

# **Japan is Back**

## **-New Opportunities and Development-**

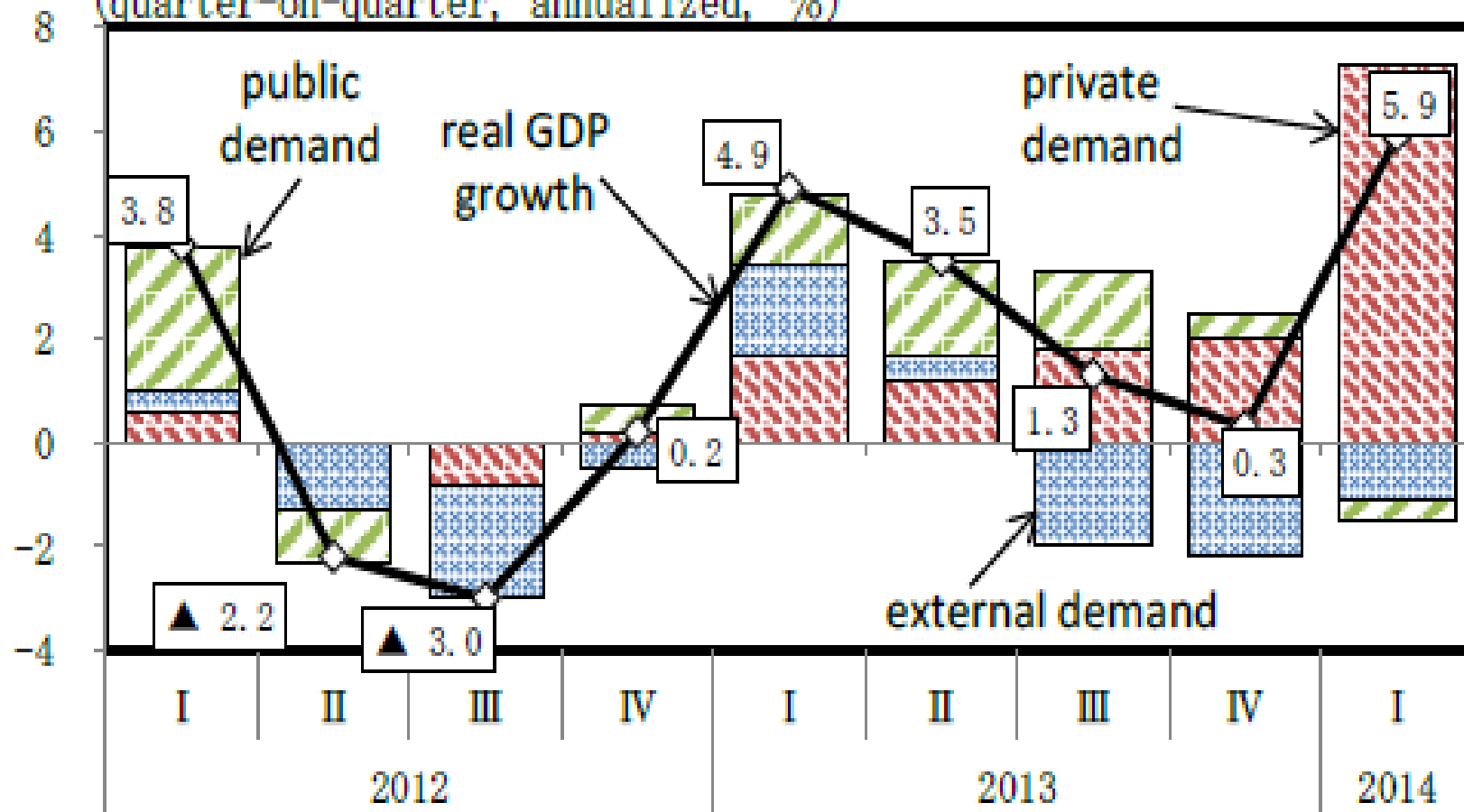


**July 2014**  
**Jun ARIMA**  
**Director General, JETRO London**

# Positive Growth in 6 Consecutive Quarters

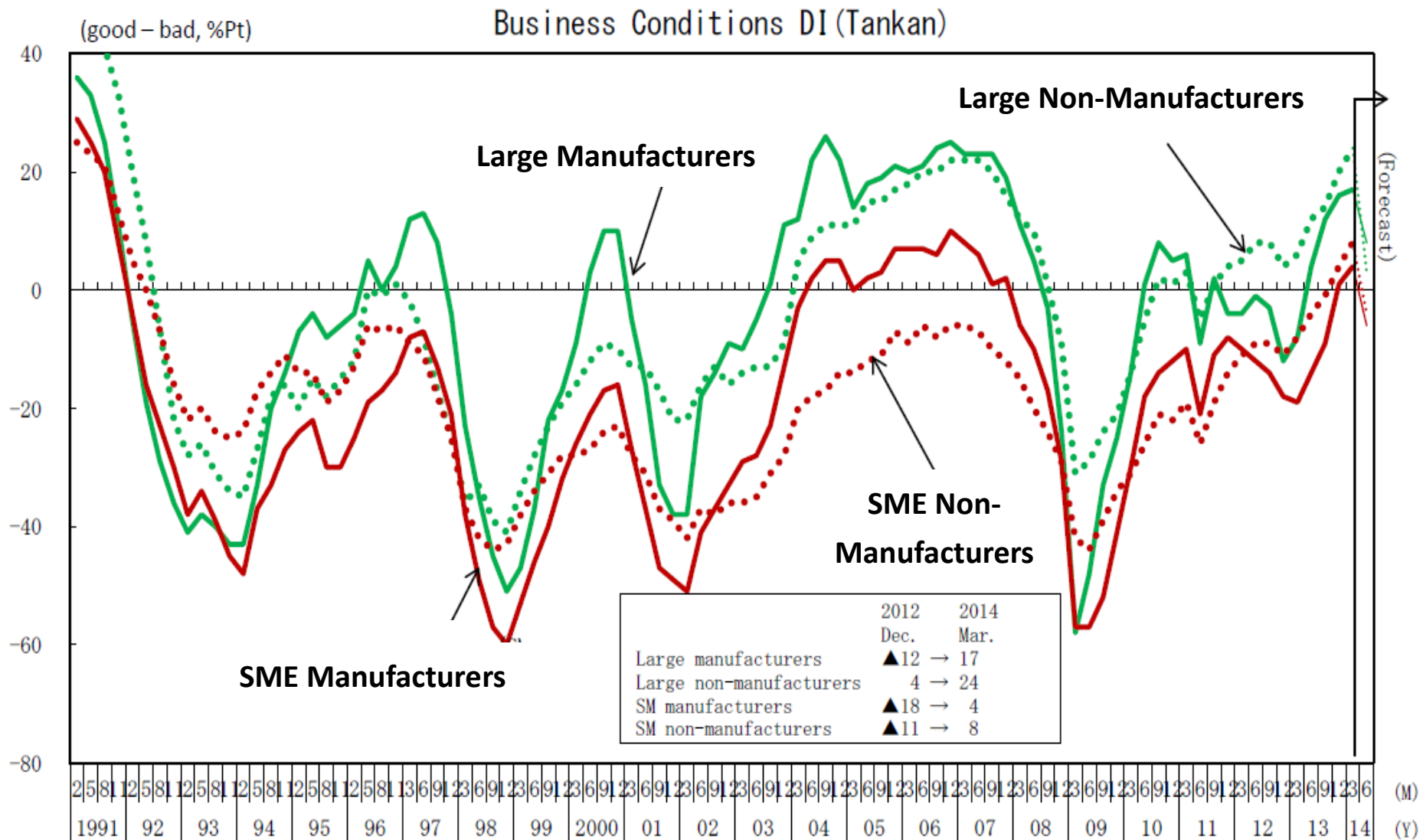
## Trend of real GDP growth rate

(quarter-on-quarter, annualized, %)



