



An Incentives Guide to

# BUSINESS IN TOKYO



JETRO

JAPAN EXTERNAL TRADE ORGANIZATION

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# A. REGIONAL OVERVIEW

## I. OVERVIEW

Tokyo is the capital of Japan and by far the largest prefecture in terms of economy and population. Many Japanese and foreign companies have headquarters in Tokyo, which boasts industries such as retailing, services and manufacturing. Some 75 percent of foreign companies in Japan are located in Tokyo. <sup>1</sup>

## II. TOKYO FACTS

Largest urban area in the world, with an estimated population of 38 million.<sup>2</sup>

Greater Tokyo Area has a GDP of \$1.6 trillion, more than all of Canada or Australia.<sup>3</sup>

Japan has the second-highest educated work force in the world for ages 25-34.<sup>4</sup>

10% of all Japanese businesses are located in Tokyo.<sup>5</sup>

75% of foreign companies in Japan have an office in Tokyo.<sup>5</sup>

1 The Japan Times: <http://showcase.japantimes.co.jp/tokyo/>

2 Geohive: <http://www.geohive.com/cities/agg2030.aspx>

3 Brookings Institute: <http://www.brookings.edu/research/reports2/2015/01/22-global-metro-monitor>

4 OECD: <https://data.oecd.org/eduatt/population-with-tertiary-education.htm#indicator-chart>

5 Japan External Trade Organization: <https://www.jetro.go.jp/en/invest/region/tokyo.html>

# B. TOKYO TRANSPORTATION

## I. OVERVIEW

As Japan's largest metropolitan area, Tokyo demands a high level of urban planning. Much of what gives Tokyo its power is its effective network of transportation systems. Tokyo is accessible by over a dozen major roadways, two major international airports, and one of the largest seaports in the Pacific Ocean.<sup>1</sup>

The city is also supported by one of the largest urban rail networks in the world, as well as the Shinkansen high-speed express train, which uses Tokyo Station as the connecting point between the northern and southern parts of Japan. *Business Insider* recently ranked Tokyo as one of the best public transportation systems in the world.<sup>2</sup>



1 Bureau of Port and Harbor, Tokyo Metropolitan Government:  
[http://www.kouwan.metro.tokyo.jp/en/pamphlet/port\\_of\\_tokyo\\_2014.html](http://www.kouwan.metro.tokyo.jp/en/pamphlet/port_of_tokyo_2014.html)

2 Business Insider:: <http://www.businessinsider.com/best-public-transportation-systems-around-the-world-2015-8>

# B. TOKYO TRANSPORTATION

## II. TRANSPORTATION FACTS

Haneda Airport is the fourth busiest airport in the world; in 2013, over 68 million passengers passed through Haneda Airport.<sup>1</sup>

Tokyo is connected by one of the largest urban rail networks in the world, with 290 stations and 193 miles of track in the urban district alone.<sup>2</sup>

The Port of Tokyo is one of the largest seaports in the Pacific Ocean; in 2012, the port saw over 82 million tons of cargo handled, more than the Port of Long Beach or Port of Los Angeles.<sup>3</sup>

The city is connected by over a dozen expressways laid out in a radial fashion similar to Washington D.C., minimizing congestion and increasing local accessibility.<sup>4</sup>

1 Airports Council International: <http://www.aci.aero/Data-Centre/Annual-Traffic-Data/Passengers/2013-final>  
2 Business Insider: <http://www.businessinsider.com/best-public-transportation-systems-around-the-world-2015-8>  
3 American Association of Port Authorities: <http://bit.ly/1PW65b1>  
4 *Land Use Planning Made Plain*: <http://bit.ly/1jgXFho>

# C. INDUSTRIAL INFORMATION

## I. OVERVIEW

The Tokyo region is Japan's leading industrial center, with a highly diversified manufacturing base. Corporations with headquarters, branches or production sites in other parts of the country often establish offices in Tokyo as part of their investment model. The close relationship between government and business in Japan makes Tokyo an especially advantageous location.<sup>1</sup>

## I. PRINCIPAL INDUSTRIES IN TOKYO<sup>2</sup>    II. FOREIGN COMPANIES IN TOKYO<sup>3</sup>

Business/Finance (31%)	Tommy Bahama
Trade/Tourism (18%)	IBM Japan Ltd.
Local/Non-Market (18%)	Pfizer Pharmaceuticals Inc.
Transportation (14%)	NeoPhotonics
Manufacturing (14%)	McDonald's Japan
Construction (5%)	

1 Japan External Trade Organization: <https://www.jetro.go.jp/en/invest/region/tokyo.html>

2 Brookings Institute: <http://www.brookings.edu/research/reports2/2015/01/22-global-metro-monitor>

3 Japan External Trade Organization: [https://www.jetro.go.jp/en/invest/success\\_stories/](https://www.jetro.go.jp/en/invest/success_stories/)

# D. BUSINESS SUPPORT PROGRAMS

## I. OVERVIEW

To boost international competitiveness, the Tokyo Metropolitan Government has established several programs to assist foreign businesses seeking to establish an office in Tokyo.

These programs include a series of designated economic zones that offer tax incentives and subsidies to foreign companies who meet certain investment conditions, as well as business support programs that assist companies with market entry and set up.

