo detention time, public and private consultation bodies will be set up, promptly start studies and draw a conclusion by the end of FY2017, (3) in order to implement prompt and efficient trials, the government will consider measures to promote IT in procedures for trials, and will draw conclusions by the end of FY2017.

Moreover, the government aims to reduce the costs of administrative procedures more than 20% by March 2020. The simplification of administrative procedures will be enforced through three principles: thorough digitalization of administrative procedures (digital-first principle), no second request for the same information to businesses (once-only principle), and harmonization of formats. By reducing procedural burdens from the standpoint of businesses, it is expected to contribute to the improvement of the evaluation on the Japanese business environment in the future.

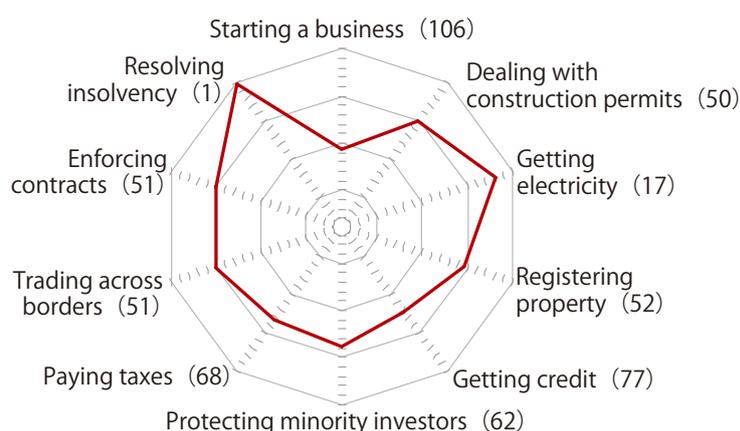
(Note) Abbreviation for Distance to frontier. A line is drawn from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. DTF score of each economy is determined based on its place on the line.

Chart 2-6 Changes in Japan’s overall ranking

2017		2018	
1	New Zealand	1	New Zealand
2	Singapore	2	Singapore
3	Denmark	3	Denmark
4	Hong Kong	4	Korea, Rep
5	Korea, Rep	5	Hong Kong
6	Norway	6	US
23	Malaysia	23	Iceland
24	Poland	24	Malaysia
25	Portugal	25	Mauritius
26	United Arab Emirates	26	Thailand
27	Czech Republic	27	Poland
28	Netherlands	28	Spain
29	France	29	Portugal
30	Slovenia	30	Czech Republic
31	Switzerland	31	France
32	Spain	32	Netherlands
33	Slovak Republic	33	Switzerland
34	Japan	34	Japan

[Source] “Doing Business 2017, 2018” (World Bank)

Chart 2-7 Japan’s ranking of individual indicators in FY2018



[Note] Numbers in () indicate the rankings out of 190 countries.
[Source] “Doing Business 2018” (World Bank)

Further attraction of highly-skilled foreign professionals

column

The jobs-to-applicants ratio in May 2017 was the highest in the past 43 years, while the unemployment rate remained at a low level and the labor supply-and-demand situation is tight in Japan. The Employment conditions DI from the BOJ's Tankan shows that "insufficient employment" is spreading in all industries. As the country is facing a super aging society with fewer children ahead of other countries, the outlook for the labor force population is severe. This inevitably makes "securing of labor force" and "productivity improvement" important themes for Japanese society, and we can afford no further delay in "work-style reform" that can contribute to their success.

One of the possible measures for "securing of labor force" and "productivity improvement" is acceleration of innovation under the rapidly progressing Fourth Industrial Revolution. For this purpose, it is essential to secure human resources including researchers and engineers with advanced knowledge and skills. In a survey of foreign-affiliated companies by JETRO, many respondents pointed out as a challenge the shortage of engineers capable of communication in non-Japanese languages (see Chapter 4). With the worldwide competition for human resources getting stiffer, further expansion of acceptance of highly skilled foreign professionals as well as fostering of globally competitive Japanese human resources is an urgent issue.

In the context of rising protectionism worldwide in recent years, it is a great opportunity for Japan to invite excellent foreign human resources. For example, in April 2017, the government established the Japanese Green Card for Highly Skilled Foreign Professionals system, which has made Japan's immigration control system for highly skilled foreign professionals "very open."

For improvement of the living environment, the government will provide a curriculum of integrated teaching of Japanese and other subjects (JSL: Japanese as a Second Language) to all foreign children (elementary and junior-high students) who require it as early as possible. In addition, "medical institutions that are equipped with the capabilities to accept foreign patients" including reception through support for assignment of interpreters specialized in medical fields will be prepared in 100 places by the end of FY2017.

For promotion of inward FDI in Japan, it is crucially important to get publicity for "Japan open to the world." In the "Growth Strategy 2017" the government aims to certify 20,000 highly skilled foreign professionals by the end of 2022 through active public relations under the slogan of "Open for Professionals" in order to further invite entrepreneurs and highly skilled foreign professionals.



New Trend in Inward FDI in Japan

– Age of the Fourth Industrial Revolution – Contributing to Solving Problems Japan Faces and Expanding Overseas Markets for Japanese Companies

Given that promotion of inward FDI in Japan will introduce superior technologies and new know-how and promote value enhancement of innovation creation and technology accumulation in Japan, the government positions the promotion of FDI in Japan as one of the priority issues in its growth strategy. Japan has an established reputation as “a huge sophisticated market.” In addition, existence of Japanese companies and research institutes with advanced technologies and infrastructure favorable for R&D is also appreciated in recent years. Establishment of R&D centers by foreign capital has become one of the recent FDI trends in Japan.

In this context, foreign companies are actively working to promote innovation in Japan by fusing their technologies with Japanese companies’ technologies in the field of IoT (Internet of Things) and artificial intelligence (AI) with a background of rapid progress of the Fourth Industrial Revolution. In a related development, foreign companies are increasing their presence with the penetration of “Open Innovation” that introduces technologies and ideas from outside to create new values. Some of them found commercial opportunities in Japan which is also called a “frontrunner in overcoming global challenges” and are contributing to solutions of various problems.

E-commerce (EC) that has rapidly spread in recent years with the development of the Internet is growing to the infrastructure that facilitates cross-border transactions. Foreign companies in the field of “cross-border EC” are establishing business sites for product procurement in Japan one after another. They are likely to become important partners for Japanese companies to cultivate overseas markets.

This chapter describes a “new trend of FDI in Japan” in the age of the Fourth Industrial Revolution with a focus on efforts by foreign-affiliated companies contributing to solutions of Japan’s problems and cultivation of overseas markets of Japanese companies.

1. Age of the Fourth Industrial Revolution – contributing to solving Japan’s problems through introduction of IoT and AI technologies

Typical challenges for Japan, which is called a “frontrunner in overcoming global challenges,” may be attributed to the progress of population aging with declining birthrate and the accompanying labor shortage. According to estimates by the National Institute of Population and Social Security Research, Japan’s total population will decline from 127.09 million in 2015 to 88.08 million in 50 years, while the percentage share of aged people will rise from 26.6% to 38.4%.

Labor shortage is expected to bring serious consequences to society including economy, public finance and industries. In medical sites, shortage of doctors is progressing while the number of patients is increasing as the population ages. In the international comparison (2014) by OECD (Organization for Economic Cooperation and Development), Japan is ranked 26th in the number of practicing physicians per 1,000 population, which is at the lowest level among the 30 countries. The situation is more serious in local regions. Furthermore, there is a concern that experience and knowledge in the field of agriculture and manufacturing might not be passed on to the next generation due to lack of successors.

As means to solve these problems, efforts to use technologies such as IoT and AI are now rapidly spreading in Japan. Efforts to improve work efficiency and upgrade operations through digitalization, analysis and utilization of past analog experiences have started in every field. Under these circumstances, a “new trend of FDI in Japan” is accelerating in which foreign companies collaborate with Japanese companies to use latest technologies to solve problems.

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

HealthTech company **Philips Japan** (“Philips,” Netherlands) set up an R&D center in Showa University Hospital in February 2017, and started researching a “remote management program for intensive care patients” to network ICUs of multiple hospitals. With needs for ICUs increasing year by year, shortage of medical specialists and improvement of utilization efficiency of high-cost ICUs have become challenges in Japanese hospitals.

The company aims to introduce a system that enables remote monitoring of conditions, bio-information, medication history, etc. of ICU patients through a network. By an effective approach drawn up through combinations of big data of more than 3 million cases, the length of stay in ICUs was reduced by 20% in a comparative experiment in the United States. From a control center, one medical specialist and three nurses can monitor 150 patients. In Japan, collaboration started toward practical use at the proposal of Showa University Hospital that was quick to notice the effectiveness of the system. Because a limited number of medical specialists and nurses can effectively care ICU patients, the system can be used for medical cooperation with local hospitals suffering from medical specialist shortage. Philips plans to advance R&D toward practical use of the system within FY 2018 and then introduce it in Japanese market on a full scale.

– Realization of Connected Industries through the 4th Industrial Revolution

In its new “Growth Strategy 2017” (cabinet decision made in June 2017) and the “Basic Policy on Economic and Fiscal Management and Reform 2017,” the government announced that it would work for realization of Society 5.0 (super smart society where people can live comfortably and abundantly in all situations) to address various social issues by incorporating innovations that the 4th Industrial Revolution has progressed rapidly into every scene of industry and social life.

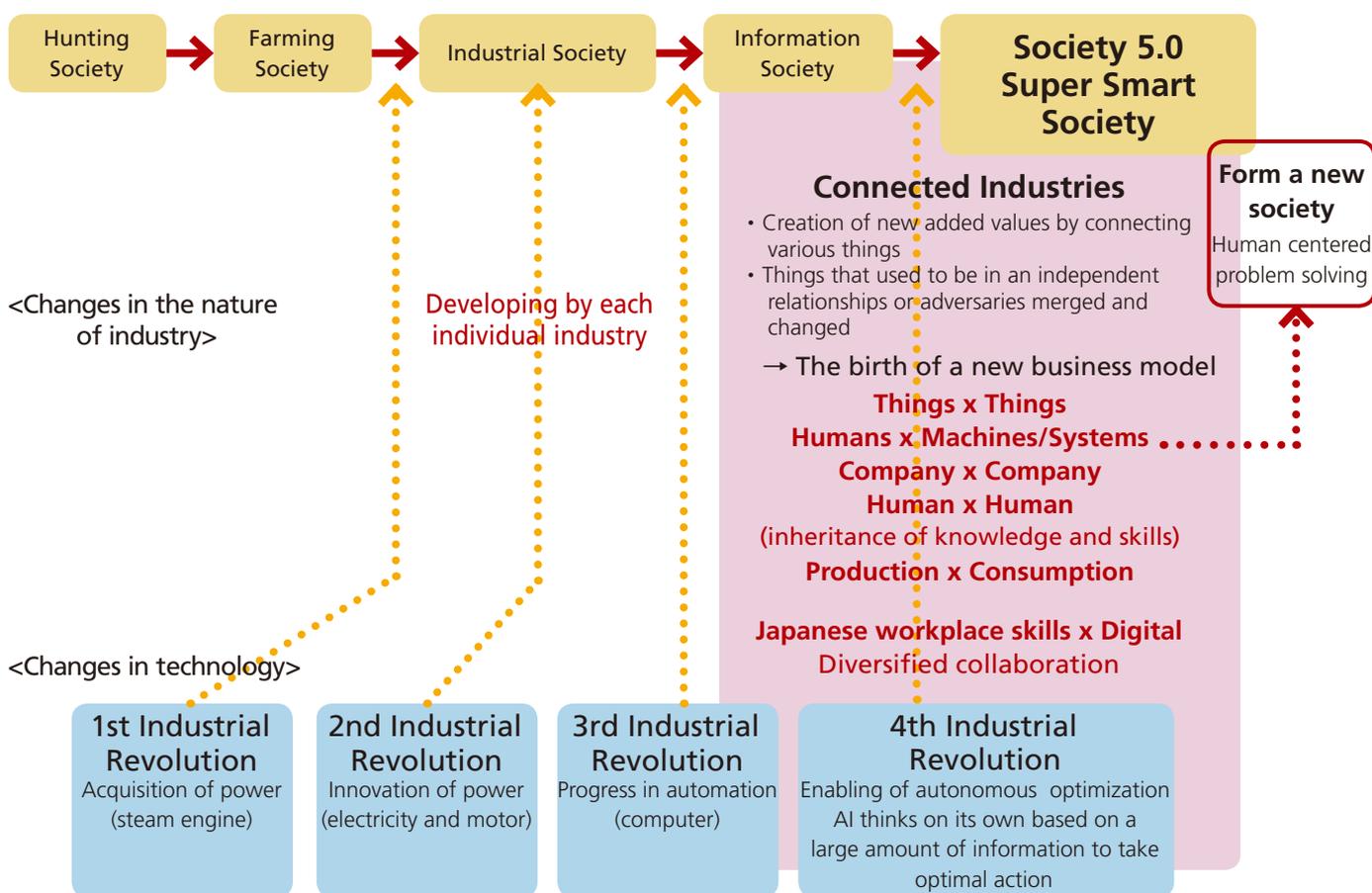
Following the 1st Industrial Revolution that realized mechanization by steam engine, the 2nd Industrial Revolution that enabled mass production using electricity and the 3rd Industrial

Revolution with automation by computer, the 4th Industrial Revolution is believed to deliver autonomous optimization by IoT, big data, artificial intelligence (AI), robotics, the sharing economy and other technological innovations.

By realizing “Connected Industries” that connect various things including things to things, humans to machines/systems, humans to technology, companies belonging to different industries, people over generations and manufacturers to consumers, through a network using technologies such as IoT, the government aims to create an industrial society that produces new added values contributing to solving problems of customers and society.

Chart 3-1 Connected Industries leading to Society 5.0

<Social changes>



[Source] “Future Vision towards 2030s (the New Industrial Structure Vision)” (Ministry of Economy, Trade and Industry)



Remote management program for intensive care patients (Courtesy of Philips)

Speaking of diagnostic aid by IT, the Institute of Medical Science, the University of Tokyo, made AI Watson of **IBM** (US) learn about 20 million papers. Then Watson identified in ten minutes the name of a particular leukemia of a patient whose symptom had not improved for six months and contributed to improvement of the symptom, which got into the news. If these technologies are put to practical use, they are expected not only to contribute to labor productivity improvement in medical practice, but also to improve the quality of medical care and promote regional medical cooperation.

(2) Improvement of farm work efficiency and succession of know-how in farm households

The farming population is also aging and their average age is said to be 67. Lack of successors of farm work which has depended on human skills and intuition has become a serious problem. In this context, there are attempts to use IoT and AI technologies to find a clue to solution.

Analog Devices (US), developing semiconductor IC products, carried out an experimental study on smart farm work jointly with **Amazon Web Services** (US), a Japanese application development company CF-K and a strawberry farm Murata's Family Farm in Ibaraki. They installed sensors that automatically measured temperature, humidity, illumination, carbon dioxide concentration and other environmental data, and enabled remote monitoring of the data through smartphones and tablet terminals. By visualizing the optimal production process through using the results of the analysis of the growth data automatically obtained from the sensors for production forecasting, they aim to efficiently increase yield and further improve the quality of the strawberries.

Philips will also advance R&D of a system to network multiple hospitals for "remote pathology support (Digital Pathology)." In Japan there are only about 2,200 certified pathologists (0.76% of all physicians, Source: Japanese Society of Pathology) who make diagnoses based on microscopy of cancer or other lesion tissues / cells collected from patients. Their absolute shortage has become a serious problem. Project partners Kobe University and Nagasaki University have put emphasis on remote pathology support and pathologist education in remote places. This system promises the promotion of regional medical cooperation as well as improvement of quality in medical care through involvement of multiple pathologists. The system can also be used for remote instruction to young physicians and by pathologists who are caring for children and therefore have place/time restrictions for working. In partnership with Japanese medical institutions with sophisticated pathological diagnosis technique and Japanese companies with excellent imaging diagnostic technologies, Philips is considering export to Asia in the future.

GE Healthcare Japan, a group company of **GE** (US) that is promoting IoT across the group is working on the "Brilliant Hospital" project. The project connects people, things and information in hospitals through the Internet and analyzes collected data to identify operation issues and improve management efficiency. Starting from development of a failure prediction system for medical instruments, the company is carrying out verification projects in hospitals in Osaka and Mie to collect and analyze various data (location information, operational status, inspection history of medical instruments, asset information, etc.) using Japan's beacon technology (radio transmitter that broadcasts distinctive signals to obtain location and other information). As the population ages, Japan's medical practice needs improvement of productivity and quality in medical care through efficient use of medical equipment, asset optimization and improvement of work efficiency of medical practitioners. The company is promoting the project aiming to provide a solution.

Biopharmaceutical company **Pfizer** (US) will work to develop a new digital health business of diagnostic aid based on enormous clinical trial data and analysis know-how the company has accumulated. In cooperation with Japanese medical equipment manufacturers, universities and other partners, the company will obtain bio-data using sensor mats that can measure sleep state (breathing, heart rate, etc.) and eye movement measuring apparatuses. By analyzing the data using its unique algorithm and identifying the data pattern characteristics of the patient, the company aims to apply the system to disease prevention and diagnostic aid.



Sensor installed in the farm (Courtesy of Analog Devices)

Auto parts manufacturer **Bosch** (Germany) also announced that it started sales of disease prediction system for greenhouse tomatoes using AI in Japan. The company that is putting efforts into R&D of automatic driving also applies its AI technology in a different industry, agriculture, to contribute to prediction of crop diseases.

Today, when succession of know-how is concerned due to the declining farming population in Japan, technologies of foreign companies are expected to be utilized in these attempts of automation of farming processes and smart farming.

(3) Productivity improvement and man-hour reduction in manufacturing sites

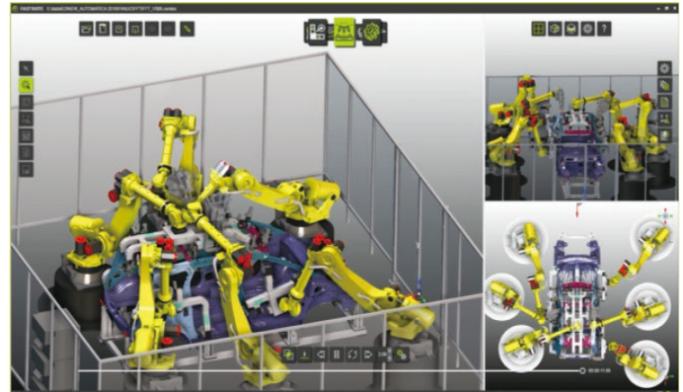
Efforts to improve work efficiency and productivity using IoT may have been mostly introduced in manufacturing sites that have been committed to Kaizen activities. As various improvement efforts have been made in order to survive in severe international competition, there are efforts to improve productivity and business operations by fusing technologies of foreign and Japanese companies.

GE Healthcare Japan is working on the “Brilliant Factory” project for production optimization at manufacturing sites. Its Hino Factory is one of the seven Showcase Sites chosen from 450 GE factories worldwide for their high productivity and improvement efforts (only one showcase site is selected from the healthcare business). In the factory producing CT detectors for medical use, data obtained from Murata MFG’s beacons attached to workers, equipment, facilities, etc. are analyzed using an industrial IoT platform. A system to discover improvement opportunities by displaying traffic lines and operation processes on a large screen contributed to reduction of man-hours. Furthermore, digital acceleration of the lean production method (the method called Toyota Production System that is designed to eliminate waste in manufacturing process) has produced results, which include 65% reduction of time from ordering to delivery in some production lines. The factory accepts a large number of visitors from other companies. The company intends to spread the system to other factories in the world and manufacturing sites in Japan.

Software developer Dalian Hi-Think Computer Technology (DHC, China) opened Laboratory of Hi-Think as a new R&D site in Kyoto Research Park at Shimogyoku, Kyoto, in February 2017. For the company that has sites in Tokyo and Okinawa and has developed software for the Japanese market, this is the first site dedicated to R&D. The company, jointly with Osaka University and an engineering company of Nagoya started R&D of solutions for manufacturing sites using machine learning by AI and IoT technologies. The aim is to prevent stopping of machines by making AI learn how machinery equipment failures occur, which has been judged by skilled engineers based on their experience, and detecting defects such as malfunctions. This way, you can automate manufacturing sites using a compact system without large-scale and high-cost equipment investment. The company aims to contribute to improvement of operational efficiency and cost reduction in factories.