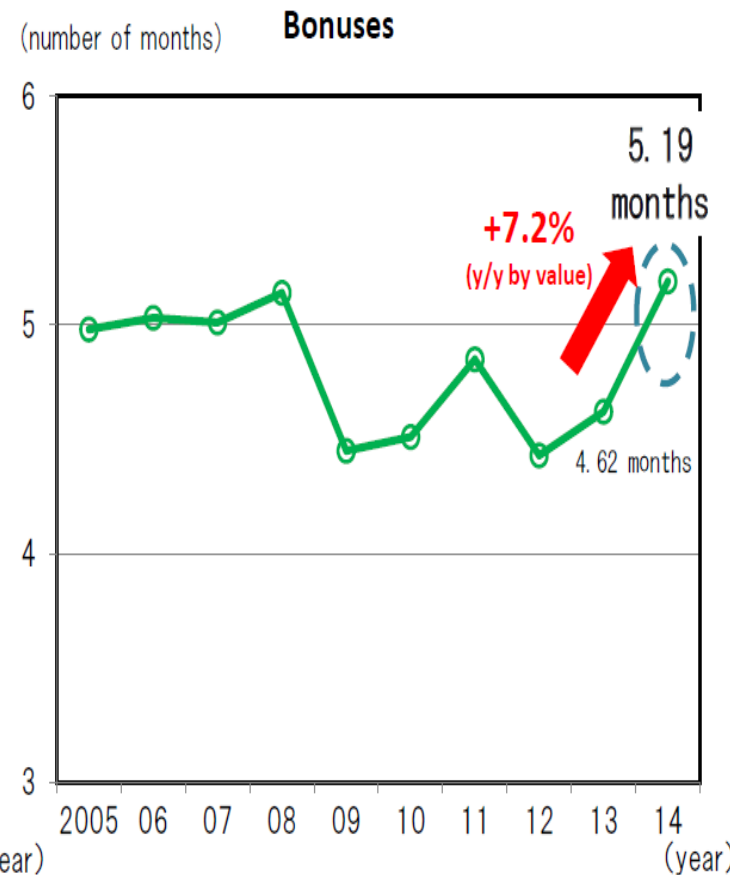
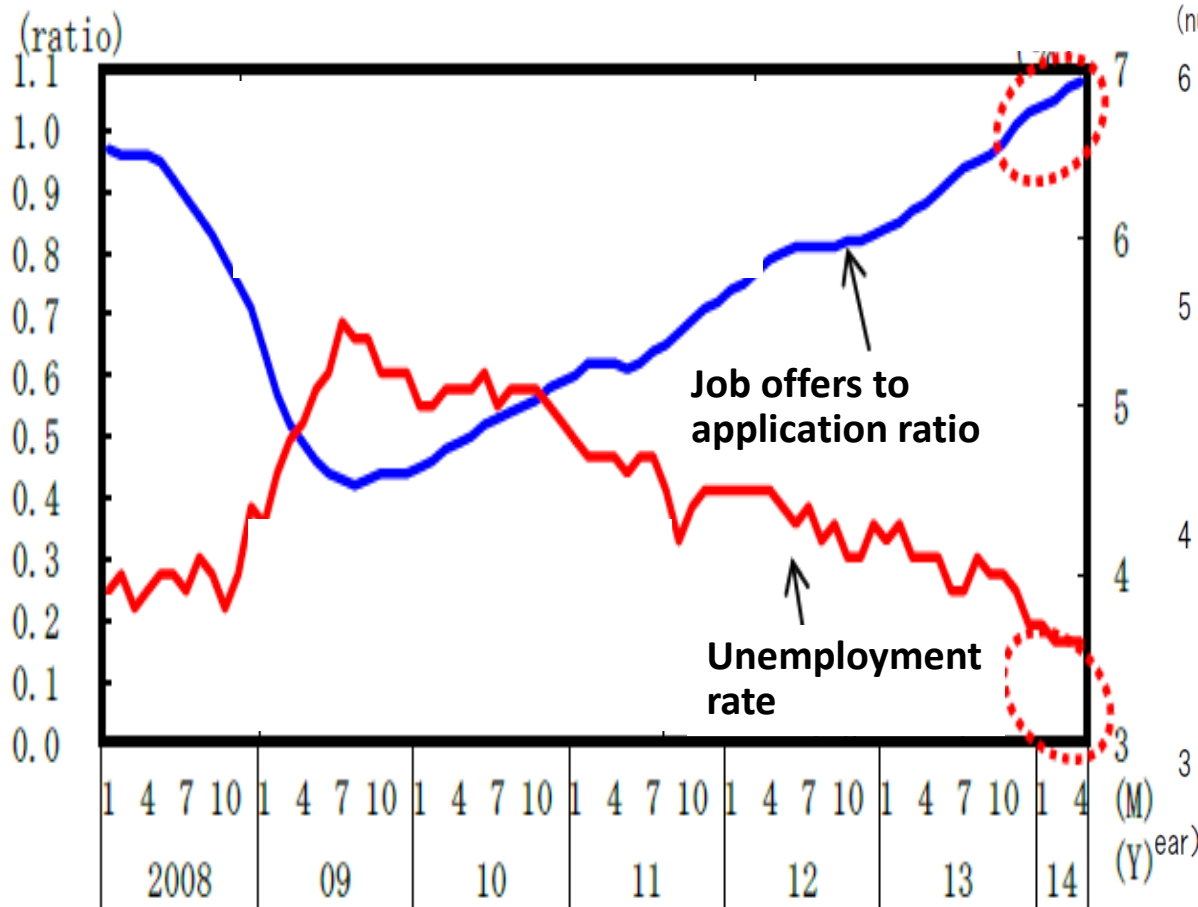
(Source) Cabinet Office, "National Accounts"

# Improving Business Conditions



(Source) Bank of Japan "Short-Term Economic Survey of Enterprises in Japan (Tankan)"

# Revitalizing Labour Market



- (Notes) 1. Ministry of Health, Labor and Welfare, Ministry of Internal Affairs and Communications  
2. Each data is seasonally adjusted

# Japan Revitalization Strategy (14 June 2013)

**Overall Target:** 2% Real GDP Growth in the next 10 years  
1.5 million JPY Increase of GNI/capita after 10 years

## ● Promoting Investment

- Bold regulatory reform and tax incentives for investment

## ● Enhanced Utilization of Human Resources

- Increase workforce participation of women, youth, elderly

## ● Creation of New Markets

- Expedite approval process of cutting-edge medical devices
- Establishment of control tower of cutting-edge R&D etc

## ● Integration with Global Economy

- Economic integration (TPP, EU-Japan EPA etc)
- Most business friendly environment through regulatory reform (National Strategic Special Zone)
- Promote inward FDI
- Increase foreign visitors to Japan



**Evolving Growth Strategy : PDCA Cycle with sets of Key Performance Indicators**

# Revision of Japan Revitalization Strategy (23 June 2014)

## 10 key reforms

**Regain Japan's  
Earning Power**

1. Enhance corporate governance

2. Reforms for management of public and quasi-public funds

3. Promotion of venture business

Company level changes

4. Corporate tax reform

5. Stimulate innovation through science technology and a 'Robotics Revolution'

Country-level changes

**Create Drivers for Growth**

6. Enhancing women's participation and advancement

7. Enable flexible working practices

8. Attract talent from overseas

**Promote New Engines for Growth and Industries to Support Regional Economies**

9. Aggressive agricultural policy

10. Healthcare Industry and High Quality Services

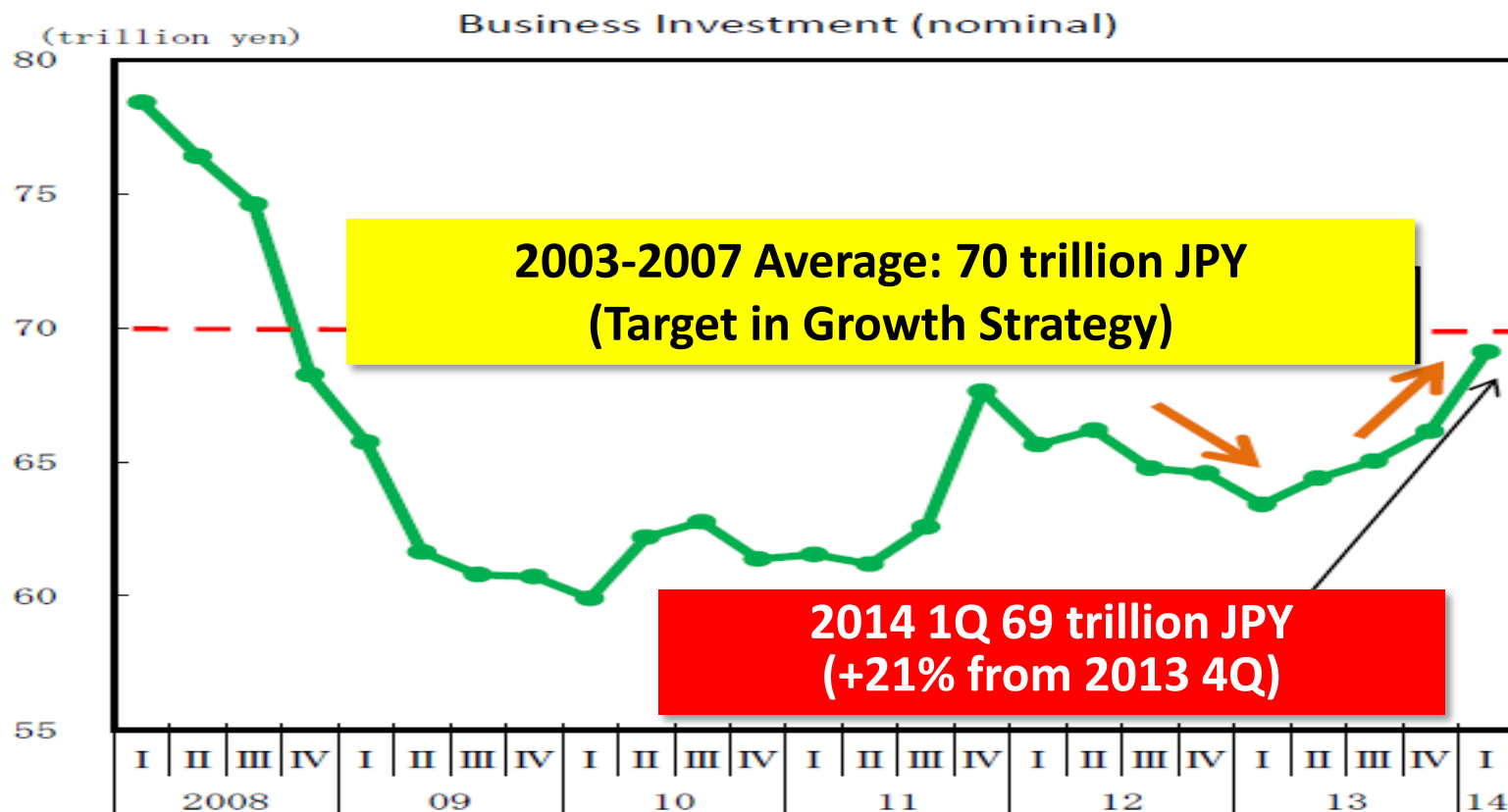
**Growth to create ripple effect across the nation**