In fall 2016, software developer CENIT Japan (“CENIT,” Germany) jointly with HIROTEC, an auto parts manufacturer of Hiroshima, worked on an experimental study of a digital factory (virtual factory) of a weld line for auto body products. It was an attempt for 3D simulation at once by collecting data from equipment such as robots and jigs of various manufacturers used in the production line. CENIT was a part of a research project related to Industry 4.0 of the government of Germany and has experience in researching on factory automation of aircraft and automobile manufacturers. Under stiff global competition that calls for reduction in the weight of vehicle bodies and costs, Japan’s auto parts manufacturers have to cope with multiproduct and quick delivery production, which requires quick launch of new production lines and swift set-up change of existing lines. Prior simulation of production lines in a virtual factory will enable study of response to possible troubles and failure prediction, and also reduce time for set-up change of

equipment. In the future, the company aims to realize full factory automation by enabling real-time treatment in a virtual factory.



Images of 3D simulation (Courtesy of CENIT)

(4) Efforts to solve problems in other sectors such as finance, tourism and communications infrastructure

Attempts to solve problems using IoT and AI technologies have spread in to fields besides productivity improvement and measures against labor shortage. For example, in the financial sector where FinTech (fusion of finance and IT) market is growing significantly, AI technology has been introduced to detect illegal money transfers. SkyMind is a US company developing AI-based software used for detection of unauthorized use of access to credit cards and mobile networks abroad. A Japanese subsidiary was established in February 2016 and is undertaking joint researches with the Japanese financial institutions and software application developing companies.

There is also a unique attempt to use IoT for tourism promotion. LOOPShare is a Canadian IT company providing electric scooter rental service in seven countries in the world. As the so-called sharing economy market including car sharing and rental bicycles is expanding, the company launched its first overseas subsidiary in Japan in September 2016. Electric scooters and bicycles equipped with a dashboard developed by the company are connected to the Internet to make it possible to reserve them through smartphones or PCs at any time. The service is offered to foreign tourists in five languages and linked also to Chinese electronic payment system targeting increasing Chinese tourists. Electric scooters and bicycles are environmentally sound because they do not emit carbon dioxide. Aiming to use user information and travel data obtained from the system as big data for the tourism strategy of local governments, the company together with a venture company of Kyoto that is developing car navigation systems conducts experimental studies in Okinawa and Kamakura. In a survey of local governments across Japan conducted by the Ministry of Internal Affairs and Communications, tourism ranked first as the sector for which they wish to use big data (“Study Report on the Current State of ICT Use and Application in Regional Areas,” MIC (2017)). The company plans to provide the service also in Kyoto, Nara and Shikoku Region to contribute to tourism promotion and regional vitalization.



Dashboard mounted on a scooter (Courtesy of LOOP Japan)

There is also an attempt to strengthen the infrastructure development of IoT in Japan. Telecommunication equipment provider **Ericsson Japan** (Sweden) will start a demonstration experiment of street lights with built-in radios and antennas in Hiroshima, with an eye to the next generation ultrahigh speed network (5G).

With the transmission speed tens of times faster than current 4G LTE, 5G is expected to serve as the network infrastructure for promoting IoT in Japan and be used for real-time information exchange toward automatic driving, for example. However, there is a concern that a large number of additional mobile base stations in downtowns might have a negative impact on the townscape and increase the installation cost. As a way to solve the issue, the company, jointly with Japanese companies such as KDDI and street light manufacturers will work toward practical use of the street lights in Japan.

These efforts promise that problems of Japan as a “frontrunner in overcoming global challenges” will be solved one by one through innovation creation. If collaboration of foreign and Japanese companies continues to generate new products/services that change the whole of Japanese society, it will be an opportunity also for Japanese companies to evolve their technologies. Furthermore, results of joint R&D may spread from Japan to the world.

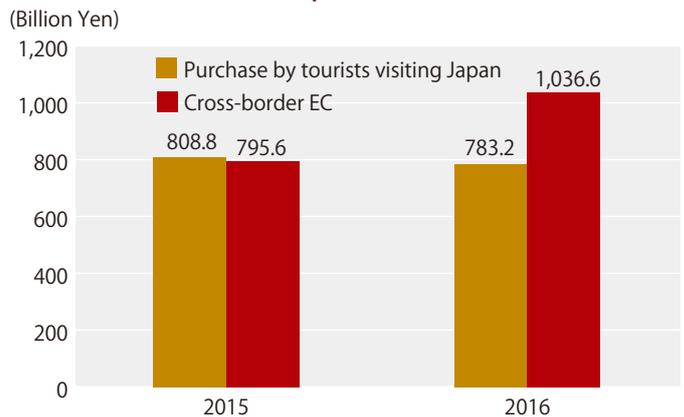
2. Cross-border EC – contributing to expansion of overseas markets for Japanese companies

Japan’s sophisticated market and its position as a “trendsetter” in Asia are part of a major attraction for FDI in Japan. Demand for Japanese products is expanding as they have enhanced their added value and brands by satisfying Japanese consumers who demand high quality. They are highly trusted by overseas (especially Chinese) consumers whose desire to buy is expanding.

Under these circumstances, purchase of Japanese brand products using so-called cross-border EC is also surging in recent years. “Bakugai (shopping spree)” by Chinese tourists visiting Japan is still fresh in our minds, but according to the Ministry of Economy, Trade and Industry, the amount of China’s cross-border EC purchase from Japan reached 1,036.6 billion yen in 2016, for the first time exceeding the purchase amount of Chinese tourists visiting Japan. Major reasons may include: more Chinese consumers attach importance to high quality and safety with the increase of their household income, and consumers who have learned to appreciate

Japanese products through their visits to Japan or word of mouth are using cross-border EC as an easy way to purchase without visiting Japan.

Chart 3-2 Comparison of the total purchase amount of Chinese tourist visiting Japan and that of China’s cross-border EC from Japan



[Source] “Consumption Trend Survey for Foreigners Visiting Japan” (Japan Tourism Agency), “Infrastructure Development pertaining to a Data-driven Society in Japan (a market survey on e-commerce)” Ministry of Economy, Trade and Industry

Seeing a business opportunity in this development, foreign companies operating cross-border EC sites are entering the Japanese market one after another. Their moves draw attention as a new means for Japanese companies to develop overseas markets. Generally “cross-border EC” takes forms such as: (1) a Japanese company opens its own net shop to attract overseas customers (2) it opens its store in a cross-border EC mall by paying a store opening charge and (3) a cross-border EC company directly sells goods purchased from Japanese companies. While major EC sites are launching services to support Japanese companies’ development of overseas markets, it is conspicuous that some of the recent entries by foreign companies are primarily based on direct purchase to ensure stable procurement of Japanese brand products.

Below we introduce a “new trend of FDI in Japan” contributing to Japanese companies’ development of overseas markets by describing recent cases of foreign EC companies’ investment in Japan.

(1) To be a part of the value chain of Japanese companies through direct sourcing



Chinese B-to-C EC site operator **Guangzhou VIPSHOP Information and Technology (vip.com)** which ranks third in total B-to-C transactions in China (Source: China e-Business Research Center (CECRC)) established a Japanese corporation in Tokyo in January 2016. The company was founded in China in 2008 and started cross-border EC site operation in 2014.

Since its foundation the company has been rapidly growing with its signature flash sales (quick sale at discount rates for a limited period of time) business model. The number of its users in China exceeded 200 million at the end of 2016.

The company has established overseas locations— in Hong Kong, London, Milan, Paris, Frankfurt, New York, Los Angeles, Sydney,

Seoul and Tokyo, to source products directly from makers and exclusive agents. Instead of renting site space to individual suppliers, vip.com has established a system to directly handle the entire process from product procurement to sales to distribution to ensure a steady supply of Japanese brand products to Chinese consumers. The company enjoys not only the confidence of consumers who “can buy 100% genuine authentic products” but also a deep trust with suppliers concerning “stable procurement of our products,” thus building a win-win relationship with its customers and suppliers.

vip.com aims to be a strategic partner for Japanese companies to develop overseas markets by building a collaborative relationship to discover potential best sellers and develop them into attractive goods. The company also hopes to contribute to regional vitalization in Japan by selling in China “hidden ‘good things’” rooted in communities of Japan.

(2) Partnering with Japanese companies also for development of overseas markets of fresh produce



In July 2017, JD.com, whose transaction amount is second in the Chinese B-to-C market (Source: China e-Business Research Center (CECRC)), established a Japanese corporation in Tokyo in order to strengthen sourcing of Japanese products and direct transaction with Japanese companies. The company’s site attracts as many as 260 million users, together with Alibaba Group, accounts for about 80% of B2C e-commerce transactions in China.

The company is developing a hybrid-type business model consisting of renting site space in its mall and directly purchasing from other companies. It has grown taking advantage of its distribution network with delivery personnel assigned at 50,000 villages as well as direct sales, and also introduced surprise inspection under its motto, “zero fakes.” Accepting an investment from a major Chinese IT firm Tencent in 2014, the company is working on marketing using big data based on SNS and EC data integration and also putting efforts in “Live Distribution” where tenants contribute moving images to introduce and promote their goods.

The company has been selling Japanese cosmetics, health foods and other products to Chinese consumers by opening a site dedicated to Japanese products in its EC site for overseas firms in June 2015, and renting site space to the flagship shop of Rakuten in December of the same year, for example. The company has expanded its business by partnerships with Japanese companies and also puts effort into support for Japanese companies when they open their stores and offer products, and high-speed delivery service with shortened time from order to delivery. In June 2017, it announced a plan to expand its online sale of fresh vegetables by constructing a plant factory in China in business cooperation with Mitsubishi Chemical Holdings. It also plans to start sale of Japanese fresh foods to China in partnership with Yamato Global Logistics, a leading domestic distribution company, by the end of this year. Furthermore, JD.com announced that it would sell VAIO laptops over the Internet as a partner for the re-entry of the brand into Chinese market after its withdrawal from the market. Its business expansion in partnership with Japanese companies is getting further momentum.

(3) Other key foreign-affiliated EC companies

In addition to vip.com and JD.com, various foreign-affiliated EC companies (mostly Asian companies) are providing their service in Japan (Chart 3-3). Taking advantage of characteristics unique to EC, they are increasing services that can contribute to the development of overseas markets by Japanese companies, which include marketing support based on analysis of accumulated transaction data, provision of systems that improve convenience in logistics and payment, and support for expansion to neighboring Asian countries using their overseas networks. Good use of these services will help Japanese companies in securing distribution routes in overseas markets and understanding overseas consumer orientation. These foreign-affiliated EC firms have a potential to develop into an important infrastructure for development of overseas markets by Japanese companies.

Chart 3-3 Recent moves by major foreign-affiliated EC companies in Japan

Name of the company (in alphabetical order)	Parent Country/Region	Outline (from news reports)
Amazon Japan	US	As part of the “highway for overseas expansion” program (with participation of Nippon Express and trading firms) launched in June 2017, Amazon in partnership with Nippon Express will support Japanese SMEs’ export to the US. Nippon Express handles clearance and transportation for goods of multiple companies collectively to reduce distribution cost.
bolome	China	Established a Japanese corporation in April 2015. Integrated operation from purchase to selling of goods through EC dedicated to smartphone. Live relay of videos introducing goods.
eBay Japan	US	Exchanged a memorandum with the Organization for Small & Medium Enterprises and Regional Innovation in April 2017. The company shows SME products on a special site to promote their sales.
Fun Q Japan	China	The subsidiary of Chinese logistics giant SF EXPRESS established in January 2016. The company operates a comprehensive cross-border EC site combining logistics and multiple sales channels.
Inagora	China	Established a Japanese corporation in December 2014. The company operates cross-border EC site specialized in Japanese products, based on one-stop problem solving and targeting the Chinese market.
PChome	Taiwan	Established a Japanese corporation in May 2013. The company operates the biggest B2C shopping site in Taiwan and guarantees delivery within 24 hours.
Tencent Japan	China	In February 2017, Tencent announced its cooperation with the EC Platform of the ANA Group that plans to enter the cross-border EC market. This is a comprehensive partnership consisting of promotion cooperation with its “WeChat,” the China’s largest SNS service with about 800 million users and its mobile payment service “WeChat Pay.”

[Source] Press release of the respective companies, news reports, etc.

IV

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

From May to June 2017, JETRO conducted the “Survey on Japan’s Investment Climate” designed for present data analysis to develop a more attractive investment environment for foreign-affiliated companies and make policy recommendations for this purpose. JETRO collected and analyzed data on the perception of the business environment in Japan among foreign-affiliated companies (e.g., attractiveness and challenges of doing business in Japan, obstacles to entering the market).

The questionnaire was sent to about 1,600 companies with focus on foreign-affiliated companies supported by JETRO in their entry into the Japanese market, and 260 companies responded.

The result of the survey shows that foreign-affiliated companies generally have a positive view about their business condition as well

as the prospects of the Japanese economy. The business environment in Japan is evaluated as improving as a whole. Reflecting this view, about 70% of the companies answered they will expand their business and will increase the number of employees in Japan within the next 5 years.

On the other hand, many companies still have stated that “Difficulty in finding human resources” and “Rigid and complicated administrative procedures and regulations” as obstacles for foreign-affiliated companies to develop their business in Japan. As a demand for Japanese government and industries, many requests have been made asking for “Fostering globally competitive human resources (Japanese),” which is indeed one of the most important issues for the future.

[Survey on Japan’s Investment Climate: Overview]

Objective of the survey and summary of operation

The survey is designed for present data analysis to develop a more attractive investment environment for foreign/foreign-affiliated companies and make policy recommendations for this purpose. Companies were asked about attractiveness of the investment environment in Japan, obstacles for doing business in Japan and other questions in the form of questionnaire. This was the third time to conduct the survey that was initiated in 2015.

Survey period: from May 24 to June 21, 2017

Target companies

About 1,600 foreign-affiliated companies supported by JETRO in their entry into the Japanese market and member companies of foreign chambers of commerce in Japan.

Response: valid response from 260 companies

Profile of the responding company

Chart 4-1 Country/region of the parent companies

Country/region	No. of Companies	Country/region	No. of Companies
US	58	UAE	1
Germany	47	Azerbaijan	1
China	28	Israel	1
Korea	25	Qatar	1
France	18	Colombia	1
UK	16	Thailand	1
Taiwan	11	Denmark	1
Australia	8	Norway	1
Netherlands	5	Bermuda	1
Canada	5	Philippines	1
Hong Kong	5	Vietnam	1
India	3	Belgium	1
Austria	3	Mexico	1
Singapore	3	Latvia	1
Sweden	3	Total	260
Italy	2	(Valid response)	
Switzerland	2		
Finland	2		
Malaysia	2		

1. Foreign-affiliated companies are generally performing well and positive about the economic prospects

In this survey, questions about the current business conditions (compared with the last year) of the company in Japan and the outlook over the next one to two years are newly included in order to comprehend the management status of foreign-affiliated companies. Over 40% of the companies answered that their business conditions were “Good (upturning),” and nearly 60% answered the outlook over the next one or two years was “Good (upturning).” Meanwhile, foreign-affiliated companies answering the current conditions/future outlook are “Bad (worsening)” were only 8.9% and 10.2% respectively (Chart 4-4, 4-5). Similarly nearly 40% think that Japanese economy “has improved” and “is likely to improve” over the next one or two years (Charts 4-6, 4-7). The positive outlook greatly surpassed “has worsened” and “is likely to worsen” that are around 10%. Foreign-affiliated companies have a positive view on the current performance and outlook of both their business in Japan and the Japanese economy.

Chart 4-2 Country/region of the parent companies (by region)

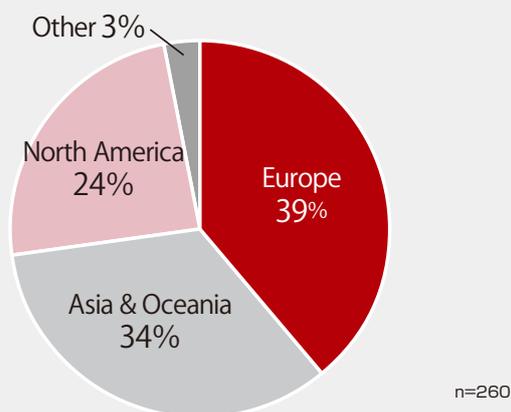


Chart 4-3 Number of years since establishment in Japan

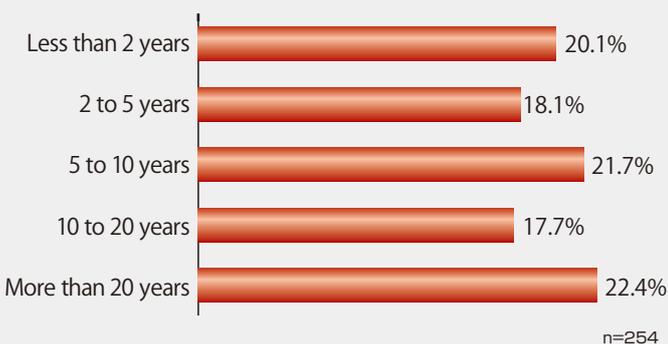


Chart 4-4 Current business conditions compared with the previous year

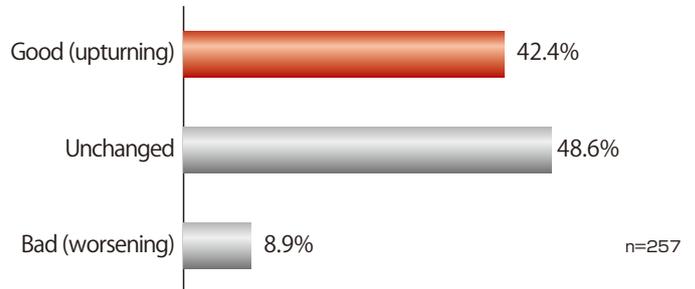


Chart 4-5 Outlook of the business conditions in Japan (over the next one or two years)

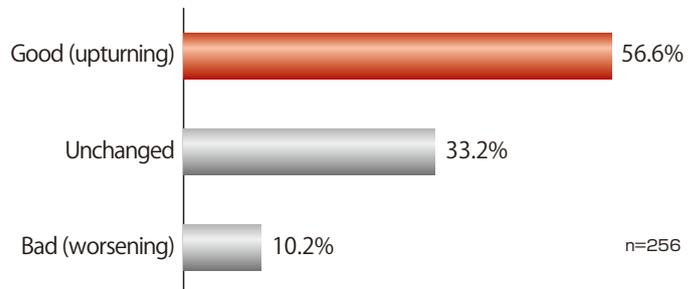


Chart 4-6 View on the current Japanese economy compared with the previous year

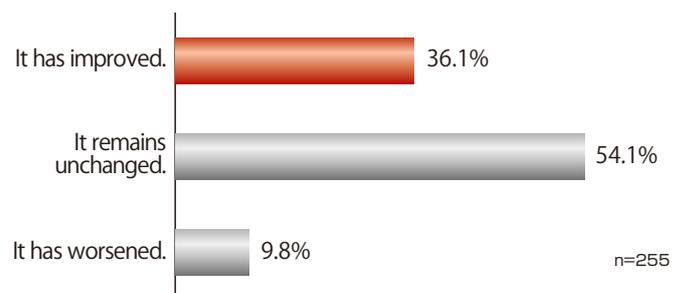
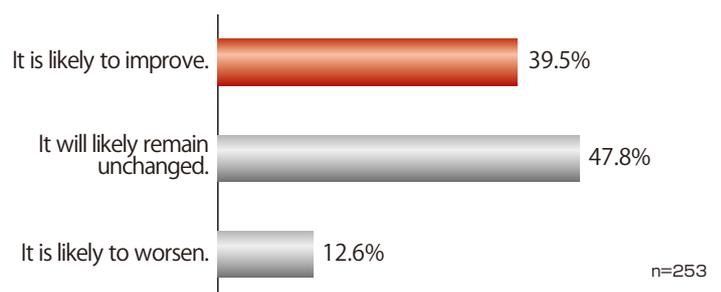


Chart 4-7 Outlook for the Japanese economy (over the next one or two years)



2. Business environment is getting better in Japan

In order to make clear their view on “changes” in the business environment in Japan compared with the past one to two years, seven questions were asked about the improvement: Living conditions for foreigners; Tendency of Japanese companies and society to be closed toward foreign-affiliated companies; Ease of communicating in non-Japanese languages (in business); Particularities of Japanese business climate; Ease of finding business partners; Ease of recruiting good employees; and Business costs. Respondents answering “It has been improved” or “It has been slightly improved” generally outweighed those answering “It has got worse” or “It has got worse slightly.” Foreign-affiliated companies appreciate the business environment in Japan as improving as a whole (Chart 4-8). On the other hand, a relatively large number of respondents answered “It has got worse” or “It has got worse slightly” to the questions “Ease of recruiting good employees” and “Business costs.” Many of the companies that responded that business costs have got “worse” or “worse slightly” have produced and manufactured in Japan. It is speculated that these companies take a view that depreciation of yen has made exacerbated business costs due to the rising of purchasing price of raw materials and parts.