*Local revitalization and innovation of small and medium-sized enterprises (SMEs)*

*Structural reforms in regional economies*

# Increase Private Investment

- ◆ Tax Reduction of 1 trillion JPY for capital investment  
=> 10,000 applications during Jan-May 2014



(Source) Cabinet Office "National Account" (nominal, SA)



# Strengthening R&D Capacity

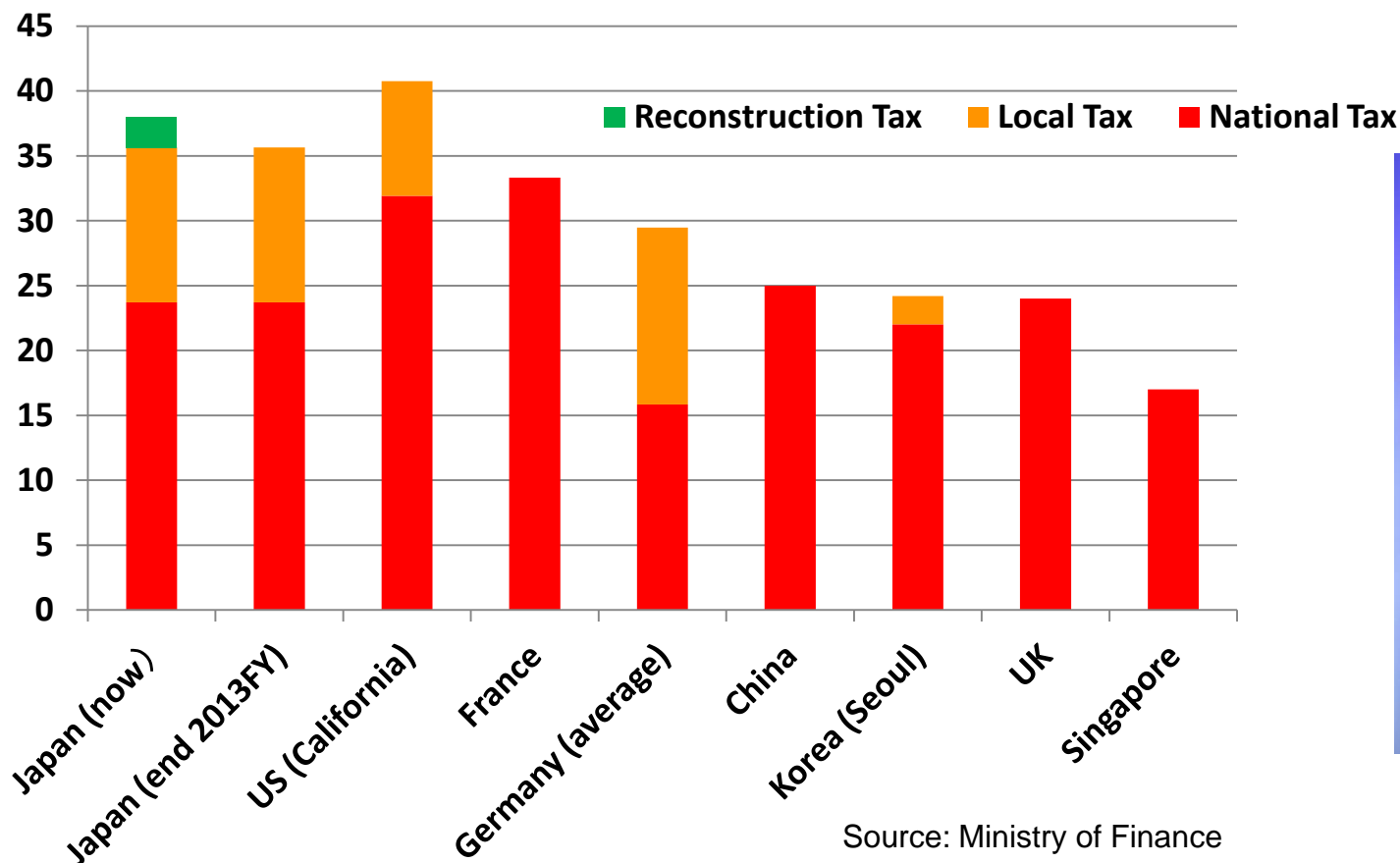
- ◆ HQ function of Council for Science and Technology Policy
- ◆ Cross-Ministerial Strategic Innovation Promotion Program (SIP)
- ◆ Impulse to Paradigm Change through disruptive Technologies (ImPACT) (ex low cost bio-fuel using super euglena, 1-month charge free mobile using innovative magnetic memory chip)
- ◆ 5-year plan for Robotics Revolution
- ◆ National R&D Institutes reform allowing researchers' concurrent posts at universities, research institutes etc





# Pro-Business Corporate Tax Reform

- ◆ Abolish Special Corporate Tax for Reconstruction 1 year earlier (end 2013 FY)
- ◆ Reduce the level of effective corporate tax rate down to the 20s in several years. The first phase reduction in 2015FY



Source: Ministry of Finance



# Enhance Corporate Governance

- ◆ **Japan's Stewardship Code (Feb 2014)**  
defining principles for institutional investors to fulfil their fiduciary responsibility and to promote sustainable growth of investee companies

=> 127 institutional investors including GPIF intend to accept the Code by the end of May 2014

- ◆ **Revised Companies Act to promote introduction of outside directors**

=> Proportion of listed companies with outside directors  
62% (2013) => 74% (2014)