To the question whether the business environment is getting better in the past one to two years due to the efforts of the Japanese government, the sum of the answers, “It’s becoming significantly better” and “It’s becoming somewhat better” is about 20%.

Many companies feeling the improvement appreciate “Easing

of living conditions for foreigners” (35.4%) and “Immigration regulation reform and improvement of operation” (27.1%) as effect of the government efforts.

3. 70% of foreign-affiliated companies plan to expand their business and employment

Regarding the investment plan within the next five years, more than 70% of the companies answered they will expand their business, while 3.5% answered they will scale down their business and only 0.8% answered they will exit Japan (Chart 4-9). Although answers choosing “We will expand our business” decreased 5 points compared with the past two years, still over 70% of the companies chose the answer, and it proves their positive business condition and strong motivation to investment.

Chart 4-9 Investment plans within the next five years

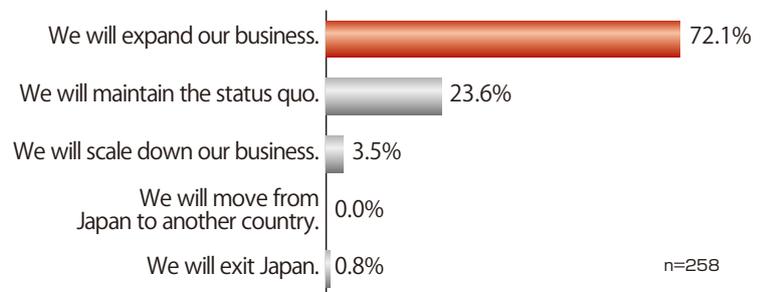
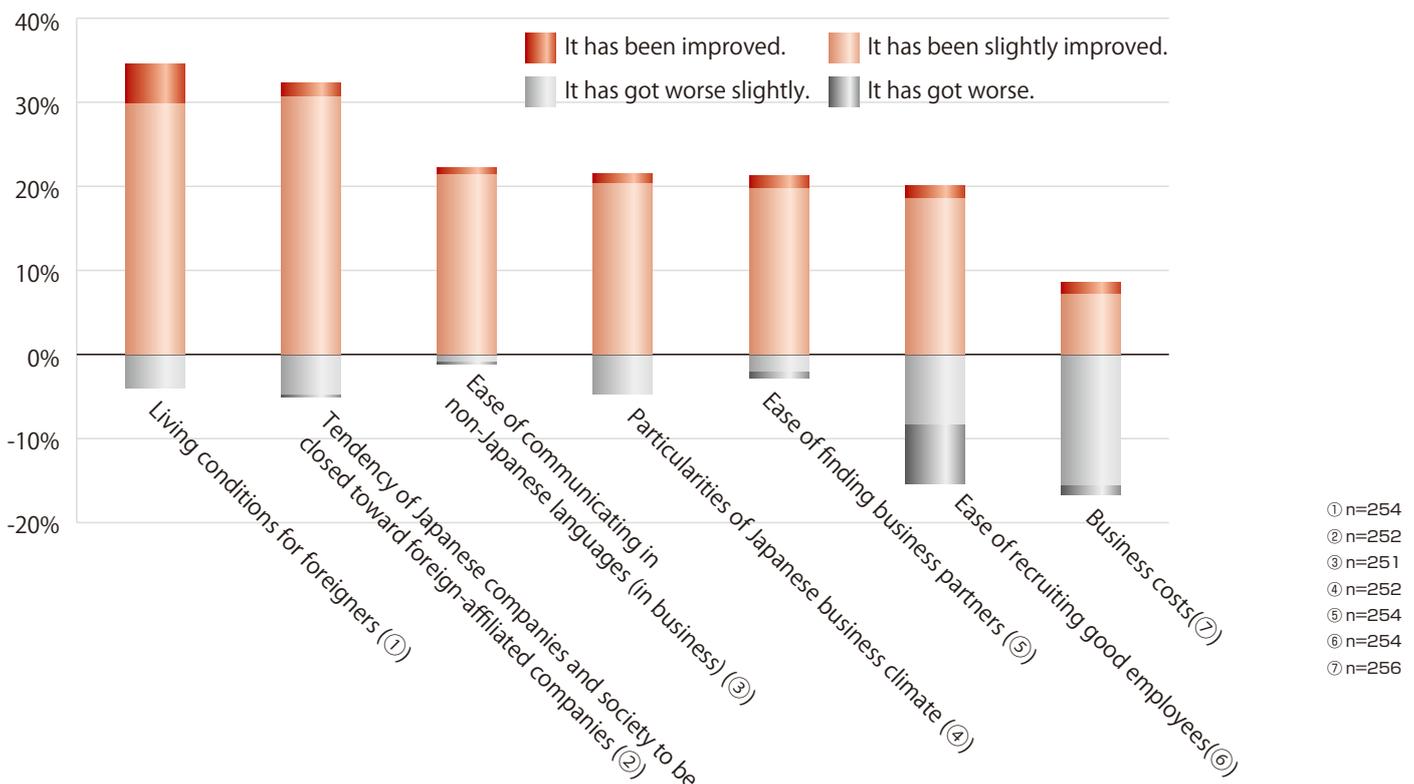


Chart 4-8 Business environment in Japan – changes in comparison with past one to two years



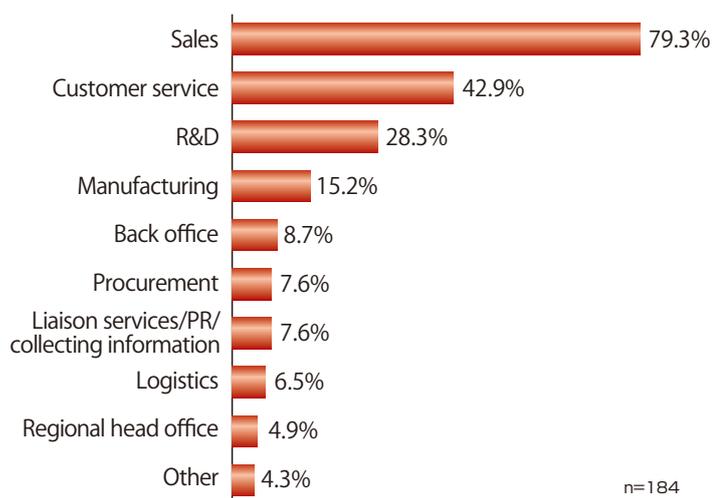
[Note] Ratio of companies answering “It has been improved” or “It has been slightly improved” is shown as positive, while that of answering “It has got worse” or “It has got worse slightly” is shown as negative. Ratio of answers “It remains unchanged” is not shown in the chart.

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

Regarding the types of businesses they are planning to expand, about 80% answered “Sales,” and about 40% answered “Customer service,” but nearly 30% answered “R&D,” an increase of more than 6 points from the previous survey (Chart 4-10). Japan is receiving increased recognition as a location of product development and an R&D base in recent years, thanks to its technology development capabilities and reliable intellectual property protection, which may be related to this result.

Companies answering that they are planning business expansion in Japan were asked a question on concrete plans and reasons. There were a lot of ambitious comments leaning toward investment expansion. Purposes of investment expansion are divided into three categories: (1) consolidation/expansion of business locations, (2) acquisition of market outside the Tokyo metropolitan area, and (3) function enhancement.

Chart 4-10 What type of business are you planning to expand? (multiple answers)



Generally the factors which the companies consider important when deciding on the location of secondary investment are “proximity to customers,” “infrastructure,” “market size (marketability),” “costs (land, personnel, etc.),” and “access or distance from other offices or places in Japan.” The prefectures where additional investment is planned and the business function intended for the locations were also asked about in this survey. As locations for the secondary investment, Tokyo, Osaka, Kanagawa and Aichi and other large cities with a large market are ranked high. In respect to business function, “Sales” and “Customer service” are common to most prefectures, while Kanagawa and Hyogo were chosen for “R&D,” Aichi and Okinawa for “Manufacturing” and Fukuoka for “Logistics,” which reveals the regional characteristics. The result suggests the possibility of attracting business bases by taking advantage of the strength of each region (Chart 4-11, 4-12).

Chart 4-11 Locations of secondary investment (top two prefectures)

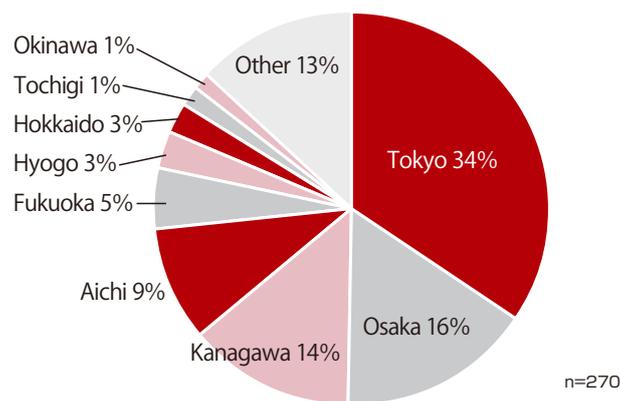


Chart 4-12 Locations of secondary investment (top two prefectures) and types of business to expand

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

To the question about the projected number of employees in Japan within the next 5 years, about 70% of the companies answered “the number of employees will increase,” whereas only 3.5% answered “the number of employees will decrease” (Chart 4-13). The largest number of respondents chose increase by “1-10 people” (Chart 4-14).

Chart 4-13 Projected number of employees in Japan (within the next five years)

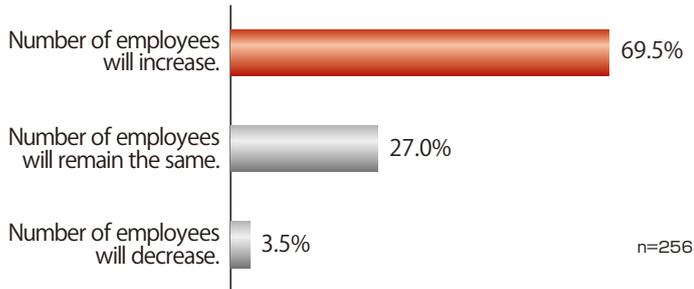
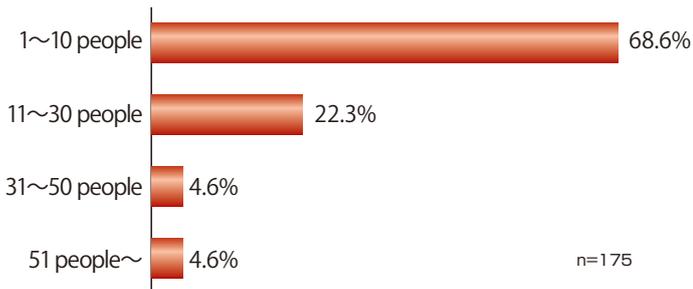


Chart 4-14 Number of the increase



“Difficulty in finding human resources” was the largest obstacle for foreign-affiliated companies in the previous survey, and raising the graduate employment rate of international students who wish to work in Japan is a policy issue. In light of the above, a question “Are you interested in employing international students?” was newly included in this survey. To this question, about 60% of the companies showed willingness to employ them by answering “Yes, we will employ international students”(Chart 4-15). As described above, with the increase of foreign-affiliated companies intending to expand their R&D functions, which is combined with a shortfall of engineers, they are highly interested in employing international students majoring in science (Chart 4-16).

Chart 4-15 Are you interested in employing international students?

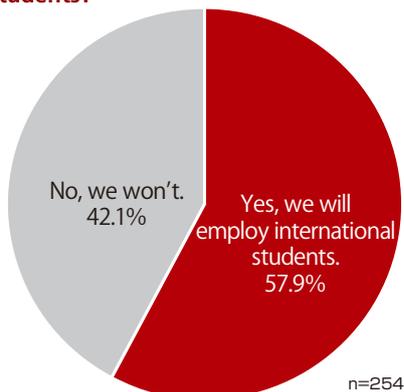
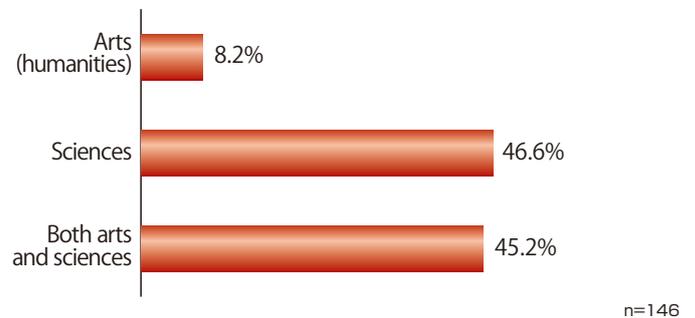


Chart 4-16 Which type of students do you plan to employ?



4. Strength of foreign-affiliated companies and their efforts to enhance productivity

As described above, the business conditions of many foreign-affiliated companies are robust in Japan. In order to clarify some of the reasons, questions on “your company’s strength in doing business in Japan” and “productivity enhancement” were asked in this survey. As their strength in doing business in Japan, over 60% of the companies chose “Performance and quality of products and services,” which was followed by “Novelty of products and services” (34.6%) and “R&D and technology” (32.3%) (Chart 4-17). Answers closely linked to qualitative superiority of the products/services ranked high, while those related to the business approach including the business model are chosen by only a limited number of companies. Foreign-affiliated companies seem to have entered the sophisticated and huge market of Japan armed with “performance/quality” and “novelty” of their products/services and are developing strong businesses.

Regarding productivity enhancement, over 40% of the companies, especially European and US companies answered that their productivity has improved compared with one or two years ago (Chart 4-18). Asked about measures they have implemented in order to enhance productivity, 50.5% of the companies above answered “Training, human resource development,” and nearly 30% answered “Introducing more variety of ways of working (telecommuting, flex time, shorter working hours).” The result also shows that a considerable number of the companies have enhanced productivity by efforts, such as “Promoting diversity in workforce or advancement of women” (22.9%) and “Shortening of working hours (“no overtime” days, morning shifts, prohibition of late-night overtime)” (12.8%) (Chart 4-19).

Many studies have pointed out that productivity of foreign-affiliated companies is higher than that of Japanese companies. Efforts by foreign-affiliated companies to enhance productivity may indicate solutions for Japanese companies to pursue “work-style reform” and “promotion of the role of women.”

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

Chart 4-17 Company's strength in doing business in Japan (multiple answers)

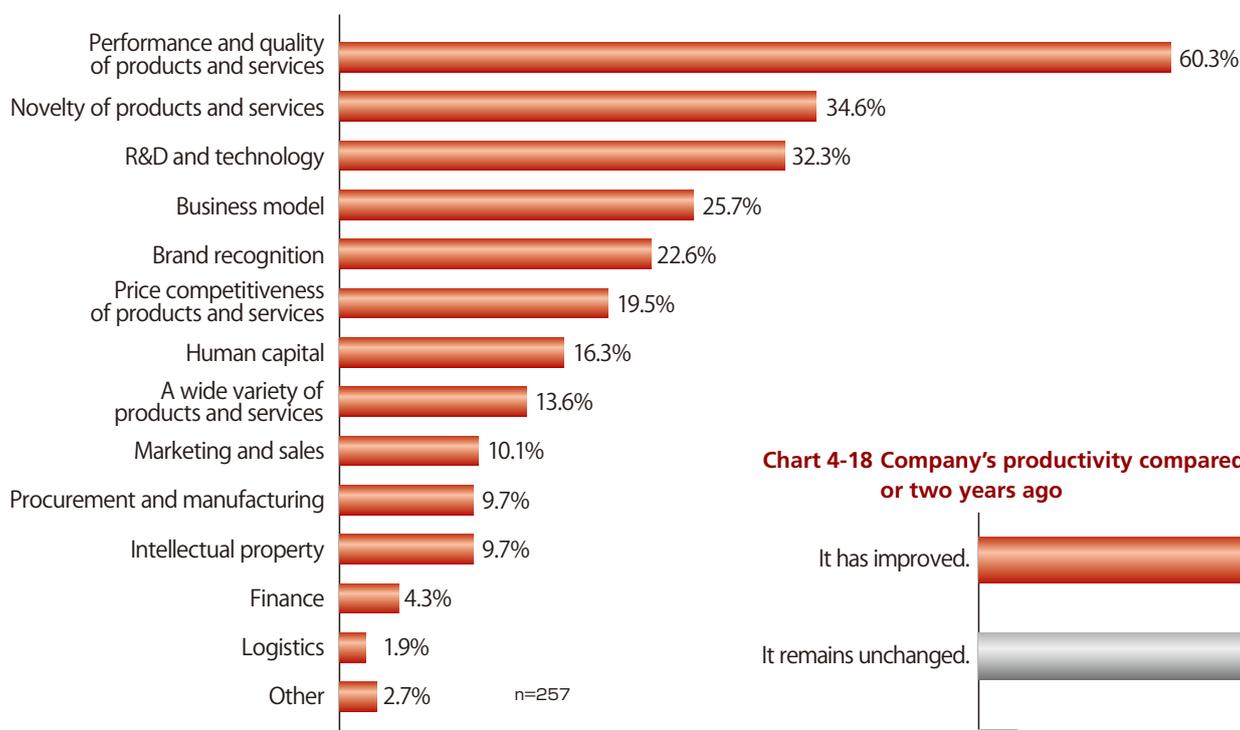


Chart 4-18 Company's productivity compared with one or two years ago

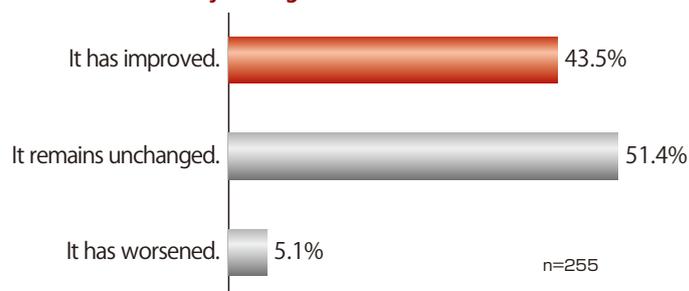


Chart 4-19 Measures implemented in order to enhance productivity (multiple answers)



5. The first-ranking appeal is “Japanese market” followed by “Stability of nation and society”

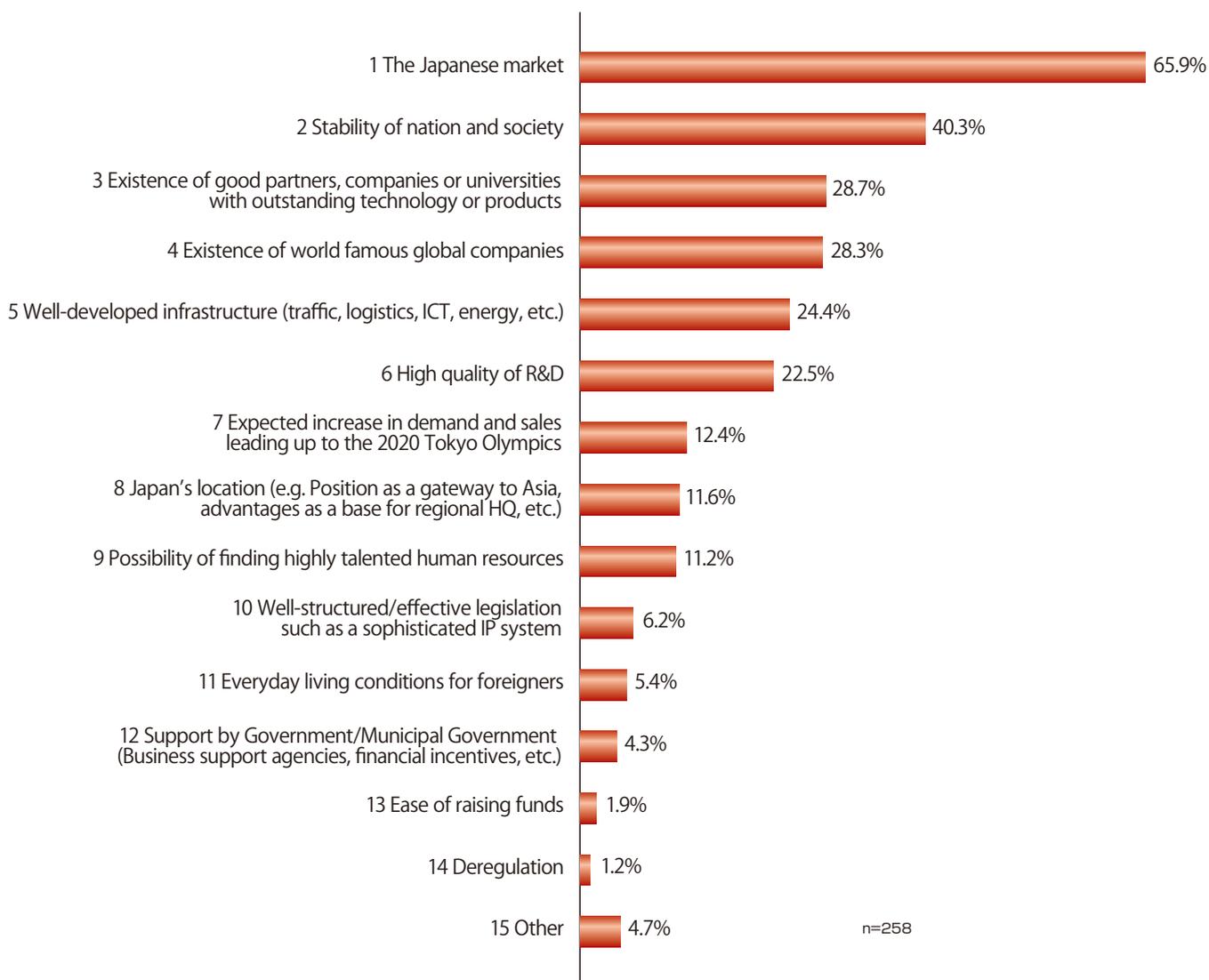
As the attractiveness of doing business in Japan, 65.9% of the companies answered “The Japanese market” followed by “Stability of nation and society” at 40.3%, “Existence of good partners, companies or universities with outstanding technology or products” at 28.7% and “Existence of world famous global companies” at 28.3% (Chart 4-20). “The Japanese market” maintained the overwhelming position of No.1 following the past two surveys. Foreign-affiliated companies seem to appreciate the market size of Japan and purchasing power of its consumers. “Stability of nation and society” that ranked second is newly adopted in this survey. The result may reflect reevaluation of Japan in contrast to the uncertainty of the political and economy situation in Western countries including movements involving the withdrawal of the UK from the European Union and the trends in the new US administration.

There are also many foreign-affiliated companies partnering with Japanese companies to utilize resources of Japanese companies, such as the high R&D capability. Existence of partners such as excellent Japanese companies and universities seems to be a big point of attraction for foreign-affiliated companies.

6. Obstacles to doing business in Japan and request for improvement

There have been many voices pointing out “Difficulty in finding human resources” and “Rigid and complicated administrative procedures and regulations” as obstacles to develop business in Japan. This time the same trend was observed again. Given this situation, for example, a shortage of labor supply and demand has worsened and a sense of shortage of people is spreading among foreign-affiliated companies. In this survey, when asked about particularly troublesome issues in connection with “Difficulty in

Chart 4-20 Attractiveness of doing business in Japan (top three options)



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

finding human resources," an overwhelming majority of 66.7% answered "Lack of human resources who can communicate in foreign languages" followed by "Difficulty in finding specialists" at 35.7% and "High hiring cost" at 25.5% (Chart 4-21). The category of job most difficult to fill is "Engineering (Staff)" at 49.4% followed by "Engineering (Manager)" at 33.2%, "Sales (Manager)" at 27.7% and "Sales (Staff)" at 27.7%. Foreign-affiliated companies feel difficulty in securing engineers regardless of position (Chart 4-22). From the above, it can be noted that foreign-affiliated companies are struggling to secure "engineers who can communicate in foreign

languages and function effectively as specialists." By industry, serious shortage of engineers is noticed in "vehicle parts" and "electronic device manufacturers" in the manufacturing industry and "information, software" in the non-manufacturing industry.

Regarding "Rigid and complicated administrative procedures and regulations," a question on "administrative procedures and regulations that you would like to see improved" was asked. "Tax matters" (37.5%) was chosen by the largest number of companies, which was followed by "Labor matters" at 25.4%, "Status of residence (visa)" at 22.9% and "Safety standards/regulations of

Chart 4-21 Issues particularly troublesome for securing human resources (top two options)

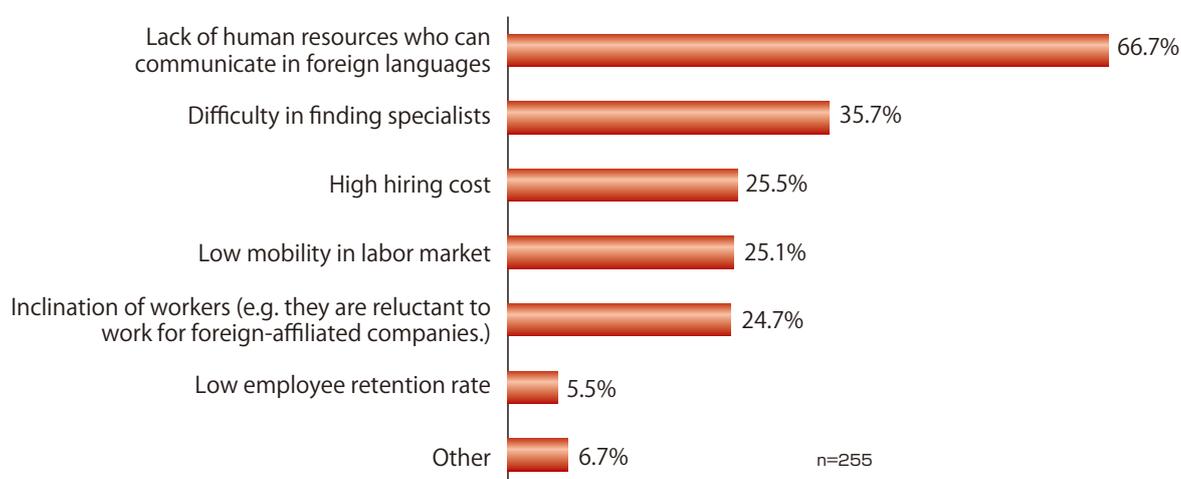
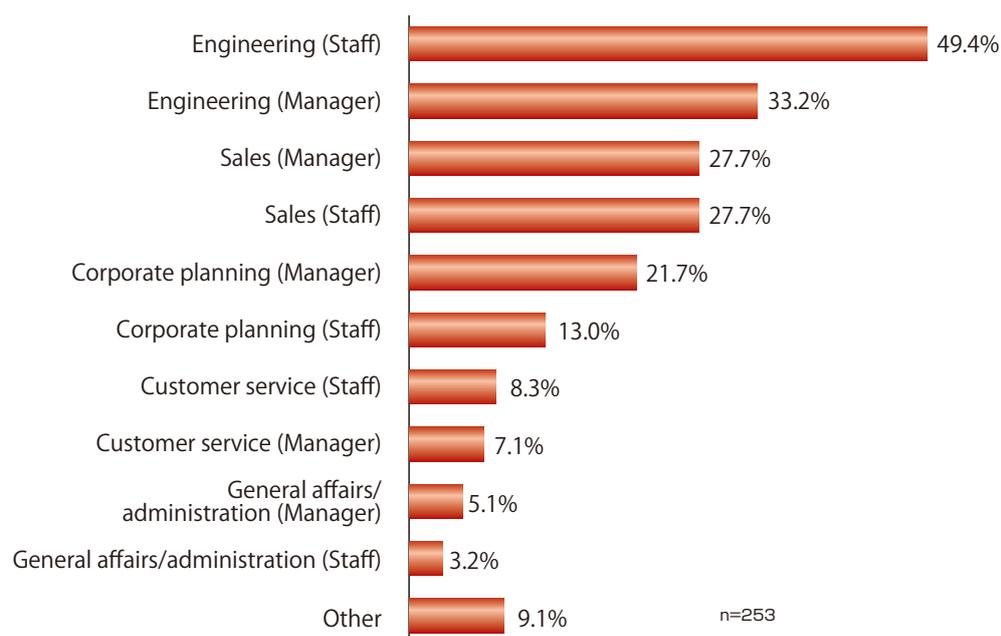


Chart 4-22 Category of jobs most difficult to fill (multiple answers)



products” at 22.9% (Chart 4-23). As issues specifically necessary to be improved, the largest 36.3% answered “Complicated administrative procedures (Too many procedures and points of contact)” followed by “Internationally unharmonized and incompatible business permits/licenses” (32.9%) (Chart 4-24). There were comments such as “deregulation is progressing but we feel taxes are still high compared with other countries,” “multi-lingualization of documents for procedures is insufficient,” and “we are sometimes turned away at the door without being investigated or examined by reason of ‘no precedent.’” For the contributing background to be pointed out that the rigid and complicated administrative procedures and regulations in Japan as obstacles, there could be an extensive comparison on the reduction of cost of administrative procedures and burden of paperwork in the countries of Europe and North America in 2000s.

Regarding “Difficulty in communicating in non-Japanese languages,” “Lack of personnel who speak multiple languages at your clients” (39.8%), “No English version available for business documents (e.g., contracts)” (38.6%) and “Lack of personnel who speak multiple languages at your company” (32.3%) are felt to be particularly difficult (Chart 4-25).

There were also comments on the business environments in Japan, such as “a large number of printed documents are required and on-line response is difficult,” “over-engineering quality awareness/management,” and “there are too many trading companies which makes it difficult to do direct business among manufacturers and generates waste of money and time due to use of resale business.”

Chart 4-23 Administrative procedures and regulations that need improvement (top two options)



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

Chart 4-24 Specific issues needing improvement regarding administrative procedures/regulations (top two options)

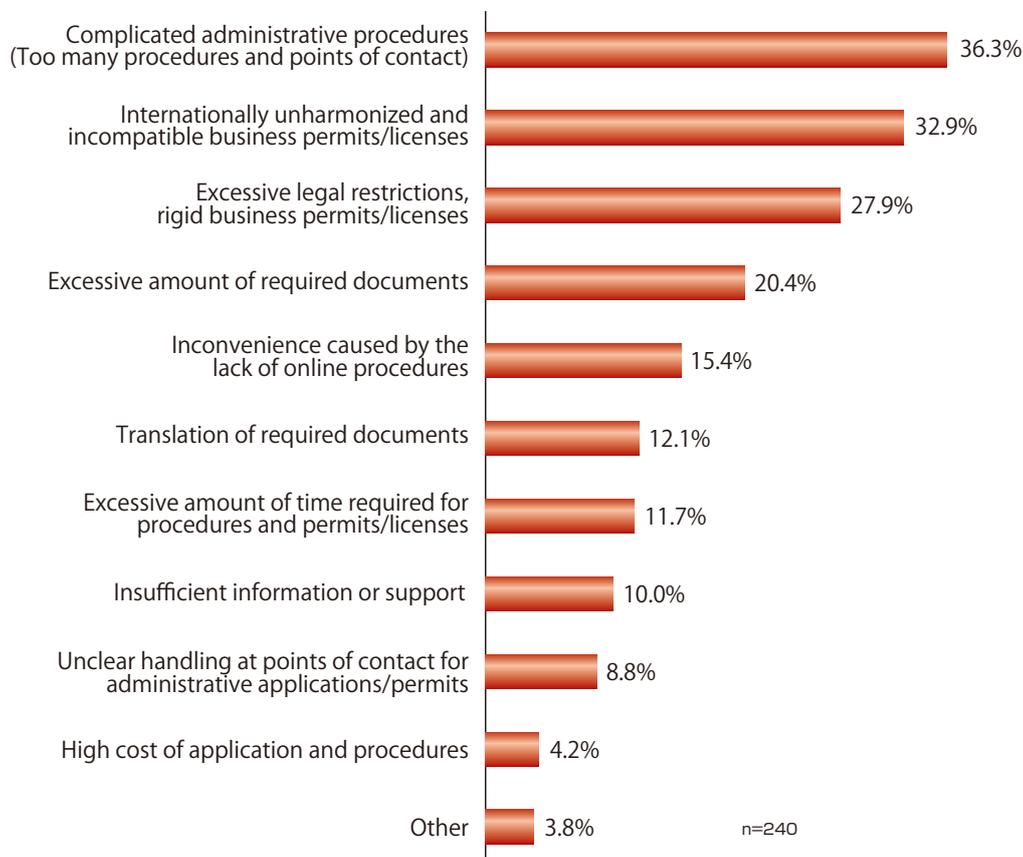
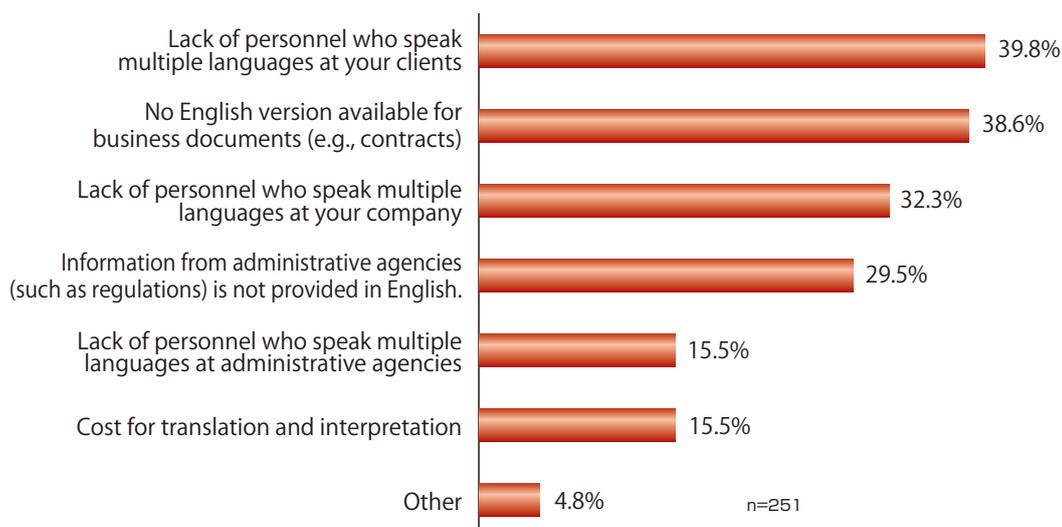


Chart 4-25 Regarding business communication in non-Japanese languages, what is particularly difficult? (top two options)

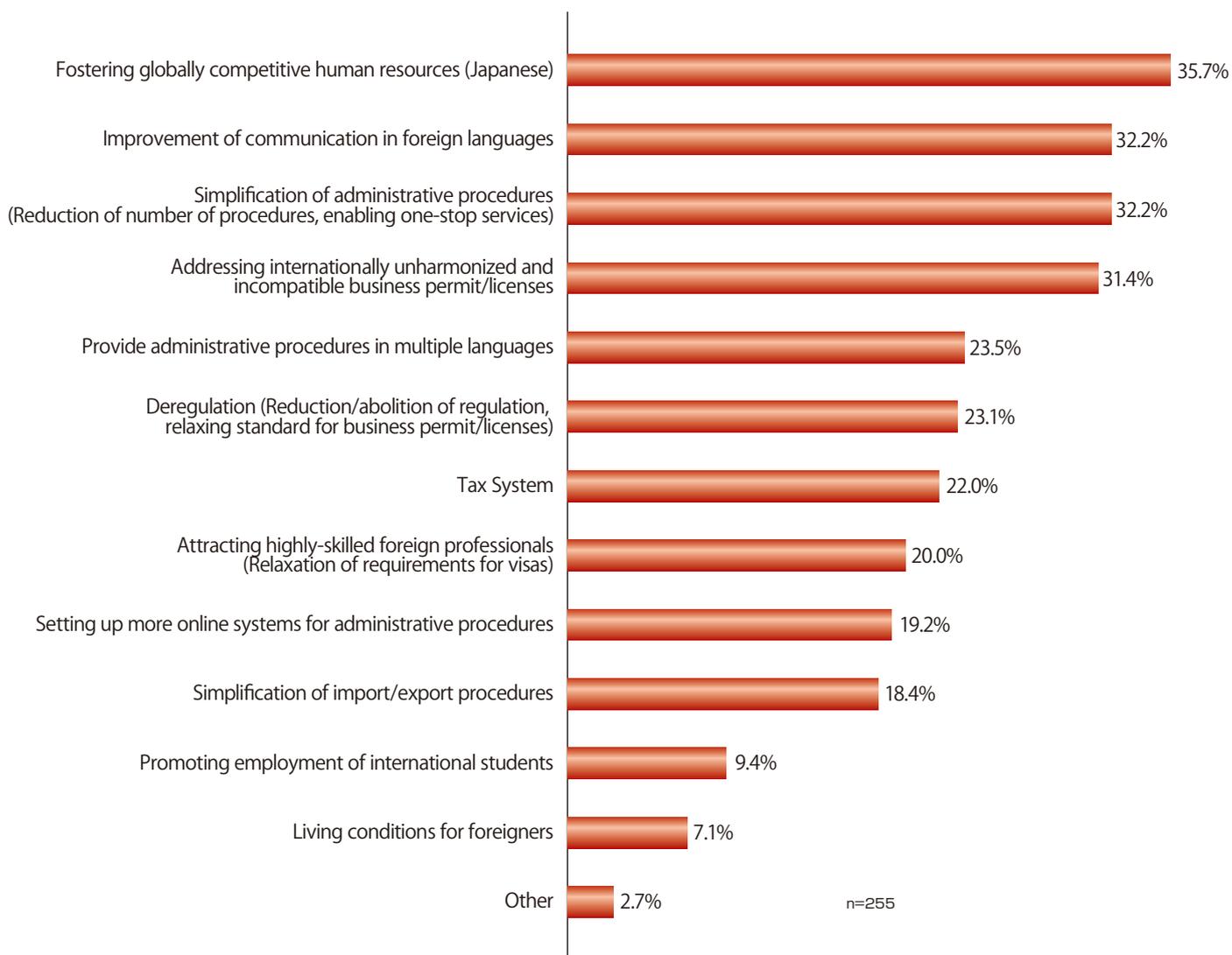


These comments are related to "request for improvement by the Japanese government or industries." The most frequent answer in this survey is "Fostering globally competitive human resources (Japanese)" at 35.7% followed by "Improvement of communication in foreign languages" at 32.2%, "Simplification of administrative procedures (Reduction of number of procedures, enabling one-stop services)" at 32.2% and "Addressing internationally unharmonized and incompatible business permit/licenses" (31.4%) (Chart 4-26). Free descriptive answers regarding "Fostering globally competitive human resources (Japanese)" include comments such as "increase in Japanese students (including high school students) who study abroad."

Aiming to make Japan "the most business-friendly country in the world," the government has been working on various measures

from the perspective of foreign companies, in order to address issues and respond to improvement request from foreign/foreign-affiliated companies (Chapter 2). "Five Promises for Attracting Foreign Businesses to Japan" (March 2015) and the "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub" (May 2016) are representative examples. To address "Rigid and complicated administrative procedures and regulations" for which improvement is requested by many companies, the Working Group for Revising Regulations and Administrative Procedures and others have worked on their simplification, aiming toward fundamental revision. It is imperative to foster human resources that can be active in the global business field while steadily continuing to advance these efforts in the future.

Chart 4-26 The items for which you would like to see improvement by the Japanese government or industries (multiple answers)



Striving to the improvement of Labor Productivity of Japan

column

In the ranking of labor productivity (GDP per hour worked) among 35 OECD countries published in May 2017, Japan came 20th in the data, for its labor productivity in 45.5 US dollars which is slightly less than the OECD average (51 US dollars).