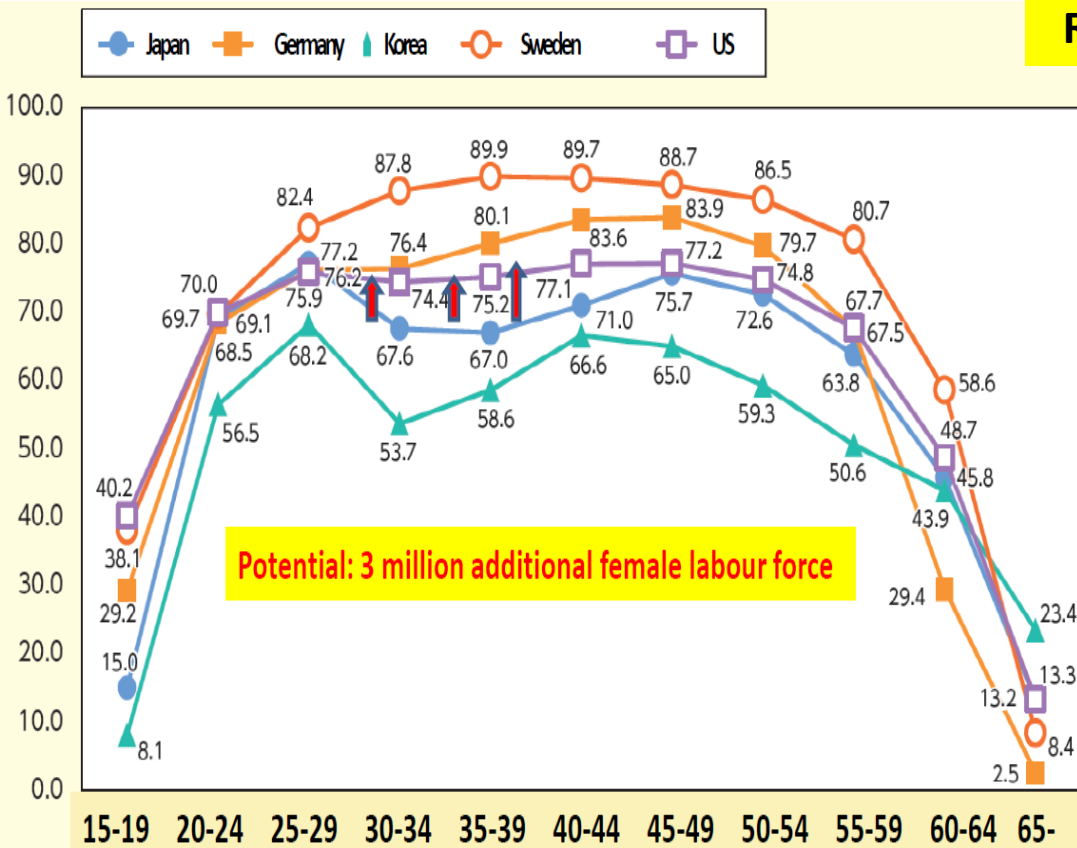
- ◆ **Corporate Governance Code drafted by the Tokyo Stock Exchange**



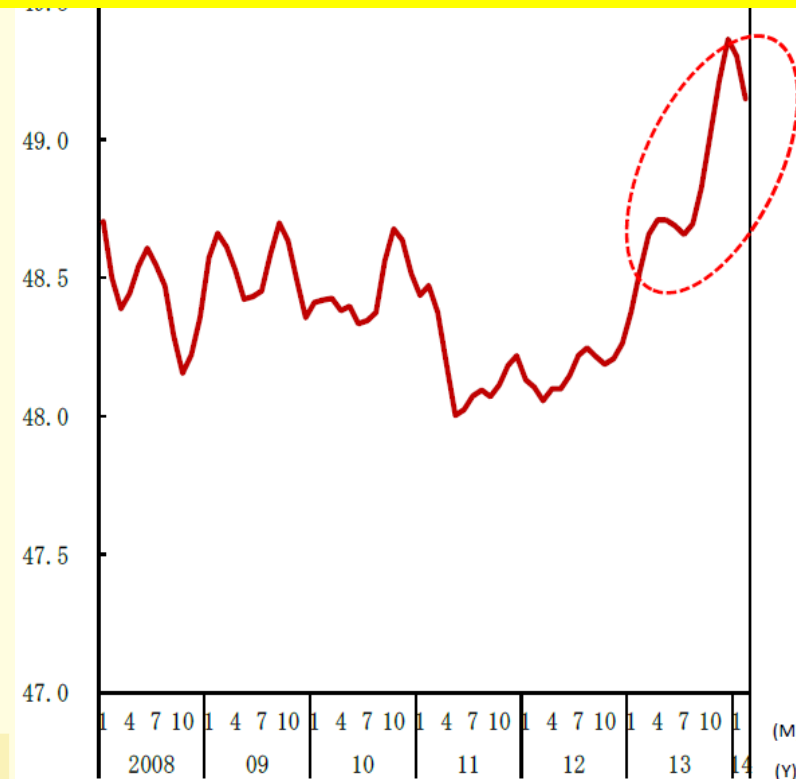
# Full Utilization of “Power of Women”

- ◆ Eliminate childcare waiting lists by +400,000 childcare arrangements by 2017FY
- ◆ After-school child care services for +300,000 children utilizing unused classrooms
- ◆ Review of tax/social security system encouraging female labour participation
- ◆ Obligation to disclose the number of female executives in financial reports

## Rising Female Labour Participation Ratio



Source: Ministry of Health, Labour and Welfare



(Source) Ministry of Internal Affairs and Communication (SA, 3MA)

# Labour Market Reform

- ◆ **Policy change from maintaining jobs to assisting labour mobility**
- ◆ **Brisk Labour Market**
  - Highest job-to-applicants rate in 8 years
  - Lowest unemployment rate since July 2007
  - Highest monthly wage rise rate in 10 years
  - Highest summer bonus rise rate in 30 years
- ◆ **Develop a new system based on outcomes rather than working hours (“White Collar Exemption”)**
- ◆ **Review coverage and process of discretionary working system**
- ◆ **Develop a predictable and globally comparable labour conflict resolution system**



# Utilization of Foreign Human Resources

- ◆ **Relaxing points-based system for high skilled foreign professionals**
  - expand the scope of “annual income”
  - loosen income requirement for bringing parents/housekeepers
  - shorten waiting time for permanent residency ( 5 years =>3 years)
- ◆ **Urgent measures (up to 2020 Olympic) to enable workers having completed Technical Intern Training to work in construction sector for 2-3 years**

- ◆ **Review Technical Intern Training Systems**

- expand job category
- extend training period from 3 to 5 years
- expand admission quota

- ◆ **Launch new systems**

- Accept workers at overseas subsidiaries of Japanese corporations
- Enable foreign people to work as home support in NSSZ
- Incorporation of nursing in the Technical Intern Training System

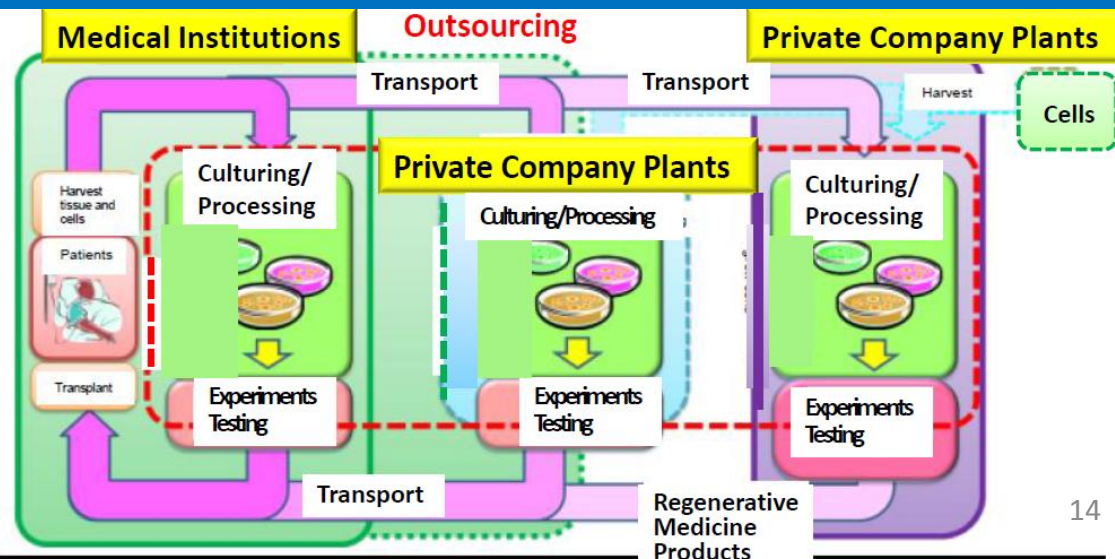




# Healthcare Industry and High Quality Service

- ◆ Allow on-line sales of non-prescription drugs (74% ban => 0.04%)
- ◆ Established control tower for R&D in medical area (Japan NIH)
- ◆ A new legal framework for accelerating commercialization of regenerative medicine
- ◆ Expansion of mixed medical treatments covered and not covered by public insurance system
- ◆ Shorten assessment period of the most advanced treatment not covered by public health insurance from 6 months to 6 weeks

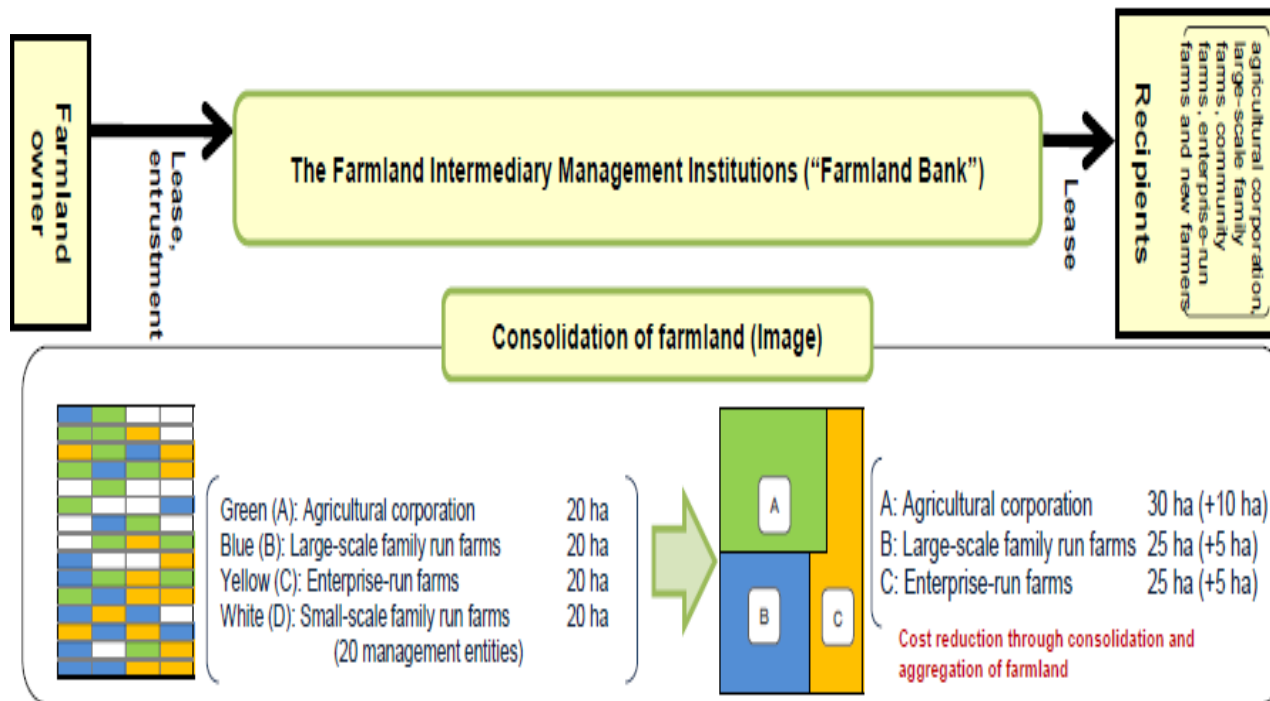
## Enabling culturing and processing of cells by external engineers





# Agriculture Sector Reform

- ◆ Decision to abolish rice production regulations lasting for 40 years
- ◆ Establishment of “Farmland Bank” (June 2014) for consolidation
- ◆ More companies in the agricultural business
- ◆ Highest exports of agricultural/forestry/marine products and food in 2013
- ◆ Fundamental reform of Agricultural Committee, Agricultural Production Corporations and Agricultural Cooperatives in 60 years



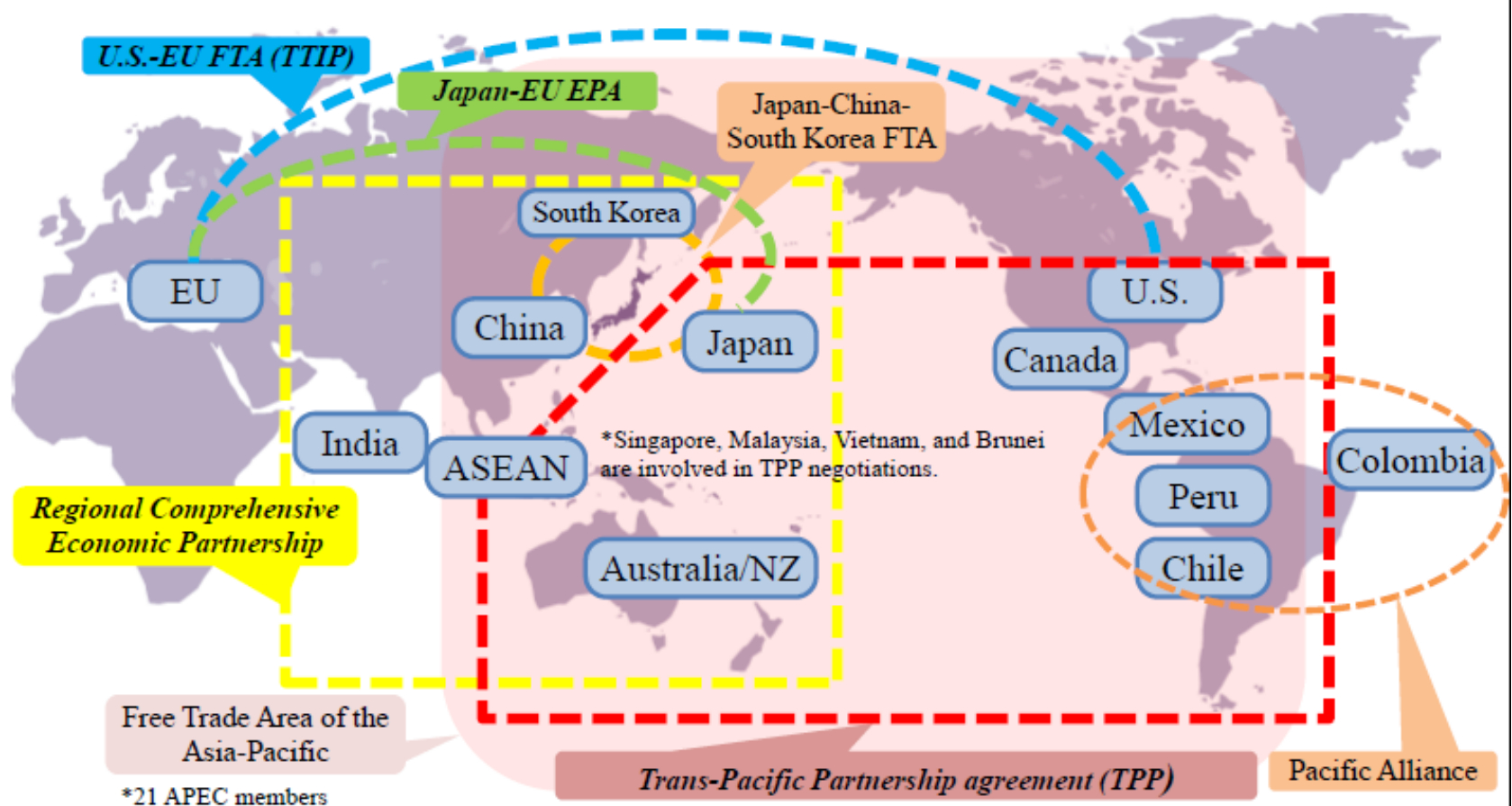
# Electricity System Reform

- ◆ Embarked on fundamental reform in 60 years
  - Step 1: Expanded Use of Nationwide Grid (Law enacted Nov 2013, to be implemented from 2015)
  - Step 2: Complete Retail Sector Liberalization (Law enacted June 2014, to be implemented from 2016)
- ◆ Shortened EIA for thermal power plants from 3 years to 1 year
- ◆ Step 3: Legal separation between generation and transmission/distribution + Abolish Retail Price Regulation (Law to be enacted no later than 2020)