In comparison, the labor productivity of European and US countries is generally high (Chart 4-27). In the survey that JETRO conducted to foreign-affiliated companies, the number of companies answering that their productivity has improved exceeded 40% which were mainly from Europe and US.

Currently, "productivity improvement" has been drawing attention as an important theme in Japan, and attempts to utilize

technologies such as AI and robots have started in addition to work-style reform. With the gradual increase in awareness toward improvement of labor productivity in Japan, such as correcting measures for long work hours, various initiatives by foreign-affiliated companies such as improvement of working-style and productivity could give some implications for Japanese companies. The promotion of FDI in Japan that will further invigorate the Japanese economy through the enhancement of productivity as well as the dissemination of advanced technologies, human resources, prowess and business models from overseas is expected.

Chart 4-27 Labor productivity of 35 OECD countries (2015)

(Unit: US dollars; purchasing power parity (PPP) conversion)

Rank	Country	GDP/hour worked	Rank	Country	GDP/hour worked
1	Luxembourg	96.4	19	Iceland	45.7
2	Ireland	91.8	20	Japan	45.5
3	Norway	82.3	21	New Zealand	42.2
4	Belgium	72.1	22	Slovenia	41.5
5	Denmark	69.7	23	Israel	41.1
6	US	68.3	24	Slovak Republic	40.8
7	Netherlands	67.6	25	Czech Republic	39.1
8	Germany	66.6	26	Turkey	38.6
9	France	66.3	27	Portugal	36.0
10	Switzerland	65.6	28	Greece	34.9
11	Austria	61.8	29	Hungary	34.6
12	Sweden	60.5	30	Estonia	33.0
13	Finland	56.5	31	Korea	31.9
14	Australia	54.5	32	Poland	31.2
15	Italy	53.6	33	Latvia	29.1
16	UK	52.5	34	Chile	26.2
17	Spain	51.3	35	Mexico	20.2
18	Canada	50.8			

[Source] OECD Productivity Statistics Database (OECD)



V Foreign Investment for Revitalization of Local Economy

– Attract Foreign-affiliated Companies Taking Advantage of Regional Characteristics

Today, the location for foreign-affiliated companies' business base is not limited to Tokyo. For the manufacturing industry, there are a significant number of investments in automotive field in Japan's local regions. UL (US safety consulting and certification company) established a testing laboratory for the auto industry in Aichi. BorgWarner (US supplier of automotive high-tech electric parts)'s additional investment plan for its factory in Mie Prefecture, and Gestamp (Spanish provider of automobile hot-stamped components)'s expansion plan for Mie have become notable. Meanwhile, for the non-manufacturing industry, the number of foreign investment is increasing, mainly in the tourism field. In 2016, foreign airlines started service to local airports, e.g. Finnair of Finland started a flight between Fukuoka and Helsinki, only during summer, and Scoot of Singapore started a flight between New Chitose, Hokkaido and Singapore. Also, a number of US luxury hotels announced their plans to open hotels in local regions.

In the Survey of Trends in Business Activities of Foreign Affiliates conducted by Ministry of Economy, Trade and Industry (METI) in 2016, among 3,410 respondent companies, 67.3% (2,296 companies) were in Tokyo, followed by Kanagawa (336 companies), Osaka (177 companies), Hyogo (95 companies) and Aichi (73 companies) (Chart 5-1). Yokohama City and Kobe City, both of which have been developed as international cities because of their

major ports, are well-known as a place where many foreign-affiliated companies are located. In a survey of foreign-affiliated companies conducted by JETRO, 66% of potential locations where companies consider for secondary investment were prefectures other than Tokyo (Chapter 4). This implies that foreign-affiliated companies are eyeing toward Japan's local regions.

Attracting foreign-affiliated companies to Japan's local regions leads to contribution to regional revitalization, through creating jobs and introducing cutting-edge technologies and innovative business management know-how. In this regard, JETRO works on activities collaborating with local governments that are active in attracting foreign-affiliated companies such as training programs on the attraction of foreign investment for local governments and advising on their strategy planning for this purpose (Chapter 6). Local governments work closely with JETRO, as well as start making full-fledged efforts to attract foreign/foreign-affiliated companies, as a measure for regional economic revitalization. They aim to vitalize the region by accepting foreign investment generously based on the characteristics, industries, location and challenges of each region. This chapter introduces some of their unique efforts to attract foreign investment and examples of foreign-affiliated companies that have established presence in the region.

Chart 5-1 Top 10 prefectures where foreign-affiliated companies are based

Rank	Prefecture	No. of manufacturing companies	No. of non-manufacturing companies	Total no. of companies	Ratio
1	Tokyo	256	2,040	2,296	67.3%
2	Kanagawa	102	234	336	9.9%
3	Osaka	33	144	177	5.2%
4	Hyogo	31	64	95	2.8%
5	Aichi	22	51	73	2.1%
6	Saitama	31	38	69	2.0%
7	Chiba	15	49	64	1.9%
8	Fukuoka	5	25	30	0.9%
9	Shizuoka	19	7	26	0.8%
10	Kyoto	6	14	20	0.6%
	Others	109	115	224	6.6%
	Total	629	2,781	3,410	100.0%

[Source] "50th Survey of Trends in Business Activities of Foreign Affiliates (2016)" (Ministry of Economy, Trade and Industry)

1. Fukushima Prefecture: aiming to develop industrial cluster of medical equipment and expand business of local enterprises

Fukushima Prefecture is located about 200 km north of Tokyo, which takes about only one and a half hours by bullet train. After the earthquake disaster in March 2011, Fukushima has been making full efforts toward reconstruction. It is one of the leading areas where Japan's medical device industries accumulate. It ranks first both in annual contract manufacturing output of medical devices (47.1 billion yen in 2015) and annual output of medical equipment parts (17.7 billion yen in 2014) in Japan. In the prefecture, Olympus (Japan), the world's top endoscope company, has its manufacturing and R&D sites, and Johnson & Johnson (US), Becton, Dickinson and Company (US) and Novo Nordisk Pharma (Denmark) have their respective production sites.

The prefecture started its active efforts for realizing industrial cluster about 10 years ago. It has been encouraging local parts suppliers to enter the medical device market. After the earthquake, the prefecture enhanced its R&D subsidy using the subsidy of the central government, and also worked on supporting overseas expansion by local companies in the prefecture, and on attracting foreign-affiliated companies.

Since 2011, Fukushima has made effort in networking with Germany which has a strong medical device industry to contribute to reconstruction. In November 2011, the prefecture set up a Fukushima booth in MEDICA/COMPAMED which is a medical device show in Germany in cooperation with JETRO. Subsequent exchange activities include reciprocal visits by the Minister of Economy of the State of North Rhine-Westphalia (NRW) and the Fukushima Governor and Deputy Governor and invitation of NRW companies to the prefecture's trade show. In September 2014, the two governments signed a memorandum on strengthening their partnership in commercialization and sales expansion of medical devices. Furthermore, the prefecture started an investment support subsidy program in FY2015 to promote setting up business base by foreign-affiliated companies. The prefecture's officer expects that "the launch of business by foreign companies in the prefecture will stimulate local suppliers and create business opportunities for them." In August 2017 the prefecture renewed the memorandum with NRW and will attend MEDICA/COMPAMED, in November for the seventh time. In the show, the prefecture will demonstrate the technological capabilities of its suppliers, identify candidate companies for attraction and encourage their expansion into the prefecture.

The "Subsidy for Investment Support Project for Foreign Corporations Entering into Fukushima Prefecture for Business" supports foreign companies' establishment of their first business site in the prefecture. It covers three fields designated by the prefecture as pillars for reconstruction: (1) healthcare (2) renewable energy and (3) robotics. If a company establishes a facility for manufacturing, R&D, marketing or study in Fukushima, the prefecture will subsidize 3/4 of rent expenses, fuel and light expenses, expenses required

for registration of corporation, personnel expenses, consultant commissioning fees and other expenses deemed necessary up to 28 million yen per company/year (up to 10 million yen in FY2017). To date, the following four companies have used the subsidy: AT-OS Japan (Italy, Development of bedpan washer, etc.), Japan Microware Precision (Taiwan, Development of fixation implant system), OWS Japan (Belgium, Production and sales of gas plants based on fermentation of biomass) and Very Lucky Japan (Hong Kong, Development of Japanese model of a communication robot for household use).

A Case Example of Fukushima: AT-OS Japan

AT-OS (Italy) entered Koriyama City, using the Fukushima Prefecture's investment support subsidy program. With its head office in Verona, the company is a family business with about 40 employees. It manufactures bedpan washers (washing machines for waste containers attached to medical treatment beds) and surgical instrument washers. Originally, the company exported the washers from Italy and sold them in Japan. However, as the machine became popular, the price competition occurred. Thus, in 2016, AT-OS Japan was established as a joint venture with a Japanese partner company. It aims to develop and manufacture bedpan washers in Japan which are suitable for Japanese hospitals by combining Italian design and high quality of "Made in Japan." In the future, it plans to export the washers from Japan to the Asia emerging markets. AT-OS chose Fukushima Prefecture for its entry because: (1) its partner company has a business base in Koriyama (2) there is a cluster of parts suppliers and (3) a wide range of investment support subsidy programs are prepared for foreign companies.

Currently, AT-OS is making a prototype in cooperation with the partner company in Fukushima. The company is utilizing the subsidy for a broad range of expenditures including company registration, office rent and market research. It plans to accomplish the prototype, and evaluate it at Fukushima Medical Device Development Support Centre operated by the prefecture. After making improvements and preparing for commercialization, it will start production in Fukushima.



[Photo] Bedpan washer (Courtesy of AT-OS)

2. Greater Nagoya Initiative (GNI): Industry - government - academia initiative to attract foreign investment into the Greater Nagoya region, a leading manufacturing center of Japan

In the Greater Nagoya region, there are world's leading automakers such as Toyota and Honda (Suzuka factory) and a deep layer of related suppliers. With the development center of Mitsubishi Regional Jet (MRJ), the manufacturer of the first regional passenger aircraft made in Japan, the aerospace industry is expected to expand. The Greater Nagoya Initiative Center works to attract FDI to the region. It was established in February 2006 and it consists of local governments around 100 km from Nagoya (e.g., Aichi and Mie Prefectures, Nagoya City), state organs (Chubu Bureau of Economy, Trade and Industry, and JETRO Nagoya), industry players (e.g., Central Japan Economic Federation, Nagoya Chamber of Commerce & Industry and local banks) and universities and research institutes. It aims to attract foreign capital, technologies and management know-how and excellent talents to strengthen the global competitiveness of the region.

Major target industries of the GNI are those in which the region has its strength, i.e., automobile, aerospace and precision machinery. However, enterprises contributing to globalization and economy revitalization of the region are all welcome regardless of the industry.

The major activities of GNI are: (1) subsidizing expenses for location and commencement of operations by foreign companies (up to 200-500 thousand yen depending on the size of investment) (2) overseas promotion activities and (3) support for settlement of foreign-affiliated companies. In FY2016, six companies including Fronius (Austria, imports/exports, manufacture and sales of electronic products for solar energy battery charging systems) and GRM Consulting (UK, engineering consulting) used the subsidy and made inroads in this region. As promotion activities, GNI brings companies from the Greater Nagoya region to visit Paris and London at the time of international air shows and holds GNI Seminars with JETRO. Presentations were made by Mitsubishi Aircraft and TAMAGAWA Seiki in 2016 and by Yamaichi Special Steel which established a JV with a French company in 2017 and the technological capability in Greater Nagoya was highlighted. Networking events with local companies are held after the seminars. As support for settlement of foreign-affiliated companies in the region, the GNI members visit the companies and provide consultation periodically and also assist in finding Japanese business partners. Through the council's activities, 129 foreign-affiliated companies have entered the Greater Nagoya region by the end of FY2016.

As exemplified by Toyota's selection of the industrial network standard developed by Beckhoff Automation (Germany) for its factories, the manufacturing industry of the Greater Nagoya region is a large market for foreign-affiliated companies. Furthermore, membership wholesale marketer Costco (US), LEGOLAND (UK) and other entries targeting the consumer market in Greater Nagoya also have momentum.

A Case Example of GNI: UL Japan

In June 2017, UL Japan, a subsidiary of the global independent safety science company UL (US), opened an Automotive Technology Center (ATC) in Miyoshi City, Aichi. UL has more than 170 bases in 44 countries in the world. It expanded its business into Japan in 2003. It has head offices in Ise, Mie Prefecture and Tokyo, and laboratories in Mie, Chiba (Katori City) and Kanagawa (Hiratsuka City). Taking advantage of its global network, it provides conformity assessment service for S mark, the safety/EMC (electromagnetic compatibility) certification based on the Electrical Appliances and Materials Safety Act of Japan, the CE mark of Europe and certification marks necessary for products for the Chinese market as well as the UL mark and FCC of North America.

ATC is the first laboratory of UL Japan dedicated to the automobile industry. The laboratory carries out EMC tests of onboard electronic appliances and tests concerning electricity, radio, the environment and their interoperability with smartphones. With a total floor area of 1,900m², the laboratory is equipped with a high-voltage power supply necessary for testing of large-current equipment and has introduced cutting-edge equipment. When automobiles are exported, on-board electronic devices also have to meet the safety standard of the destination country. Not only automakers but also parts and module apparatus makers need testing and certification to meet the requirements. EMC/radio testing for the automobile-related field had been carried out in laboratories in Kanagawa and Mie, but they could not respond to increased demand. The company expects further increasing needs for sophisticated and complicated testing of on-board equipment with the progress of technology development including automatic driving, connected car and inter-vehicle/road-vehicle communication.

The decisive factors for setting up a base in Miyoshi City are: (1) the cluster of automobile industry located between Toyota and Nagoya cities (2) short distance to customers and (3) expectation for acquiring highly talented human resources.

The company explains, "ATC was a big investment for UL. It is the symbol of our determination to settle in Greater Nagoya and make a contribution to Japanese customers."



[Photo] Automotive Technology Center (Courtesy of UL Japan)

3. Shirahama Town, Wakayama Prefecture: one hour from Tokyo by plane, succeeded in attracting foreign investment with the concept of “teleworking on the beach”

Shirahama Town of Wakayama Prefecture is famous for the white sand beach. In October 2015, a US leading IT company's expansion to this resort got into the news. Wakayama Prefecture and Shirahama Town, obtaining the information that the company was looking for a location for its satellite office, worked together to attract the company. At the time of inspection, the town, beyond introduction of candidate properties, showed tourist attractions in the town and popular local stores to demonstrate rich nature and an excellent living environment. The town continues to provide support for the company after succeeding in attraction.

Since 2014, Shirahama Town is working to attract teleworking bases with a focus on IT companies. Advantages of the town are: (1) a disaster-resilient wireless mesh network that was developed by the National Institute of Information and Communications Technology (NICT) and introduced as a demonstration experiment that is available not only during disaster but also in peacetime (2) good access to Tokyo with three flights a day between Haneda and Nanki-Shirahama Airport (one hour), and a five-minute drive from Nanki-Shirahama to the town and (3) generous financial incentives from Wakayama Prefecture, which include subsidies to cover half of the fees for communication lines and office rent and a half airfare between Haneda and Nanki-Shirahama for companies setting up a new office by employing more than three local people.

As a result of dedicated investment attraction activities, “Shirahama Town IT Business Office,” which is owned by the town and located on a hill overlooking the sea, is currently fully occupied by 10 IT companies. In recognition of the success and promotion of exchange between the companies and the local community, Shirahama Town received a commendation from the Minister for Internal Affairs and Communications in May 2017. The town plans to construct its second IT business office to be opened in March 2018.

A Case Example of Shirahama : Salesforce.com

Salesforce.com, founded in San Francisco in 1999, is a US leading company providing cloud-based customer relationship management (CRM) with about 25,000 employees in the world. The company established a Japanese subsidiary in the year after its foundation. Today, in addition to the Tokyo head office, the company has business offices in Osaka and Nagoya and has set up a local office in Fukuoka.



Salesforce.com is proactively promoting work-style reform and productivity improvement. Taking the opportunity to participate in the “Regional Verification Project for Promotion of Teleworking in Hometown” implemented by the Ministry of Internal Affairs and Communications in FY2015, the company set up the remote office. Shirahama was chosen because of: (1) the excellent internet environment with the wireless mesh network of NICT (2) Shirahama's “resort ambience” that fits the corporate culture and working environment for young employees and (3) the local government staff's sincere attitude to support settlement after the entry.

They also verified whether the inside sales activities conducted in Tokyo were possible in the remote place. The result was remarkable: the number of business talks and the contracts achieved at the Shirahama Office exceeded those at the Tokyo Office, because commuting time is much shorter than that in Tokyo as well as employees can use time for community service or hobbies. The company analyzes that the change has raised each employee's motivation and has improved productivity.

Currently around 10 employees are working in Shirahama. Almost all of them are inside sales staff of Tokyo who volunteered to telework and participate in training for productivity improvement for three months. Also, they offer free programming lessons to the children of Shirahama and elementary and junior-high schools with a hope to foster future IT talents. These activities are recognized by the governor as a foreign-affiliated company's contribution to the community and gradually increasing the company's acknowledgment among local people.

Salesforce.com will continue to make effort in Shirahama and present a work style that realizes high productivity in resourceful local regions to inside and outside of the company.



[Photo] Shirahama Office (Courtesy of Salesforce.com)

4. Tokushima Prefecture: attracting satellite offices taking advantage of its high-speed optical broadband environment

Tokushima Prefecture is located in the eastern part of Shikoku, 640 km west of Tokyo and one hour and 15 minutes by plane from Tokyo. Tokushima boasts one of the best high-speed optical broadband environments in Japan. When digital terrestrial television broadcasting was introduced in 2011, the prefecture has started to install optical fiber all over the prefecture to enable viewing of cable television broadcasting.

After the Great East Japan Earthquake, companies in the Tokyo Metropolitan area began to consider BCP (Business Continuity Planning) seriously and some have taken actions to disperse risks. Following this trend, the prefecture started efforts to attract those companies to have satellite offices in Tokushima, taking advantage of its high-speed optical broadband environment. For companies that set up a satellite office in the prefecture and assign permanent employees, the prefecture provides incentives. Up to now, 56 companies have set up their satellite offices in the prefecture (as of October 1, 2017).

In recent years, Tokushima Prefecture has expanded its target of attraction to foreign-affiliated companies. In April 2016, the prefecture started a subsidy program for foreign-affiliated companies. It subsidizes one half of office rent expenses and fees for communication channels (up to 10 million yen/year for three years) and a half million yen for every new local employee. There is no qualification requirement for the program such as industry or the number of employees despite the large amount of subsidy and the incentive is more generous than that for domestic companies. The prefecture's official in charge explains, "We hope that the program will be used by foreign-affiliated companies who can generate synergy effects by doing joint development with local companies in the LED and pharmaceutical fields that are key industries, or foreign-affiliated companies planning to open their satellite offices." Besides, in March 2017 the prefecture participated in CEBIT, which is an IT trade fair in Germany and promoted its satellite offices.

Satellite offices are concentrated in Kamiyama Town and Minami Town. Located about 45 minutes by car from Tokushima City, Kamiyama is surrounded by green mountains. As the style of working in a renovated old house in this quiet environment, where people can concentrate on their work, captured the attention of companies looking for new work styles by word of mouth, the number of satellite offices has gradually increased. In the co-working space "Kamiyama Satellite Office Complex," companies and individuals can use office space and meeting rooms at low prices to try teleworking.

Minami is a seaside town on the Pacific. In 2017, a foreign-affiliated company decided to open a satellite office here for the first time in the prefecture. Seeing this as a good example, the prefecture will make more efforts to attract foreign investments.

A Case Example of Tokushima: Space-Time Engineering

Space-Time Engineering (US) was founded in Los Angeles



in 2007 and established a Japanese subsidiary in the year after. The company carries out R&D on V2X (vehicular communication including Vehicle to Vehicle, Infrastructure and everything else) technologies in cooperation with UCLA and automobile communication companies. Its simulation software designed to evaluate the V2X communication technology is the world's best seller as a commercial evaluation tool. Utilizing its expertise in this area, the company has been working on development and commercialization of an information sharing system independent of telecommunications infrastructure since 2014. When the Internet is dysfunctional, for example at the times of natural disasters, a temporary alternative communication system is necessary for medical personnel to share information on the injured. The system under development can collect, accumulate and share information such as location, characters, images and voice from GPS and smartphones without the Internet. Further, it can control and adapt the system by itself based on the analysis of the accumulated data. In FY2016, the company carried out experimental studies of the system in Kochi Prefecture, where big damage is predicted from a Nankai Trough Earthquake, with the JETRO's subsidy.

In May 2017, the company decided to open a satellite office in Minami Town. For the time being, its staff members work there in a non-resident temporary basis, but it plans to make the office a product development base in the future. The reasons why the town was chosen for the office location include: (1) the existence of its partner company's business base in the town (2) the high disaster awareness of the prefecture and (3) less competitiveness in finding human resources compared to Tokyo and it is expected to secure talents when its business activities are recognized by local people. The active policy of the Tokushima Governor to attract foreign investment also served as a tailwind.

In August, the company offered an internship program to the students of Anan National College of Technology (ANCT) of Tokushima Prefecture, as an effort to establish a local presence with an eye on future hiring. The program was carried out in a training camp style in Minami Town. It provided an opportunity to learn basic V2X technologies including image recognitions and automatic flight control of drones. ANCT made a positive comment on the program, "The content of the internship was directly connected to serious R&D. We hope that world-class technologies will be born in Tokushima in the future."



[Photo] Internship program (Courtesy of Space-Time Engineering)

Chart 5-2 Local government incentives specialized for foreign/foreign-affiliated companies (as of July 2017)

Local governments offer various incentives to attract foreign/foreign-affiliated companies.

Prefecture/city	Name of subsidies/incentives	Incentives of local governments for foreign-affiliated companies
Fukushima Pref.	Subsidy project to support overseas companies investing in Fukushima Prefecture	Subsidizing portion of rent expenses, consultant commissioning fees, expenses required for incorporation (registration of corporation, acquisition of resident status, etc.). Eligible companies are those establishing facilities for manufacturing, R&D, sales and/or feasibility study in Fukushima Prefecture for the first time in the fields of pharmaceuticals, medical equipment, renewable energy and/or robotics (Subsidy rate of 3/4, with up to 10m yen per company)
Chiba Pref.	Office Lease Subsidies for Foreign-Affiliated Companies	Subsidizing portion of rent for offices or other facilities (1/3 of annual rent x 1 year, maximum 600,000 yen for companies with a number of employees less than 5 and 1.8m yen for 5 or more)
	Office Lease Subsidies for Foreign Affiliates Start-up Center(FASuC)	Subsidizing portion of rent for FASuC (1/3 of annual rent x 3 years, the subsidy program expires in March 2019)
Chiba City	Facility Rent Subsidy for Foreign-Affiliated Companies	Subsidizing portion of rent (1/2 of rent x 3 years, cumulative total limit 3m yen), reduction of corporate inhabitant tax (municipal tax) (1/2 x 3 years)
Tokyo Metropolis	Subsidy for Foreign Financial Business establishment	Subsidizing fees incurred in consultaion with experts and pesonnel recruitment costs (up to 1/2 of actual expenses paid, maximum 7.5m yen per company)
	Program to Increase Foreign Entrepreneurs	Deregulation of a "business manager" visa requirement for foreign nationals wishing to start business in Tokyo (period of residence is 6 months)
Kanagawa Pref.	Select Kanagawa 100, Rent Subsidy	Subsidizing portion of rent for factories, R&D centers or offices (1/3, maximum 6m yen) for foreign-affiliated companies reinvesting in Kanagawa
Shizuoka Pref.	Office Rent Subsidy for Foreign Companies	Subsidizing portion of office rent (1/2 of monthly rent x 1 year, maximum 500,000 yen)
Niigata Pref.	Subsidy for Office Rent for Foreign-Affiliated Companies	Subsidizing portion of rent (1/2 x 3 years, up to 1m yen per year for 3 years)
Niigata City	Business promotion subsidy for foreign company	Subsidizing registration fees (maximum 150,000 yen per company) and rent (1/2 of monthly rent x 2 years, maximum 50,000 yen per month)
	Niigata City National Strategic Special Zone - Entrepreneurial Incentives for Foreigners	Deregulation of a "business manager" visa requirement for foreign nationals wishing to start business in Nigata City (period of residence is 6 months)
Aichi Pref.	GNI Business Start-up Support Program	Subsidizing expenses for location and commencement of operations of foreign-affiliated companies in Greater Nagoya Area (1. Consultation fees and expenses paid for specialists for company registration and visa applications 2. Expenses for personnel recruitment 3. Expenses for brokerage costs of an office). Total amount of incentives (1, 2, 3 above) is as follows: (I)Foreign company whose investment amount is more than 10m yen : up to 500,000 yen; (II) more than 5m yen and less than 10m yen : up to 300,000 yen; and (III) less than 5m yen : up to 200,000 yen.
Gifu Pref.		
Mie Pref.		
Nagoya City		
Mie Pref.	Subsidy for Foreign Affiliated Enterprises Planning to Establish an Asian Base in Mie	Subsidizing 20% of depreciable assets for establishing manufacturing bases (maximum 500m yen)
	Subsidies for Office Rent	Subsidizing office rent (1/2 x 3 years, maximum 5m yen per year)
Kyoto Pref.	Subsidy for Foreign Affiliated Enterprises planning to establish business in Kyoto	Subsidizing company registration fees (maximum 150,000 yen per company)
Osaka Pref.	Subsidies for Investment Promotion (Subsidy for Foreign-affiliated Companies)	Subsidizing portion of investment of foreign-affiliated companies establishing new corporate headquarters in Osaka Prefecture (5% of investment on building and capital goods or 1/3 of office rent, with limitation depending on number of full-time employees)
	O-BIC Support Program for Foreign Companies	Subsidizing expenses for company registration (up to 100,000 yen per company) and obtaining resident status (up to 50,000 yen per company)
Hyogo Pref.	Tax Incentives	Reduction of corporate enterprise tax (1/3x5 years)
	Subsidies for Office Rent	Subsidizing portion of office rent (up to 1/2 x 3 years, maximum 1,500 yen/square meter per month and 2m yen per year)
	Subsidies for New Employment	Subsidies for new employment : 300,000 yen/person (In designated areas, 600,000 yen/person for new employment, 300,000 yen/person for new non-regular employment) (maximum 300m yen)
	Subsidies for the Costs of Establishing a Japanese Headquarters	Subsidizing 1/2 of cost (cost for market research: maximum 1m yen, costs for corporate registration: 200,000 yen)
Kobe City	Rental Assistance for Overseas Corporations and Foreign-Affiliated Firms	[Hyogo Prefecture and Kobe city in partnership] Subsidizing portion of office rent (up to 1/2 x 3 years, maximum 1,500 yen/square meter per month and maximum 2m yen per year) [Kobe city/additional subsidies] Subsidizing portion of office rent (up to 1/4 x 3 years, maximum 750 yen/square meter per month and maximum 9m yen per year)
Tokushima Pref.	Subsidy for Foreign-Affiliated Companies Investing in Tokushima	1. Subsidizing costs of office equipment and telecommunication line fee (1/2, up to 10m yen per year) and office / factory rent fee (1/2, up to 10m yen per year) 2. Subsidy for new employment: 500,000 yen/ person
Fukuoka Pref.	Subsidy for Visit to Fukuoka	Subsidizing portion of travel expenses by foreign-affiliated companies to or within Japan (eligible companies are those in fields of automobiles, IT, semiconductors, biotechnology, environment and robots, which are considering entry into Fukuoka Prefecture). 1. Travel from regions in Japan other than Fukuoka Prefecture: up to 100,000 yen per company 2. Travel from foreign countries other than Europe/America: 150,000 yen per company 3. Travel from Europe/America: up to 200,000 yen per company
	Incentives to Encourage Establishment of its Subsidiary in Japan	Subsidizing portion of registration fee (foreign-affiliated companies in fields of automobiles, IT, semiconductors, biotechnology, environment and robots; 1/2 of registration fee, maximum 150,000 yen)
Fukuoka City	Business Establishment Support Programs in Fukuoka City (for Foreign and Foreign Affiliated Enterprises)	1. Subsidizing portion of office rent [Basic type] (1/4 x 1 year, maximum 15m yen), [Large-scale type] (1/4 x 2 years, maximum 25m yen) 2. Subsidies for new employment [Regular employment] 500,000 yen/person for citizens of Fukuoka City, 1m yen/ person for researchers who are citizens of Fukuoka City [Other type of permanent employment] 150,000 yen/ person for citizens of Fukuoka City, 50,000 yen for non-citizens of Fukuoka City (Maximum 50m yen) 3. Subsidizing 1/2 of cost (cost for marketing research, interpretation fees, obtaining approvals and registering for licenses, or cost of recruiting employees) (Maximum 3m yen)
	Office and Residential Rent Subsidy Program for Foreign Startups (FY2017)	Subsidizing portion of rent (1/2 x 1 year, maximum 70,000 yen per month for residence, maximum 50,000 yen per month for office space)
	Startup Visa (Entrepreneurial Incentives for Foreigners)	Deregulation of a "business manager" visa requirement for foreign nationals wishing to start business in Fukuoka City (period of residence is 6 months)
Kumamoto Pref.	Substantial incentives to support the operation after the establishment in Kumamoto	1. Subsidies for Promoting Establishment of Business Facilities (Maximum 5billion yen) [Eligibility: Investing 300m yen more, and hiring 10 new employees or more] 2. Subsidies for Promoting Establishment of Industry Support Service Businesses (Maximum 500m yen) [Eligibility: Investing 30m yen or more, and hiring 50 new employees or more]

[Source] JETRO website https://www.jetro.go.jp/ext_images/_Invest/pdf/support/1708_en_local_gov.pdf

VI

Investment Promotion Activities of JETRO

As the central organization for attraction of inward investment, JETRO started its initiatives to promote inward FDI in earnest in 2003. JETRO's strength is in its network spreading domestically and abroad: the Tokyo headquarters, JETRO Osaka, 44 regional offices in Japan and 73 overseas offices in 54 countries worldwide (as of October 1, 2017) are working together every day to support foreign companies that are interested in investment in Japan and business expansion of foreign-affiliated companies in Japan.

1. Achievements of JETRO

During the period from 2003 to the end of March 2017, JETRO has provided support for about 16,000 foreign/foreign-affiliated companies for their projects pertaining to their investment in Japan, of which about 1,600 have successfully established or expanded operations in Japan (Chart 6-1).

Chart 6-1 Investment projects supported by JETRO & successful startups/business expansion of foreign/foreign-affiliated companies (FY2003-2016)

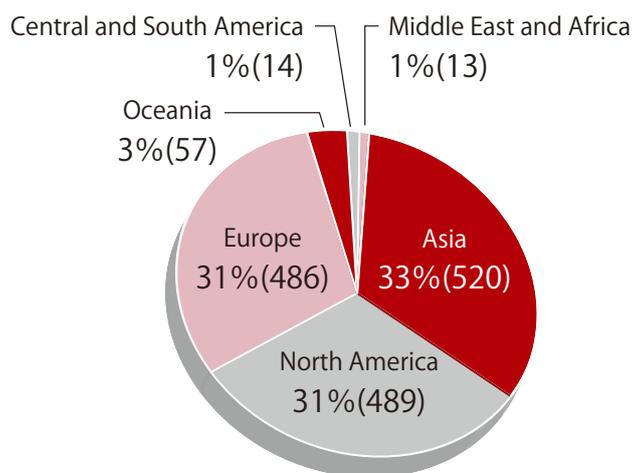
Supported projects	Successful startups/business expansion of foreign/foreign-affiliated companies
Total 15,972 projects	Total 1,579 projects
FY2016 1,775 projects	FY2016 174 projects

Looking at the regions of the parent companies of the firms that succeeded in establishing/expanding operations in Japan, North America, Europe and Asia account for approximately one-third each (Chart 6-2). At the end of FY2016, foreign companies' startups from Asia for the first time reached the top in the accumulated total. By country/region, the US far outstripped other countries/regions (Chart 6-3). By industry, three categories of "ICT/telecommunications," "Services (including tourism, restaurants and education)" and "Electric/electronic and precision devices" constitute about 60% of all investment projects (Chart 6-4).

By prefecture, about 60% of foreign-affiliated companies in Japan are headquartered in Tokyo, continuing their overconcentration in the Japanese capital. There has been no change in this tendency in recent years (Chart 6-5). However, according to a survey of foreign-affiliated companies conducted by JETRO from May to June 2017, more than 60% of the candidate prefectures were other than Tokyo for foreign-affiliated companies' secondary investment. Supporting expansion of foreign companies to these regions has become an important issue for regional revitalization.

In FY2016, JETRO supported 1,775 projects leading to the establishment/expansion of 174 business bases (Chart 6-1). 76 out of the 174 are projects by Asian companies, which shows trends of expansion of investment from Asia in recent years (Chart 6-6). Tapping into the momentum of fast-growing Asian companies will continue to be a key to expansion of investment in Japan. By industry, expansion was conspicuous in tourism and related services (e.g., airline, home lodging service, retail, restaurant, etc.) in response to the rapid increase in foreign tourists visiting Japan.

Chart 6-2 Successful investment projects supported by JETRO (by region, FY2003-2016)



[Note] Number of projects in ().

Chart 6-3 Successful investment projects supported by JETRO (by country/region, top ten countries/regions, FY2003-2016)

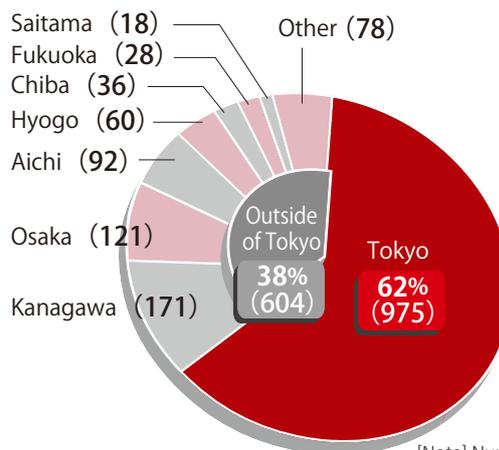
Rank	Country/region	Number of Project
1	US	453
2	China	183
3	Germany	130
4	Korea	109
5	UK	94
6	France	81
7	Singapore	53
8	Taiwan	52
9	Australia	49
10	Hong Kong	46

Chart 6-4 Successful investment projects supported by JETRO (by industry, top five industries, FY2003-2016)

Rank	Industry	Number of Project
1	ICT/telecommunications	361
2	Services (including tourism, restaurants and education)	317
3	Electric/electronic and precision devices	291
4	Vehicle and parts	94
5	Medicine/medical devices	85

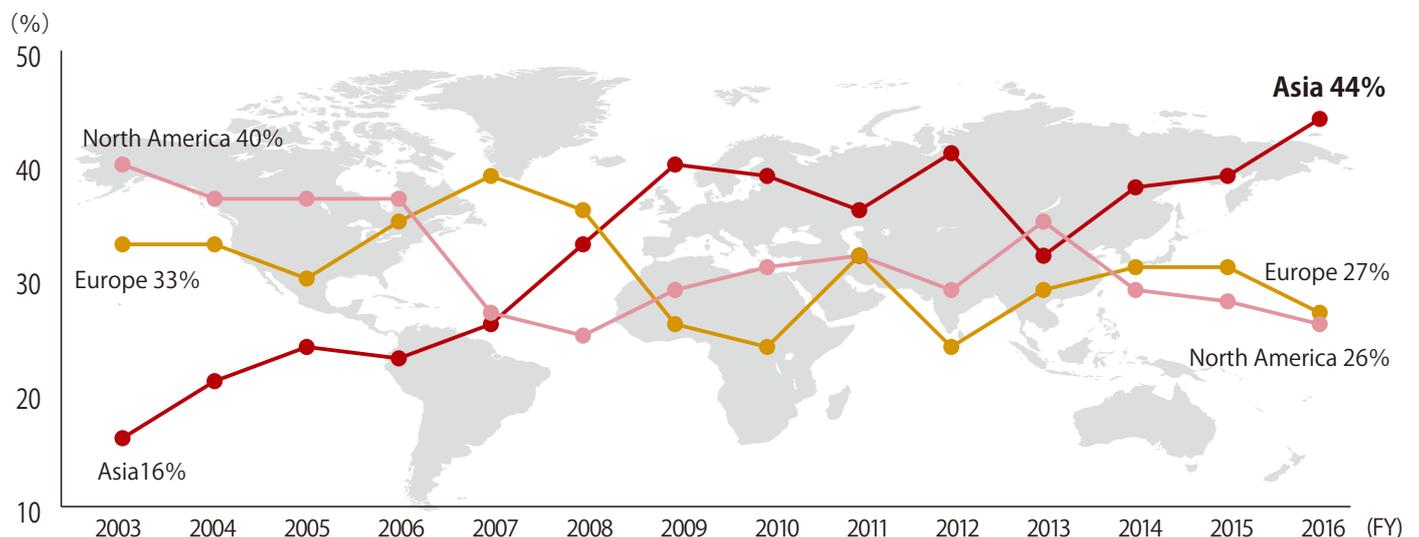
[Note] Classification is partly different from that of "Invest Japan Report 2016."
 "ICT/telecommunications" includes software.
 "Electric/electronic and precision devices" includes hardware such as machinery and parts and electric/electronic parts.

Chart 6-5 Successful investment projects supported by JETRO (by prefecture, FY2003-2016)



[Note] Number of projects in ().

Chart 6-6 Changes in the ratio of successful investment projects supported by JETRO (by region)



2. Outline of JETRO's investment promotion activities

JETRO's investment promotion activities are wide-ranging from information dispatch and publicity projects to identification of and support for companies interested in investment in Japan (primary investment), support for business expansion by foreign-affiliated companies in Japan (secondary investment) and support for local governments' effort to attract investment (Chart 6-7).

Focuses of recent activities include: (1) attraction of R&D centers and other high-value added sites, (2) enhanced activities to attract Asian enterprises, (3) intensified approach to foreign-affiliated companies in Japan and (4) intensified attraction activities in cooperation with local governments. Efforts for improvement of the business environment through contribution to the Working Group for Revising Regulations and Administrative Procedures of the government are also one of the key pillars in recent years.

The part below introduces the four pillars of JETRO's activities to expand investment in Japan: (1) dispatching information on the attractiveness of Japan, (2) supporting individual FDI projects in Japan, (3) promotion of secondary investment and contribution to regional revitalization and (4) approach toward improvement of the business environment in this order.