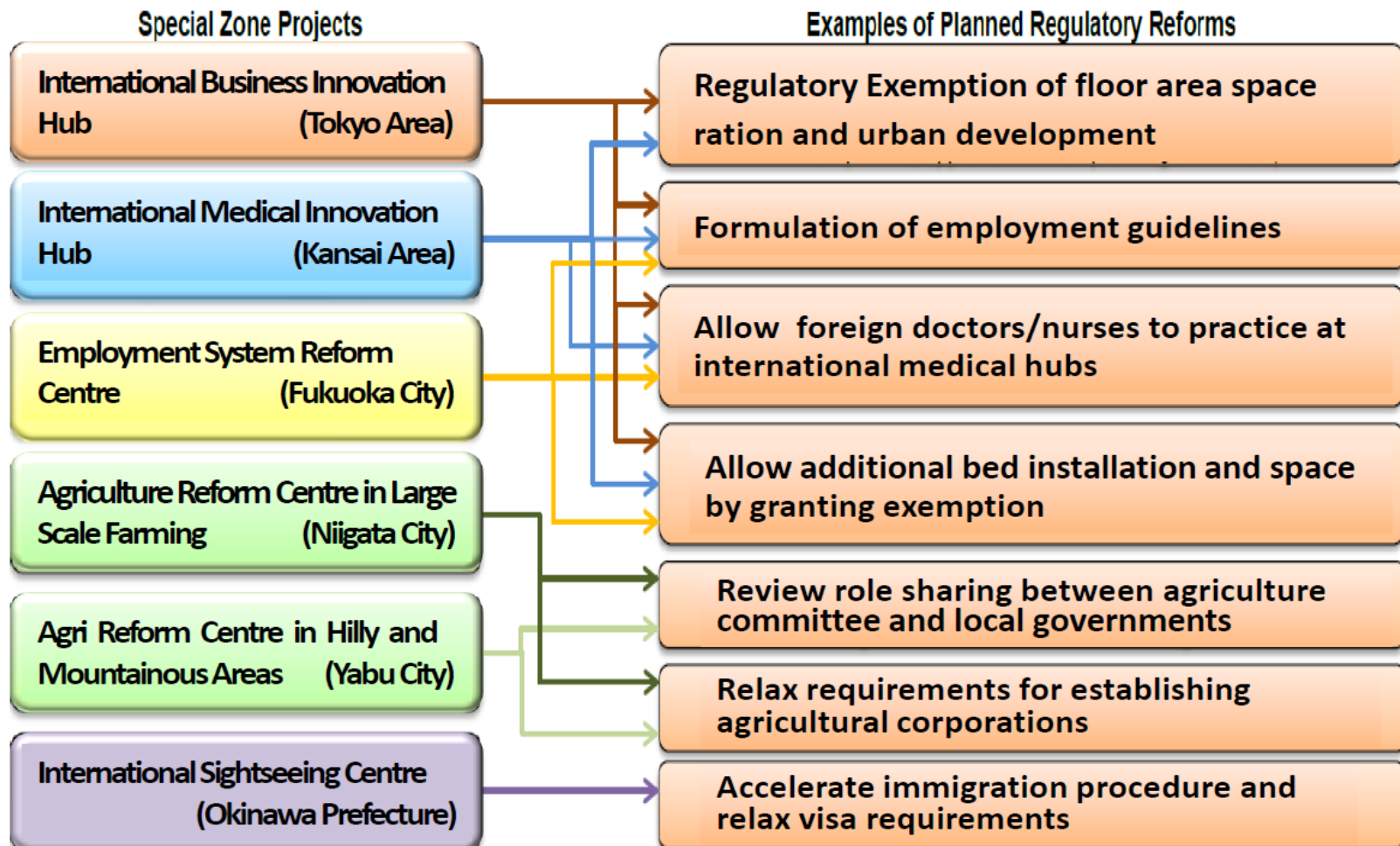
# Promoting FTA/EPA Network

- ◆ Mega-FTA negotiations (TPP, EU-Japan, RECP, China-Japan-Korea) aiming at raising the FTA coverage from 19% to 70% by 2018
- ◆ Substantive agreement on Japan-Australia EPA



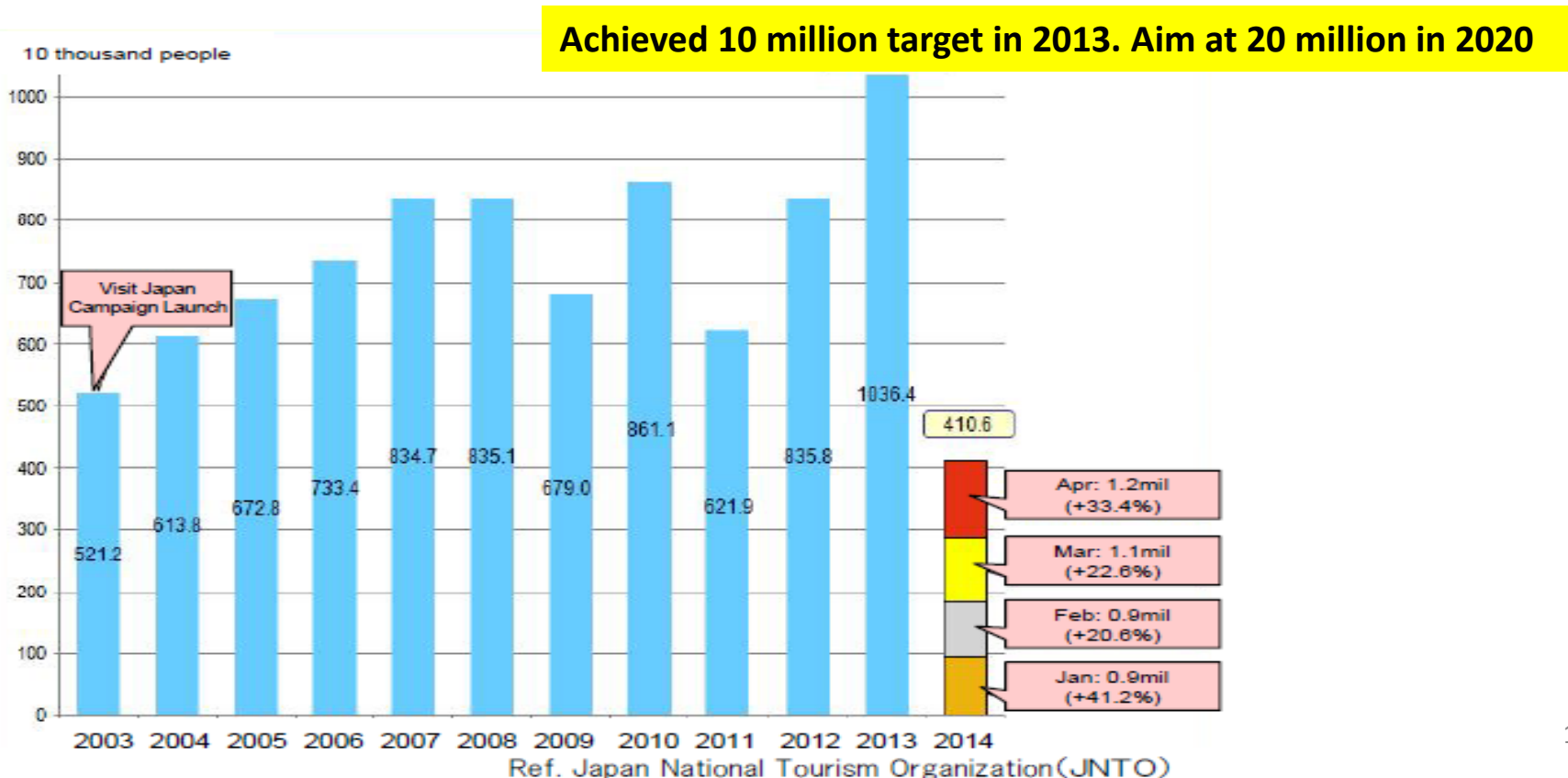
# Establishment of National Strategic Special Zones

- ◆ Designated 6 Areas/Prefecture/Cities as National Strategic Special Zones
- ◆ Projects for some NSSZ to be agreed by summer 2014 following cooperation between national/local government and private sector.



# Increasing Foreign Visitors

- ◆ Eased visa requirement on 10 nations (mainly ASEAN)
- ◆ Additional 30,000 international landing slots at Haneda Airport
- ◆ Enable longer stay for wealthy tourists (90 days => 1 year)
- ◆ Double number of duty-free shops nationwide to 10,000 by 2020
- ◆ Further visa requirement easing (e.g. visa elimination for Indonesia)





# Japan's Strength: World's No.1 Sophisticated Market

- ◆ 9<sup>th</sup>/144 in Overall Competitiveness (WEF GCI 2013-2014)
- ◆ 1<sup>st</sup>/144 in Business Sophistication (WEF GCI 2013-2014)