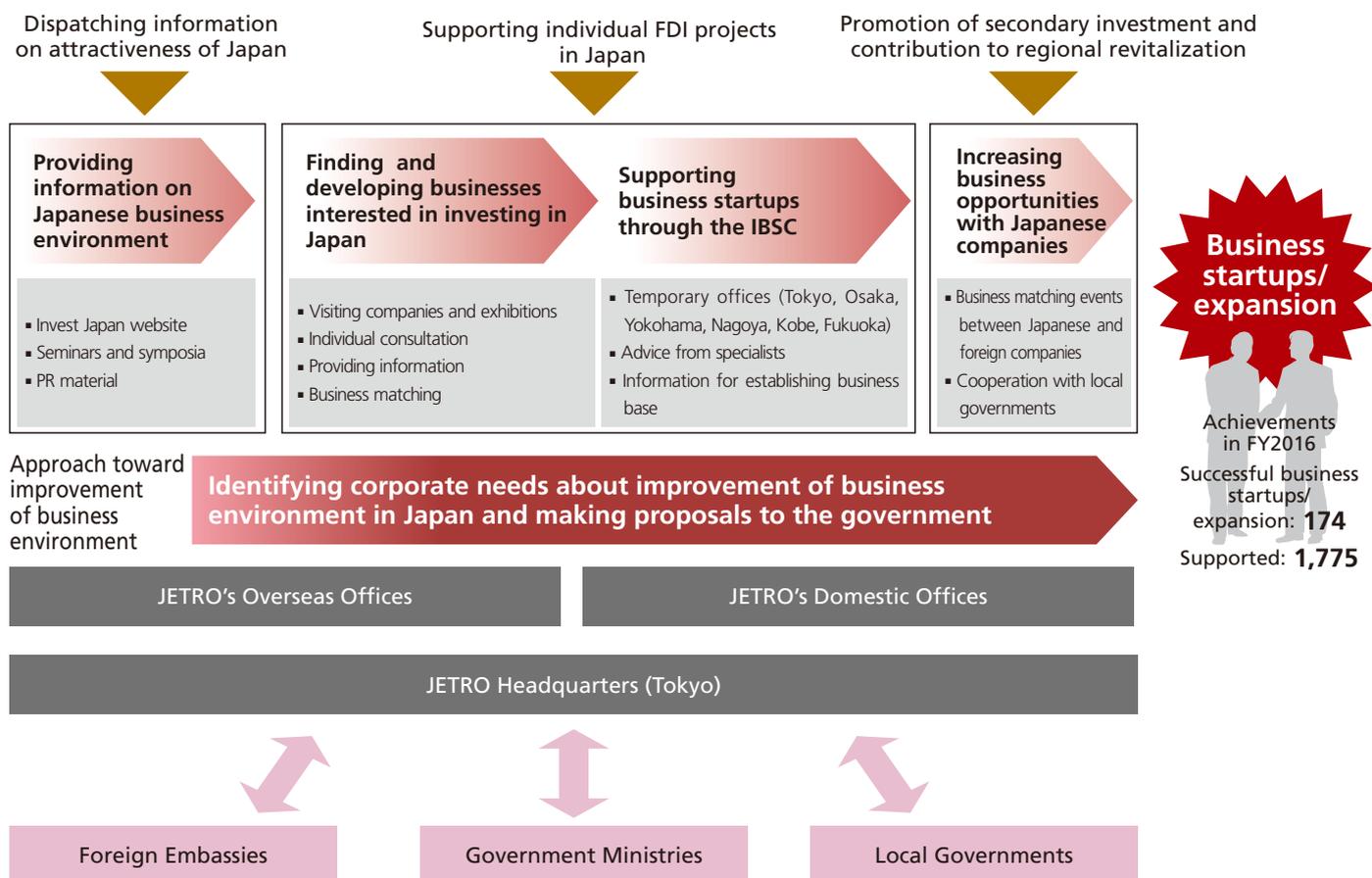
(1) Dispatching information on attractiveness of Japan

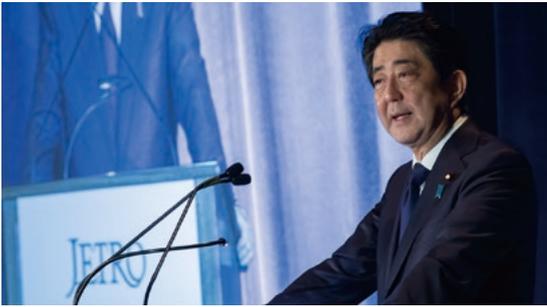
① Top-level sales and overseas seminars/symposia

To encourage foreign companies' entrance to the Japanese market, it is necessary to let them know the investment environment and business opportunities in Japan. Using its network, JETRO is making a strong effort to disseminate information around the world. In FY2016, JETRO held 163 seminars/symposia on investment in Japan and encouraged foreign enterprises and government officials to invest in Japan (Chart 6-8).

At the Invest Japan Seminar held in Brussels (Belgium, in May 2016) and the Invest Japan Symposium in New York (US, in September 2016), Prime Minister Abe took the platform for top-level sales to foreign companies. The symposium held in New York gathered more than 300 participants. Mayors also attended the seminar and symposium to introduce the attractiveness of their respective regions mentioning the particular examples of foreign companies that expanded into the region and also publicized their incentive programs including subsidies and establishment of industrial parks. In addition to these seminars and symposia, in September 2017, JETRO co-hosted a roundtable conference with the Japanese government

Chart 6-7 JETRO's activities to promote inward FDI





Prime Minister Abe speaking at the Invest Japan Symposium in New York



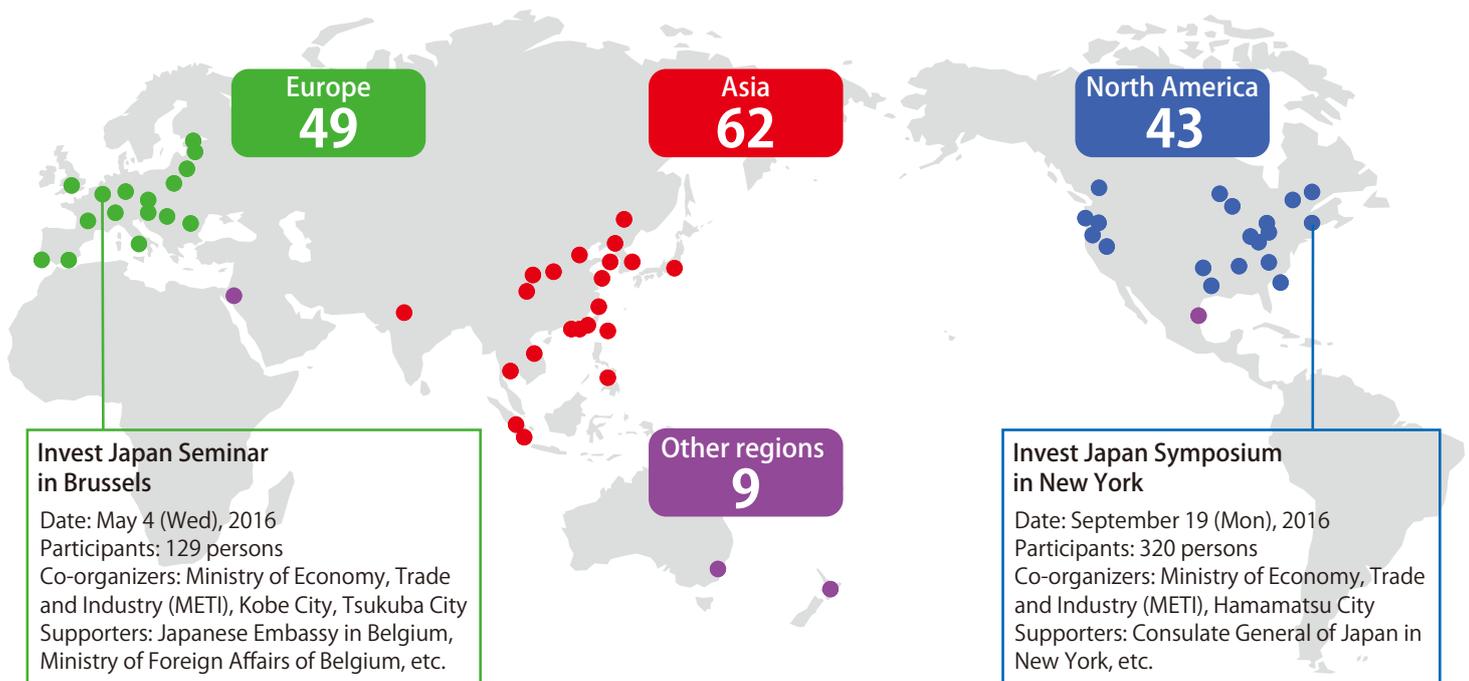
Prime Minister Abe making an appeal for investment in Japan at a roundtable conference with US investors and business leaders

in New York City, US where Prime Minister Abe met with the world-renowned investors and business leaders.

In recent years, JETRO has intensified promotions activities for the attraction of Asian enterprises in particular. JETRO held 62 seminars in Asia including the first large-scale seminar in Korea in FY2016. By region, the number of seminars in Asia was the largest. JETRO is also strengthening information dissemination in Mexico, Central and Eastern Europe, Israel and other new regions where investment in Japan is expected to increase. In June 2017, the first seminar on investment in Japan was held in Ireland to commemorate the 60th anniversary of establishment of diplomatic relations between the two countries. In these seminars and symposia, JETRO conveyed the “attractiveness of Japan as an investment destination” including the favorable position of the Japanese market, deregulation and JETRO’s support directly and in a comprehensive manner. The efforts were focused on companies highly interested in investment in Japan by setting themes tailored to the major industries, etc. of the country where the seminars/symposia were held.

Chart 6-8 Seminars/symposia on investment in Japan held in FY2016

In FY2016, JETRO held 163 seminars/symposia on investment in Japan in major cities in the world including top-level sales by Prime Minister Abe.



② Websites and other PR media for investment in Japan

JETRO is regularly sending out information through a variety of media including websites (Chart 6-9), email newsletters and pamphlets. Through the media JETRO introduces the attractiveness of the Japanese market, incentive information and success stories of foreign/foreign-affiliated companies investing in Japan. JETRO also provides information on investment in Japan including information on procedures for setting up business and various support programs of JETRO. Major contents of the websites and other PR media are organized by theme in Chart 6-10.

For example, “Laws & Regulations on Setting up Business in Japan” compiles information and procedures for registration, visas, tax, personnel/labor and trademark/design systems related to company establishment in Japan in seven languages. The total number of accesses to “How to Set up Business in Japan” exceeded 400,000 in FY2016 (the largest among JETRO Invest Japan websites) showing a strong need for such information. Furthermore, in response to the adoption of the “Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub” by the Council for Promotion of Foreign Direct Investment in Japan (May 2016), JETRO created English forms for written application concerning procedures for incorporation of a company and examples of items listed and posted them on the website.

Final report by the Working Group for Revising Regulations and Administrative Procedures that was set up under the council (April 2017) decided to use JETRO Invest Japan websites as official portal sites for information in foreign languages provided by ministries and agencies.

(2) Supporting individual FDI projects in Japan

① Platform to support individual companies

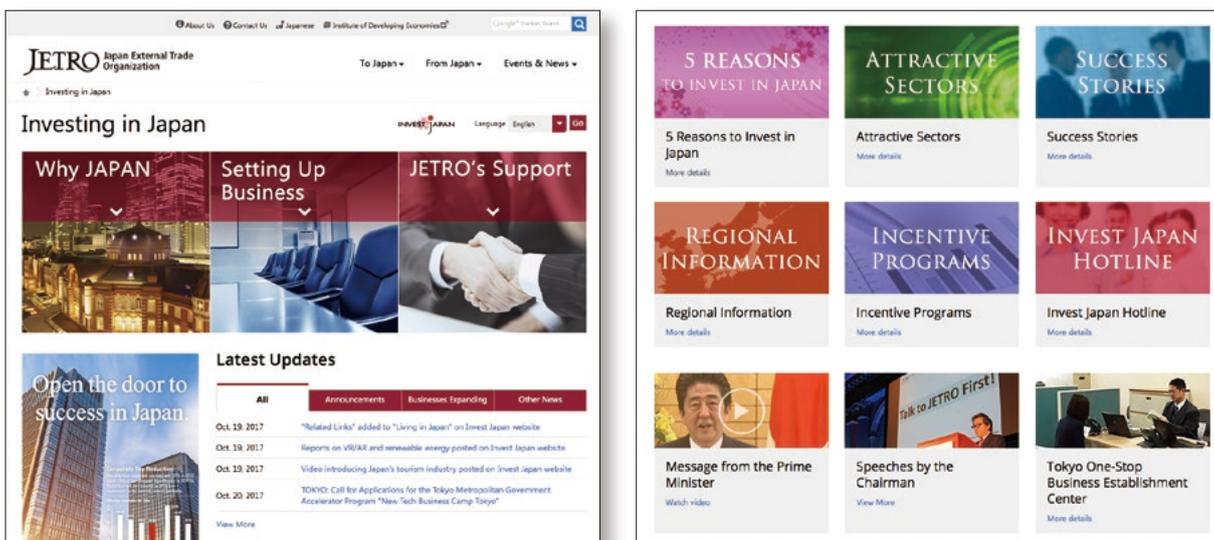
The strong point of JETRO’s activities is that overseas and domestic offices and headquarters work together and closely cooperate to support individual companies. In recent years, JETRO has enhanced the platform to find potential projects abroad. Now about 200 staff members in Japan and abroad are working to attract foreign investment. In FY2017, JETRO introduced the “Personal Advisors System for Foreign Companies” (to be described later).

Overseas offices are conducting proactive attraction activities including active collection of information on companies with a prospect of investment in Japan and individual approach and follow-up. They also cooperate with diplomatic missions abroad, overseas offices of Japanese local governments and trade/investment promotion organizations of other countries by holding seminars and jointly visiting industry groups to provide information on the investment environment in Japan and identify prospective companies.

In Japan, the Tokyo headquarters, JETRO Osaka and domestic offices provide foreign companies interested in doing business in Japan and foreign-affiliated companies planning investment expansion in Japan with information on the market by industry and regulations concerning permits/licenses through individual consultation by dedicated staff of JETRO and market specialists. JETRO also holds networking events for companies.

Follow-up for foreign-affiliated companies attracted to Japan is also essential for expansion of investment in Japan. Based on the survey of foreign-affiliated companies conducted by JETRO, many of them

Chart 6-9 JETRO Invest Japan Websites <https://www.jetro.go.jp/en/invest/>



are eager to expand investment in Japan. It is believed that there is a big need for support for investment expansion. In April 2015, JETRO set up a new section, the Foreign Affiliate Support Division, to support secondary investment by foreign-affiliated companies that already have a presence in Japan. The division provides finely tuned support tailored to individual needs of foreign-affiliated companies considering business expansion including additional investment/employment and business development into local regions. The service includes provision of incentive information and introduction to local governments.

Also since April 2015, six foreign staff members have been assigned to desks at JETRO headquarters dedicated to North America, China, Taiwan, Korea, ASEAN and India. The staff members respond to inquiries from companies of these countries/region in their respective languages and based on the understanding of the business and culture of the country/region so that companies can have a consultation in a relaxed manner.

In order to enhance the platform to attract companies to local regions, JETRO newly set up the Invest Japan Division at JETRO Osaka in April 2016. The division is working at attracting companies

Chart 6-10 Major contents of the Invest Japan websites, pamphlets, etc.

Theme	Contents on websites and pamphlets	Outline and languages used
Attractiveness of Japan, information of Japanese market https://www.jetro.go.jp/en/invest/pamphlets.html For "Attractive Sectors": https://www.jetro.go.jp/en/invest/attract.html	 <p>Why Japan? "5 Reasons to Invest in JAPAN"</p>	<ul style="list-style-type: none"> - Introduces Japan's attractive investment environment. - As five reasons to invest in Japan, "An Ever-growing Economy," "A Sophisticated Market," "An Innovation Hub," "Business-Friendly Infrastructure" and "A Comfortable Living" are introduced. - In Japanese, English, German, French, Chinese (simplified), Chinese (traditional), Korean, Russian and Spanish.
	 <p>Attractive Sectors</p>	<ul style="list-style-type: none"> - Introduces the features of three attractive sectors (Electricity and Renewable Energy, Life Science and ICT) as promising industries. - In Japanese and English.
	 <p>Talk to JETRO First</p>	<ul style="list-style-type: none"> - Easy-to-understand information on the market and the business and living environment in Japan. - In 17 languages: English, German, French, Italian, Spanish, Portuguese, Hungarian, Polish, Russian, Chinese (simplified), Chinese (traditional), Korean, Thai, Vietnamese, Arabic, Turkish, Persian and Hebrew.
Attractiveness of local regions https://www.jetro.go.jp/en/invest/pamphlets.html	 <p>Why Invest in Japan's Local Regions? -Unlimited Business Opportunities Await-</p>	<ul style="list-style-type: none"> - Introduces attractive investment environment in Japan's local regions. - Explains the advantages of the investment environment Japan's local regions offer: "Why1 : -Business Opportunity Beyond Tokyo-," "Why2 : -Leverage the Power of Innovation-," "Why3 : -Safe & Secure Business Environment-." - In Japanese, English, German, French, Chinese (simplified), Chinese (traditional) and Korean.
Information on regions/local governments https://www.jetro.go.jp/en/invest/region.html	 <p>Regional Information</p>	<ul style="list-style-type: none"> - In-depth profiles of Japan's regions, highlighting major industries and clusters—including size, attractive features and level of R&D functions—as well as other aspects of the general business environment. - Introduces industry information, business environment, logistics infrastructure, living environment and incentives of the regions of 80 local governments across Japan. - Enables search by prefecture and their target industry and view comparison of data of local regions. - In Japanese and English.
Stories of foreign companies successfully entering the Japanese market https://www.jetro.go.jp/en/invest/success_stories.html	 <p>Success Stories</p>	<ul style="list-style-type: none"> - Based on interviews conducted with foreign companies that have successfully come into the Japanese market. The series introduces the companies' experiences entering the Japanese market, their future business plans, and the merits of doing business in Japan. - In Japanese and English.
How to set up business in Japan https://www.jetro.go.jp/en/invest/setting_up.html	 <p>Laws & Regulations on Setting Up Business in Japan</p>	<ul style="list-style-type: none"> - Compiles information and procedures for registration, visas, tax, personnel/labor and trademark/design systems related to company establishment in Japan. - In Japanese, English, French, German, Chinese (simplified), Chinese (traditional) and Korean.

[Note] For details, see JETRO Invest Japan website.

to the Kansai area in cooperation with the headquarters, overseas offices and the domestic offices in the vicinity. In addition, JETRO deployed Invest Japan Coordinators at Sendai, Yokohama, Nagoya, Kyoto, Osaka, Hiroshima and Fukuoka. They work exclusively for attraction of enterprises to local regions and build a broad-area network with foreign-affiliated companies in major regions in Japan. At the headquarters, JETRO has set up a regional support team for consulting service to increase efforts for attraction of foreign investment to local regions in cooperation with local governments.

② Target fields in FDI

JETRO positions 6 target fields: (1) Environment and Energy (2) Life science (3) Tourism (4) Service (5) ICT and (6) Manufacturing

and Infrastructure where growth is expected and foreign companies have a strong interest. It also focuses on projects highly contributing to Japanese economy including establishment of business sites involving a large-scale employment/investment, projects with large ripple effects on the regional economy and setting up of sites to export Japanese products.

JETRO is stepping up its efforts to attract R&D centers by calling attention to the large pool of researchers, technological strength and favorable business environment complying with rules for intellectual property rights in Japan. In the survey of foreign-affiliated companies, "Existence of good partners, companies or universities with outstanding technology or products" and "High quality of R&D" are ranked high as "attractiveness of doing business in Japan."

Foreign staff members assigned to desks dedicated to specific country/region

ByungHo Lee
(Korea desk, from Korea)

<Strength of JETRO's support for foreign-affiliated companies>

Free consultation and services at IBSC are strong points unique to JETRO. I think JETRO's services have appeal especially to SMEs with limited manpower and funds.

Chuanming Liu
(Taiwan desk, from Taiwan)

<Attractiveness of (business environment of) Japan>

Japanese companies place importance on business partnerships. Keeping promises on both sides and promptly sharing information to business partners are also part of the attractiveness of Japan's business environment.

Matt Stephens
(North America desk, from the US)

<Strength of JETRO's support for foreign-affiliated companies>

The organization and the team offer a wealth of knowledge and experience gained through assisting a great number of foreign companies across a wide range of industries. By leveraging our network of domestic offices throughout Japan, we are able to propose a variety of options for business base locations at a national level.



Swastik Kulkarni
(India desk, from India)

<Attractiveness of (business environment of) Japan>

You can develop long-term business relationships with Japanese companies. Japan shares with India a business practice of long-term transaction based on a trust relationship. This is of great appeal for Indian companies in Japan that treat Japanese companies not just as "customers" but as "partners for cooperation."

KieWai Khoo
(ASEAN desk, from Singapore)

<What I am trying to do in my support service>

When explaining Japan's regulations to foreign-affiliated companies, I focus on differences with their country and (disclosable) examples of other companies that have established business base in Japan. I am trying to develop trust relationships by thinking of information and support that the company may need and making proposals before being asked.

Li Li
(China desk, from China)

<Characteristics of direct investment in Japan from my country>

Investment is increasing from both service and manufacturing industries. Because they are considering sales expansion into advanced countries through Japan, investment from China will accelerate in many fields within the next five years.

Examples of projects supported by JETRO

 <p>Service</p>	<p>honestbee (Singapore)</p> 
<p>The company provides personal shopping services with a focus on fresh food and groceries. After customers place their orders through an application it has uniquely developed, honestbee fulfills the customers' desired orders and requests and delivers them in as short as one hour to customers' homes, saving them both time and labor. Featuring a business model based on a sharing economy where individuals such as mothers, students, housewives and those with spare time can find productive and flexible work, as well as working together with brick and mortar businesses in Japan to expand their reach both geographically and in the online realm, the company set up a business site in Tokyo in February 2017.</p> <p>JETRO provided a temporary office at IBSC Tokyo and helped the company to find an office. The company also used IBSC for training of its new recruits. Regarding the unconventional system of employment of proxy shoppers and deliverers (registered "bees"), JETRO also provided information on labor management and arranged consultation with labor and social security attorneys and other specialists many times. Consistent hands-on support in areas indispensable for the company's business model was provided, including staff recruitment through introduction of human resource platforms for students and business matching with stores that are prospective business partners.</p> <p>The company's business is expected to help customers in their daily life and also promote employment and vitalize economy in the communities. For the future, honestbee plans to leverage its business model of "service + logistics" to expand the service area while expanding the service from B2C to B2B.</p>	

 <p>Environment/ Energy</p>	<p>Infrastruttura (Italy)</p> 
<p>This is a company engaged in planning and construction of renewable power generation plants (for PV and wind power) around the world. The company established Hergo Sun Japan in Tokyo in 2012 to enter the PV power generation business in Japan. In March 2016, the company completed its construction of a 1MW class PV power plant in Chichibu City, Saitama Prefecture and started operation.</p> <p>JETRO has been providing continuous hands-on support from the time when the company was considering expansion to Japan. For the establishment of the business sites, in addition to the temporary office at IBSC Tokyo and consultation on company registration and tax affairs, JETRO provided the company aiming to do business in Japan for the first time with information on laws and regulations related to construction of solar/wind power plants as well as business opportunities in Japan.</p> <p>At the same time, JETRO introduced an industry group related to solar power generation business and supported the selection of land suitable for power plants, providing advice on the flow up to the conclusion of an incidental contract with a power company to untangle the company's concerns about the establishment of its first large-scale power plant in Japan. Furthermore, toward the establishment of a power plant in Chichibu City, JETRO arranged interviews with the local government for inquiry on specific administrative procedures. These efforts enabled the company to gather a variety of information. The company plans to develop its new projects including PV and wind power generation business in other local regions in Japan.</p>	

 <p>Life science (Regenerative medicine)</p>	<p>Agilis Biotherapeutics (US)</p> 
<p>This is a biopharmaceutical company which has world-leading technologies and know-how in gene therapy using AAV vectors (viruses that introduce the therapeutic gene into the target cell) for a rare disease (AADC deficiency: involuntary movement due to abnormality of neurotransmitters, dysautonomia). In August 2016, the company together with a Japanese company (Gene Therapy Research Institution) established a joint corporation Agilis GTRI Japan with the aim of strengthening the foundation of gene drug development in Asia.</p> <p>JETRO provided various services including consultation on establishment of the joint venture, introduction of administrative scriveners and arrangement of interviews with local governments taking advantage of the local network. The adoption for JETRO's "Subsidy Program for Global Innovation Centers" accelerated the establishment of the joint venture and projects and in February 2017 the company set up an R&D center in the Life Innovation Center in Kawasaki City.</p> <p>For the future, the company plans to start preparation for international joint clinical studies in the facility upon approval of its GCTP compliance which is a standard for production and quality management of regenerative medicine products.</p>	

 <p>Tourism</p>	<p>Scoot (Singapore)</p> 
<p>An LCC of the Singapore Airlines Group that started service in 2012 has expanded its routes to 60 cities in 17 countries up to date, which includes Narita/Kansai – Singapore route. The company started a regular service between Singapore and New-Chitose in October 2016. The aim is to incorporate demand dramatically increasing among tourists from Southeast Asia in recent years for travel to Hokkaido, a popular destination for Singaporeans. The company, with the cooperation of JETRO, will also undertake export of Hokkaido's fresh farm and marine products popular also in Singapore through freshness-keeping high-speed transportation using Boeing 787s that can load cargo over 10 tons. Scoot is also considering export to Southeast Asia, India and Middle East.</p> <p>JETRO helped the company to start the service by introducing an administrative scrivener who knows well the special tax practices unique to the airline industry, for example. At the start of the service to New-Chitose, JETRO, jointly with the International Enterprise Singapore, held an event commemorating the launch of the service concomitantly with an event commemorating the 50th anniversary of the establishment of diplomatic relations between Japan and Singapore to widely publicize the service among the Japanese media. Scoot announced the opening of the Kansai – Honolulu route in October 2017, and JETRO also cooperated in its public relations activities.</p>	

③ Providing office space and free consultation - Invest Japan Business Support Center (IBSC)

JETRO has set up Invest Japan Business Support Centers (IBSCs) in six major cities (Tokyo, Yokohama, Nagoya, Osaka, Kobe and Fukuoka) (Chart 6-11). The centers provide office space for preparation for establishing a company in Japan. Foreign companies considering investment in Japan can use the space free of charge for up to 50 business days. There are experienced and dedicated staff and specialists providing one-stop free consultations on legal, labor, tax and other systems and procedures for establishment of business base.

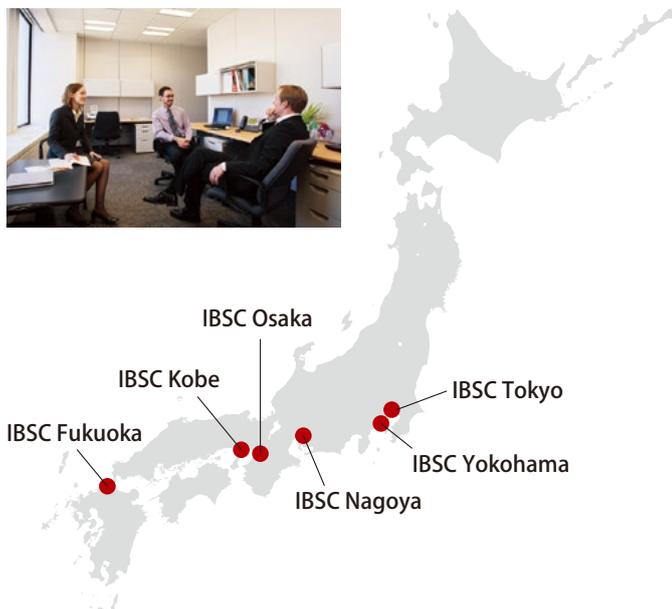
Comments from companies using IBSC (from JETRO “Success Stories”)

Tinhvan Outsourcing Japan
(Vietnam, ICT, Used IBSC Tokyo)



“After coming to Japan, JETRO’s free-of-charge temporary office was particularly helpful. The support enabled us to significantly reduce the time and cost required for the incorporation and also gave us confidence in our investment in Japan — something we had first expected to be a challenge.” (Mr. Nguyen Ich Vinh, CEO)

Chart 6-11 Locations of Invest Japan Business Support Centers (IBSCs)



④ Investment support through Global Alliance Scheme

JETRO is also implementing projects to promote expansion of overseas sales channels and open innovation by Japanese mid-ranking companies and SMEs by encouraging foreign companies’ investment in them and participation in their management. In FY2015, the investment support through Global Alliance Scheme was established, where JETRO serves as a coordinator who relays requests of foreign companies to the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (“SME Support, JAPAN”), the Central Bank for Commercial and Industrial Co-operatives (“Shoko Chukin Bank”), the Small and Medium Business Investment & Consultation CO., LTD. (“SBIC”) and local financial institutions in order to help investment partnership between foreign and Japanese companies.

(3) Promotion of secondary investment and contribution to regional revitalization

① Supporting networking of international students and foreign-affiliated companies

As part of its support for foreign-affiliated companies, JETRO held the first “Exchange Students/Global Talent & Foreign-affiliated Company Networking Event” in October 2017. A panel discussion on the “appeal of working for a foreign-affiliated company in Japan,” booth exhibitions (poster sessions and networking time) and presentations by foreign-affiliated companies, and career seminars for global talents were conducted at the event. About 70 foreign-affiliated companies with business bases in Japan and about 240 students including exchange international students from 30 countries/regions participated in the event. JETRO received positive feedback from the companies such as “the event was a meaningful opportunity to interact with global talent from various backgrounds as well as other companies participating in the event.”

These days when aggravation of the labor shortage is pointed out all over Japan, many companies feel “Lack of human resources who can communicate in foreign languages” in the survey of foreign-affiliated companies, and about 60% of the companies answered “Yes, we will employ international students.” “Support for recruitment of bilingual talent” is mentioned as support/service they expect from JETRO and local governments, which indicates strong latent needs for support for recruitment of international students. Creation of such networking opportunities is believed to be effective also for the policy issue: increase the share of international students who find jobs within Japan to 50% by FY2020.



“Exchange Students/Global Talent & Foreign-affiliated Company Networking Event”

② Networking events to support business expansion in Japan

JETRO provides opportunities for business matching and networking events to help foreign companies enter the Japanese market and expand investments in Japan by increasing cooperation with Japanese companies.

In April 2016, JETRO held the first “JETRO Invest Japan Networking Event,” inviting foreign-affiliated companies located in Japan. This event was the first time for JETRO to provide a networking opportunity for the foreign-affiliated companies which have already established a presence. The event received many participants: 190 people from foreign-affiliated companies and a large number of people from foreign embassies in Japan, foreign governmental organizations, Japanese government ministries and agencies as well as local governments, and they actively exchanged information. The event also served as an opportunity to deepen their understanding of the Invest Japan promotion initiatives conducted by the Japanese government and JETRO.

The second JETRO Invest Japan Networking Event is scheduled for December 2017.



The first “JETRO Invest Japan Networking Event”
(Speech by Mr. Risberg, Chairman of
the European Business Council in Japan (EBC))

JETRO is also working to create opportunities for networking among companies in specific fields. For example, it held the “New Markets in Asia - Business Matching Event with Asian Cross-border EC Companies” in Tokyo in October 2016. This was followed by the “Business Matching Event with Asian Cross-border EC Companies” in Osaka in February 2017. Also, eight cross-border EC companies from China and Taiwan had individual business talks with about 200 people from Japanese companies interested in overseas sales expansion.

③ Collaboration with local governments to attract foreign investment to local regions

Since FY2016 JETRO has been providing training programs on the attraction of foreign investment for local governments and also advice concerning their strategy planning for this purpose. JETRO, in cooperation with Regional Bureaus of Economy, Trade and Industry implements a working-level training program for local officials in charge of attraction of foreign companies, including officials of local governments and Chambers of Commerce and Industry, for them to gain better understanding and learn skills and knowledge necessary for attracting investments. In FY2016, a basic session (lectures to introduce basic skills and knowledge to attract foreign companies), an application session (practice of presentation for attraction of investment and lectures by representatives of foreign governments and foreign-affiliated companies in Japan) and a practice session (for those selected from among applicants, the local governments and JETRO domestic offices jointly plan projects to attract foreign investment in Japan), gathering 185 participants from 68 governments, 19 participants from 12 governments and 5 governments/groups respectively.

In addition to the training program above, JETRO provides “skill improvement training” for enhancement of local sales strength in 2017. The training aims to develop materials to convey the appeal of the region in foreign languages and other sales tools. Collaboration between JETRO and local governments is expanding from public relations and information dissemination to support for setting up of businesses. The work for smooth attraction of investment to local regions utilizing their strengths will be continued.



Training program for local governments on attraction of foreign companies (basic session, in Hiroshima)

Subsidy Program for Global Innovation Centers



From January 2016 to March 2017, JETRO implemented the Subsidy Program for Global Innovation Centers using METI's subsidy (FY2015 supplementary budget). The program subsidized costs of highly novel and high value-added projects (IoT, regenerative medicine) implemented by foreign-affiliated companies in cooperation with Japanese companies, universities, etc. 16 projects were adopted including establishment of R&D centers,

experimental studies and feasibility studies (F/S) conducted in Japan (Chart 6-12). Using this scheme, three companies established new R&D centers in Japan while others customized systems that had not been introduced to Japan, or worked on development of the world's first system of the kind jointly with Japanese companies (see also Chapter 3 for activities of the companies using the subsidy).

Chart 6-12 List of 16 projects adopted for the Subsidy Program for Global Innovation Centers (in Japanese alphabetical order)

No	Company name	Nationality of parent company	Industrial field	Project category	Content
1	iWave Japan	India	IoT (Transportation)	Experimental study	Development of a remote railway signal monitoring system via the Internet
2	Agilis GTRI Japan	US	Regenerative medicine	Establishment of global innovation center	Research and development for the production of AAV vectors targeting gene therapy of AADC deficiency and Parkinson's disease
3	Analog Devices	US	IoT (Agriculture)	Experimental study	Development of smart agricultural system by sensing technology highly integrated with Japanese farmer's techniques
4	Ericsson Japan	Sweden	IoT (Communication)	Experimental study, feasibility study	Development of LED street light "Zero Site-J" which incorporates wireless and antenna-based signaling
5	Elekta	Sweden	IoT (Medicine)	Feasibility study	Research on commercialization of a cloud computing system for radiotherapy
6	GE Healthcare Japan	US	IoT (Manufacturing, medicine)	Experimental study	Improvement of factory productivity and asset optimization in hospitals using industrial IoT platform and sensing technology
7	Siemens Healthcare	Germany	Regenerative medicine	Experimental study	Monitoring of regenerative medical treatment by latest 7T-MRI
8	Skymind	US	IoT (Finance)	Experimental study	Development of an application to detect fraud in the financial system using AI technology (deep learning)
9	Space-Time Engineering Japan	US	IoT (Disaster response)	Experimental study, feasibility study	Development of information sharing system utilizing multimedia contents for disaster medical response
10	CENIT Japan	Germany	IoT (Manufacturing)	Experimental study	Optimization of factory production line through virtual factory built in cyber space (factory CPS)
11	Laboratory of Hi-Think	China	IoT (Manufacturing, welfare)	Establishment of global innovation center, experimental study, feasibility study	Development of IoT operation system (IPv6, compact high-performance machine learning, a welfare service for the elderly)
12	Pfizer Japan	US	IoT (Medicine)	Feasibility study	Platform construction based on clinical trial data, drug discovery research and algorithm creation technology through data analysis
13	Philips Japan	Netherlands	IoT (Medicine)	Experimental study	Development of remote digital pathology report system
14	Philips Japan	Netherlands	IoT (Medicine)	Establishment of global innovation center, experimental study	Research and development of remote intensive care patient management program
15	LOOP Japan	Canada	IoT (Tourism)	Experimental study	Development of electric vehicle sharing system with built-in type touch screen display device linking tourist information
16	w00rk	UK	IoT (Architecture)	Feasibility study	Feasibility study of IoT laboratory function service "IoT OEX" which enables data sharing analysis by tenants

[Note] For details on each project, see https://www.jetro.go.jp/en/invest/incentive_programs/info.html

(4) Approach toward improvement of business environment

① Investment Advisor Assignment System and the Working Group for Revising Regulations and Administrative Procedures

As the government is actively working to improve the business environment in Japan, it is critically important to reflect the opinions of enterprises in its policies. In order to establish a system for enterprises to smoothly consult with the government, the “Investment Advisor Assignment System” was created in 2016. In this system, State Ministers act as advisors to foreign companies that have made important investments in Japan. Furthermore, as a result of discussions by the Working Group for Revising Regulations and Administrative Procedures set up under the Council for Promotion of Foreign Direct Investment in Japan, specific improvement requests made by foreign/foreign-affiliated companies were promptly reflected in policy (e.g., Expansion of the scope of holders of bank accounts for Proof of payment, online procedures for status of residence, for details see Chapter 2). JETRO was also a member of the working group and made proposals. In addition, it was decided to use JETRO’s Invest Japan websites as portal sites for information in foreign languages provided by ministries and agencies (https://www.jetro.go.jp/en/invest/gov_support.html). List of medical institutions, banks, mobile operators, electric/gas utilities accessible in foreign languages is posted on JETRO’s Invest Japan website in English (<https://www.jetro.go.jp/en/invest/living.html>).

② Personal Advisors System for Foreign Companies

With the “Personal Advisors System for Foreign Companies” introduced in FY2017, staff members in charge of attracting investment at JETRO aim to provide about 1,000 companies with finely tuned support (including provision of information in English) and speedy solutions in relation to regulations and administrative procedures in cooperation with related ministries and agencies.

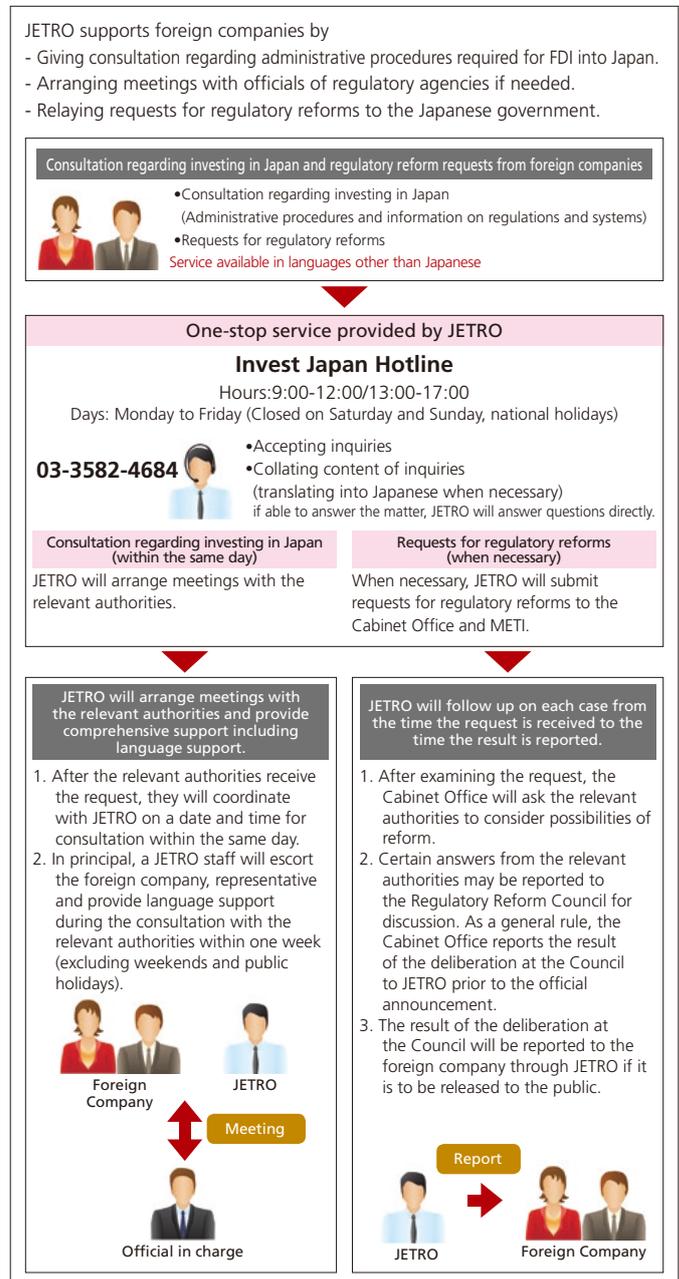
They will proactively identify corporate needs such as “there are regulations and procedures posing an obstacle to business” and “we need information on incentives of the central/local governments” in order to advance follow-up services for foreign-affiliated companies and further improve the business environment in Japan from the enterprise perspective.

③ Invest Japan Hotline

JETRO has set up the Invest Japan Hotline (Chart 6-13) to provide consultations on investment in Japan, responding to inquiry about regulations and receive requests for regulatory reform from foreign companies (in Japanese and English). JETRO makes proposals to the government and arranges interviews with relevant ministries/agencies according to the content of the consultation. It provides comprehensive support including presence at meetings, follow-up on the requests for regulatory reform and feedback on the results.

Chart 6-13 Invest Japan Hotline

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



The Government's Efforts and JETRO's Inward FDI Promotion Activities in 15 Years

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 (creating 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 (providing 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)" 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)" was 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 "New Three Arrows" of Abenomics was announced, aiming to create a strong economy, more support for childcare and social security.
2016	Feb	The Subsidy Program for Global Innovation Centers was established (JETRO served as the secretariat).
	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. In the 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 Advisors System for Foreign Companies" to JETRO).

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016

Talk to JETRO First

about business in Japan!



JETRO HQ (Akasaka, Tokyo)



JETRO Invest Japan Business Support Center (IBSC)

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