Quantity/quality of local suppliers, broad value chain etc



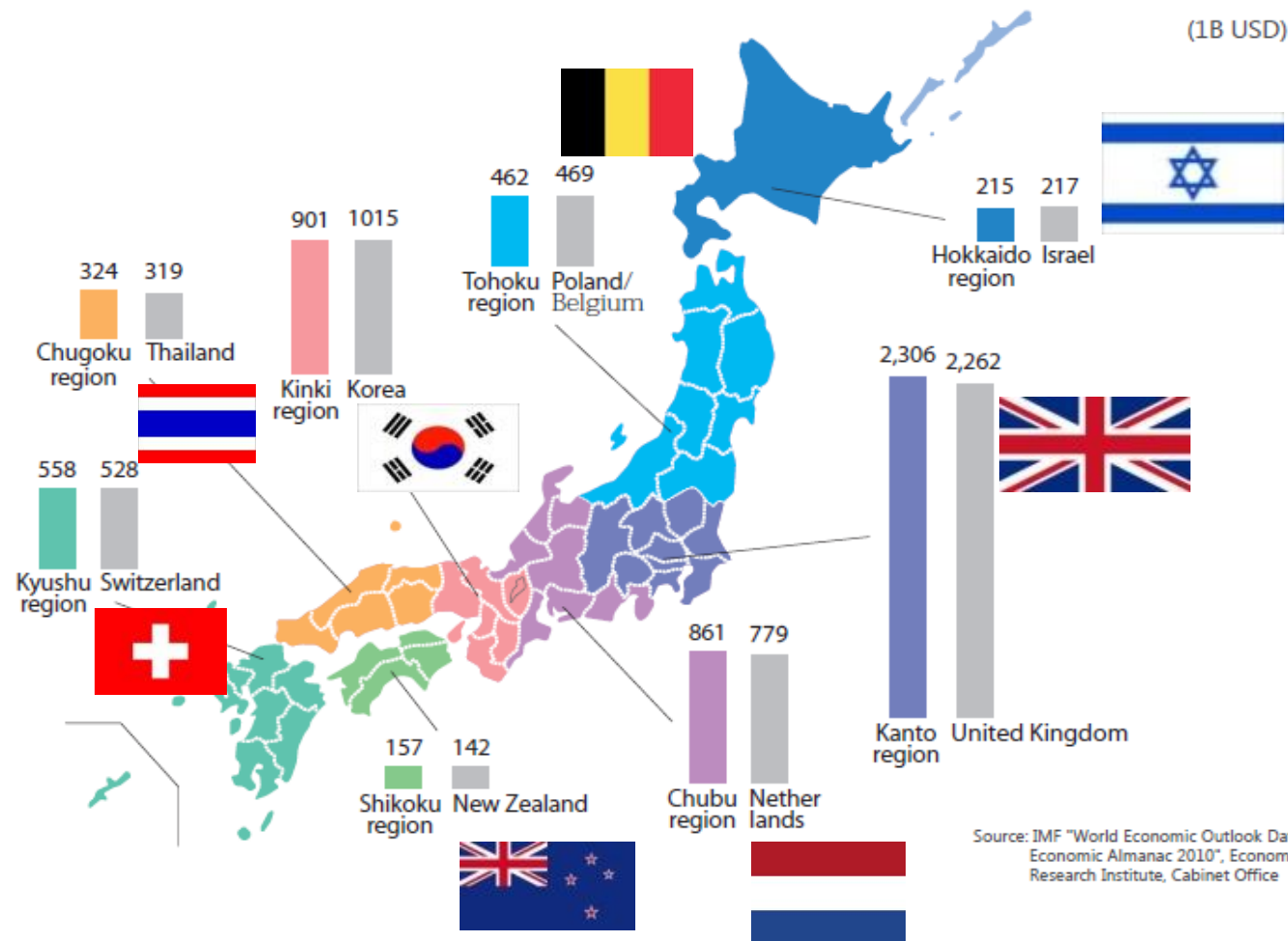
Source: Quantitative Survey of Japanese Companies' Competitive Position in the World (2010 METI)



# Japan's Strength: Huge Market Size

◆ 4<sup>th</sup>/144 in Market Size (WEF GCI 2013-2014)

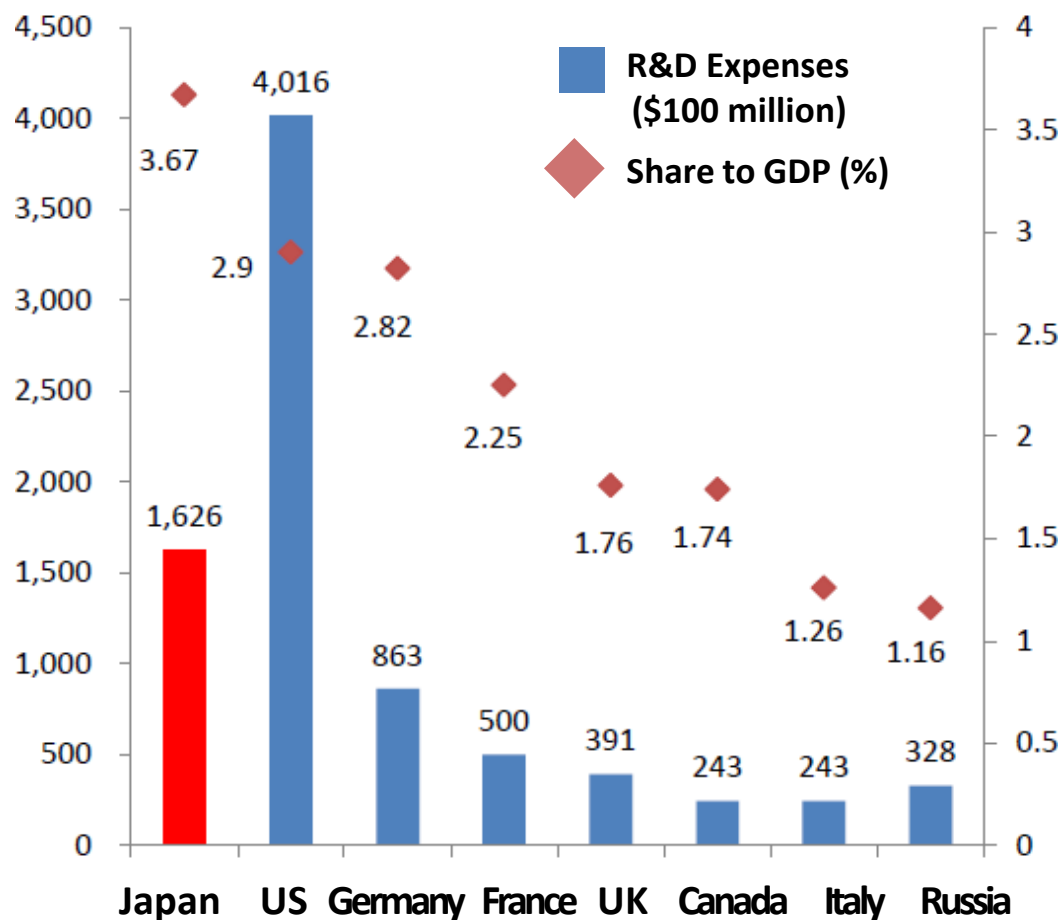
## GDP Comparison Between Japan's Region and Foreign Countries



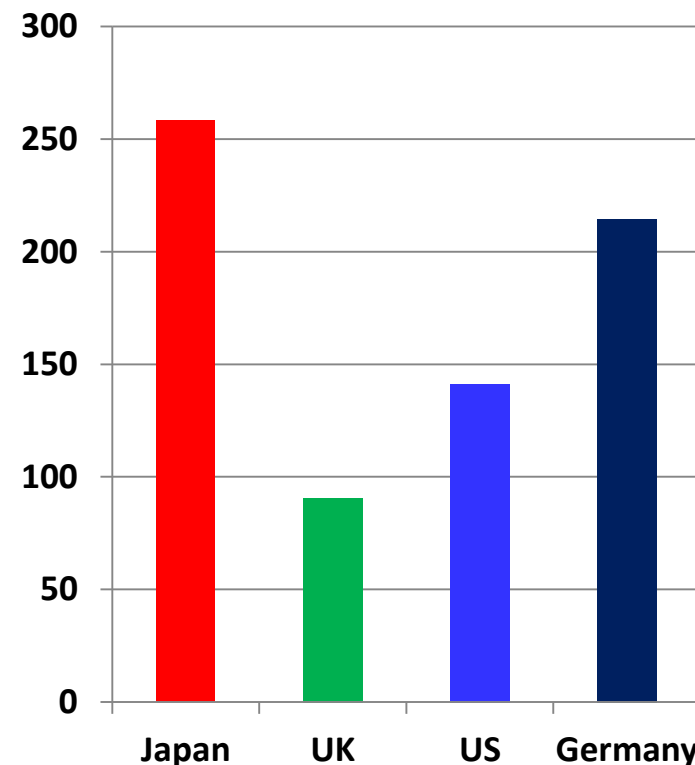
# Japan's Strength: Strong R&D Basis

◆ 5<sup>th</sup>/144 in Innovation (WEF GCI 2013-2014)

R&D Expenses and their shares to GDP (%)



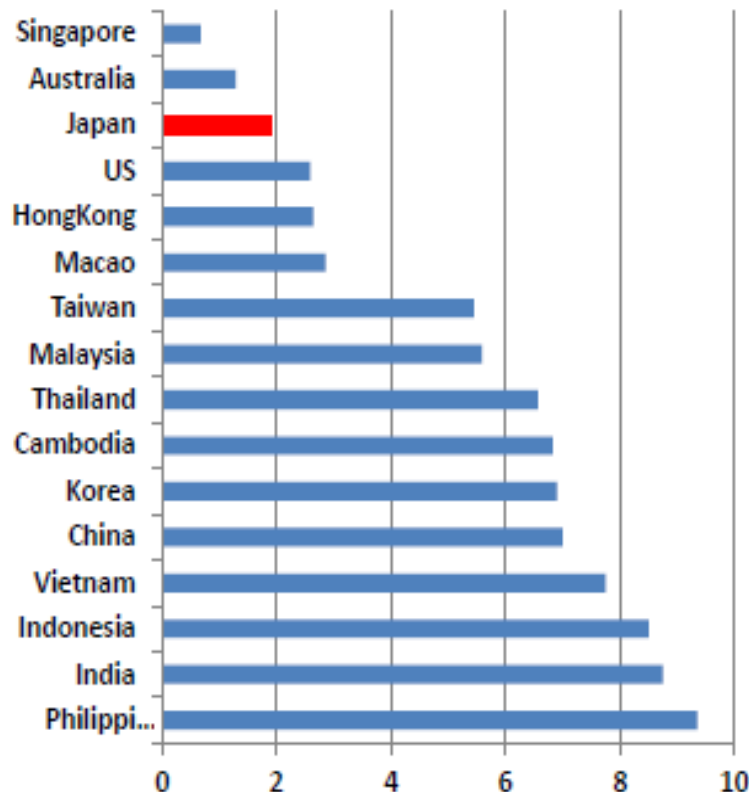
PCT patents, application/million population



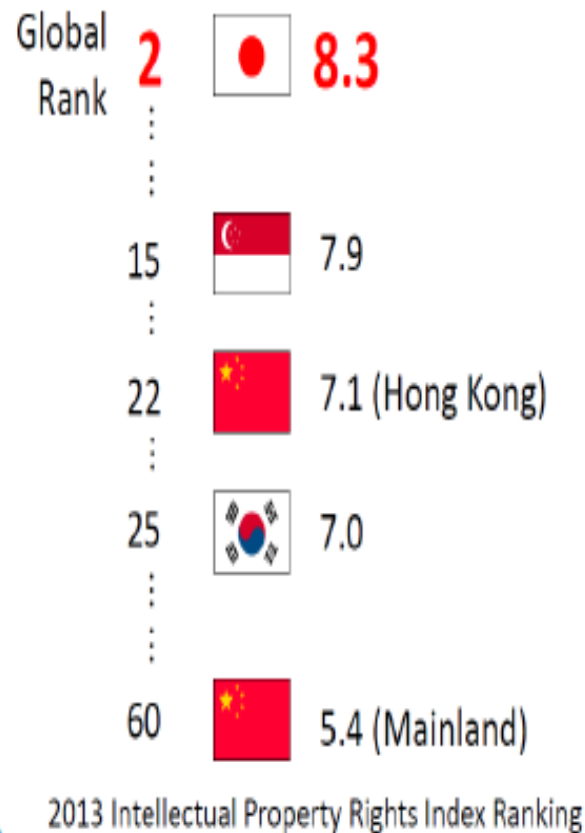
# Japan's Strength: Stable Business Environment

- ◆ 3<sup>rd</sup> Lowest Political/Economic Risk among 16 Asia Pacific Countries
- ◆ 2<sup>nd</sup> IPR Protecting Country in the World
- ◆ 6<sup>th</sup> in Global Peace Index (Only Asian country in top 10)

Political/Economic Risk in Asia Pacific Countries



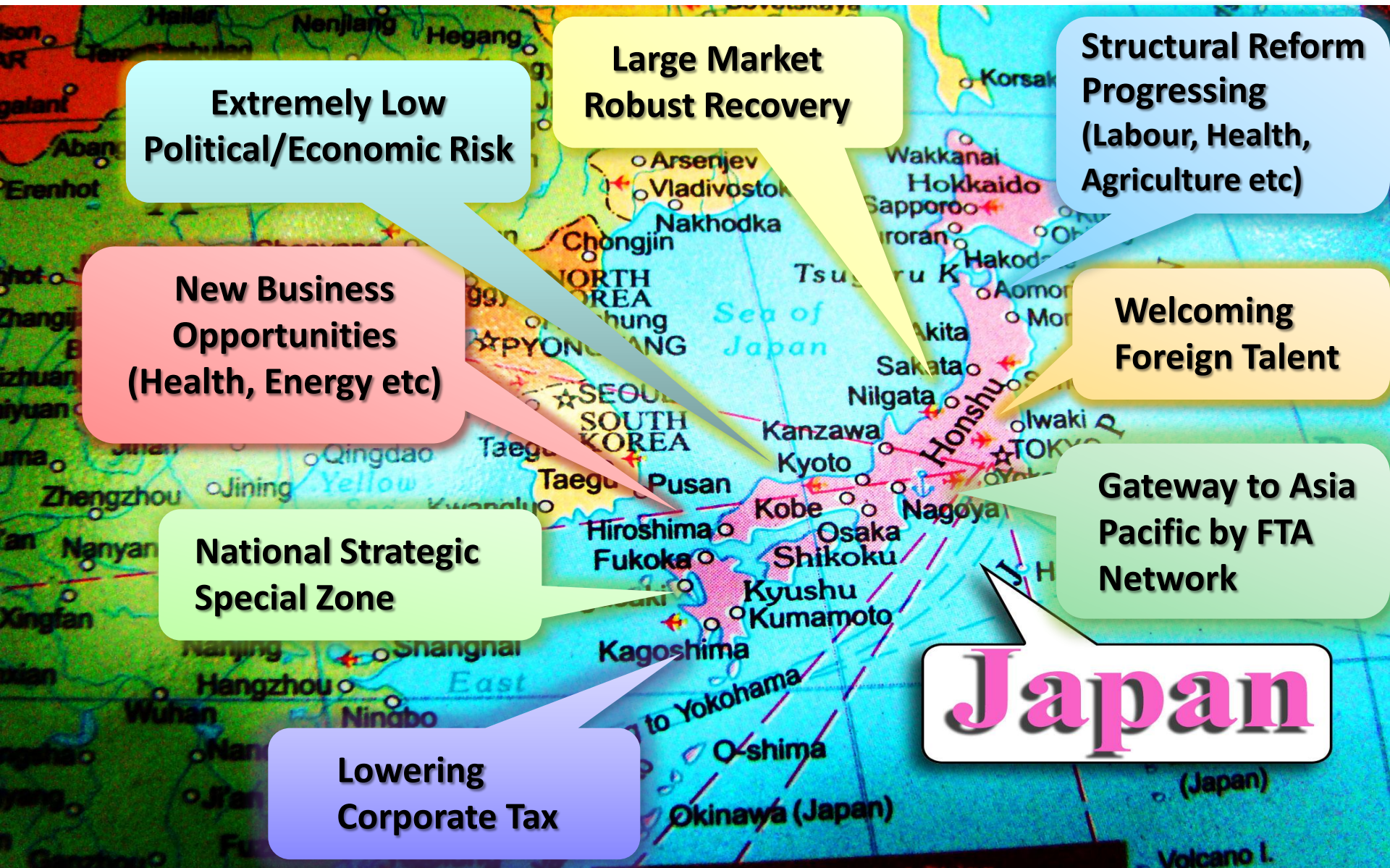
Global IPR Protection Ranking



2013 Global Peace Index

1	Iceland
2	Denmark
3	NZ
4	Austria
5	Switzerland
6	Japan
7	Finland
8	Canada
9	Sweden
10	Belgium

# Japan - Full of Business Opportunities !! -



**Extremely Low  
Political/Economic Risk**

**Large Market  
Robust Recovery**

**Structural Reform  
Progressing  
(Labour, Health,  
Agriculture etc)**

**New Business  
Opportunities  
(Health, Energy etc)**

**Welcoming  
Foreign Talent**

**National Strategic  
Special Zone**

**Gateway to Asia  
Pacific by FTA  
Network**

**Lowering  
Corporate Tax**

**Japan**



# Talk to JETRO First !!

- **JETRO IBSC: one-stop centre for establishing a business base in Japan**
- **Invest Japan Hotline: Consultation service on administrative procedures.**



## Consulting

**Free individual consultation  
for your company**

- Legal system
- Cost estimation
- Taxation
- Market regulation
- Business practice
- Human resource
- Location
- Subsidy application



## Facilities

**Temporary office space  
offered free of charge**

- 50 working days free
- Located in 6 major cities
- Fully equipped
- Shared reception
- PC room with printer/scanner etc.
- Conference rooms available
- Event hall available



## Information

**Gather a wide range of  
information needed for your  
business**

- Market reports
- Business advisor
- Online database
- Platform of professional service provider
- Connection to ministries and regulatory authority
- Deregulation Request

# Dziękuję!



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