## II. PROGRAMS

### E. SPECIAL ECONOMIC ZONES

E1. Special Zone for Asian Headquarters

E2. National Strategic Special Zone

### F. BUSINESS SUPPORT PROGRAMS

# E1. SPECIAL ZONE FOR ASIAN HEADQUARTERS

## I. OVERVIEW

Established by the national government in 2011, the Special Zone for Asian Headquarters provides foreign companies access to a range of incentives, subsidies, and administrative programs as part of its goal to attract more international business to Tokyo.

Designated areas are: Central Tokyo and waterfront area, Shinjuku Station vicinity, Shibuya Station vicinity, the surrounding vicinity for Shinagawa, Tamachi, and Shibuya stations, and the former site of the Haneda Airport.<sup>1</sup>

## I. ZONE ADVANTAGES BREAKDOWN<sup>2</sup>

- Program Eligibility
- Tax Incentives
- Subsidy Program
- Low Interest Loans
- Simplified Immigration
- Patent Applications
- Investment Procedures

1 Tokyo Metropolitan Government Official Website: <http://bit.ly/1R22Kld>

2 Tokyo Metropolitan Government Official Website: <http://bit.ly/1XmMkdg>

# E1. SPECIAL ZONE FOR ASIAN HEADQUARTERS

## SPECIAL ZONE FOR ASIAN HEADQUARTERS<sup>1</sup>

The Special Zone for Asian Headquarters program is available to foreign businesses seeking to establish:

- **Regional headquarters for all of Asia** OR
- **R&D centers in Tokyo**

This program is also available to foreign-capitalized companies that intend to establish a high-value base after initial market entry.

<sup>1</sup> Tokyo Metropolitan Government Official Website: <http://bit.ly/1XmMkdg>

# E1. SPECIAL ZONE FOR ASIAN HEADQUARTERS

## TAX INCENTIVES<sup>1</sup>

Foreign companies who establish Asian regional headquarters or an R&D center for the first time in Japan within the Special Zone for Asian Headquarters are eligible for the following national tax incentives (provided certain conditions are fulfilled): **(1) income tax deduction, (2) special depreciation, (3) investment tax credit.**

In addition, eligible companies can also apply for metropolitan tax incentives, which can be applied on top of national tax incentives. Incentives include:

- **Exemption of metropolitan corporate enterprise tax (can only be paired with item (1)).**
- **Exemption of fixed assets tax, city planning tax, and real estate acquisition tax (can only be paired with items (2) or (3)).**

Moreover, taxes on stock options granted by the parent company (foreign company) will be treated in the same manner as Japanese companies.

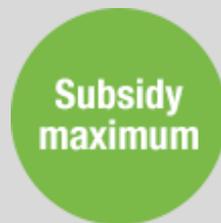
For more information, please visit the Tokyo Metropolitan Government website details page [here](#).

1 Tokyo Metropolitan Government Official Website: <http://bit.ly/1XmMkdg>

# E1. SPECIAL ZONE FOR ASIAN HEADQUARTERS

## SUBSIDY PROGRAM<sup>1</sup>

Foreign companies newly establishing their Asian regional headquarters or R&D center in the special zone can receive subsidies of up to one-half of the expenses incurred during business set up, including recruitment cost (maximum JPY 5 million). For more information, please visit the Tokyo Metropolitan Government website details page [here](#).



**1/2 of actual expenses**

**Max JPY 5 million**

**A company can only apply once**

In addition, small to medium-sized companies operating Asian regional headquarters or R&D centers in Tokyo are eligible to receive further investments from the Tokyo Small and Medium Business Investment & Consultation Co., Ltd.

<sup>1</sup> Tokyo Metropolitan Government Official Website: <http://bit.ly/1XmMkdg>

# E1. SPECIAL ZONE FOR ASIAN HEADQUARTERS

## LOW INTEREST LOANS<sup>1</sup>

Foreign companies who:

- (1) establish a business for the first time in Japan within the Special Zone for Asian Headquarters and
- (2) take out a loan from a designated financial institution in order to
- (3) implement business in a way that meets special zone project requirements

will receive a low-interest loan. Designated financial institutions who provide loans to eligible foreign companies receive a subsidy from the national government equal to the portion of interest.

For more information, please visit the Tokyo Metropolitan Government website details page [here](#).

1 Tokyo Metropolitan Government Official Website: <http://bit.ly/1XmMkdg>

# E1. SPECIAL ZONE FOR ASIAN HEADQUARTERS

## SIMPLIFIED IMMIGRATION<sup>1</sup>

When a foreign national scheduled to work at a Tokyo Metropolitan Government-approved company applies to the Immigration Bureau for issuance of a Certificate of Eligibility for Status of Residence (CoE), any documents required to process the application for status of residence which have already been submitted to the Tokyo Metropolitan Government (TMG) by the company when applying for approval do not need to be submitted again.

In addition, **the period for processing an application for issuance of a Certificate of Eligibility for Status of Residence will be shortened to approximately 10 days** rather than the standard processing period of one to three months.

For more information, please visit the Tokyo Metropolitan Government website details page [here](#).

1 Tokyo Metropolitan Government Official Website: <http://bit.ly/1XmMkdg>

# E1. SPECIAL ZONE FOR ASIAN HEADQUARTERS

## EXPEDITED PATENT APPLICATION REVIEWS<sup>1</sup>

Research and development centers established by foreign companies under the Special Zone for Asian Headquarters guidelines are subject to shorter patent application examination and review periods.

**Expedited review reduces the patent review period from 22.2 months to 1.9 months.** In addition, patent fees and application examination fees are reduced by half for small to medium-sized companies.

For more information, please visit the Tokyo Metropolitan Government website details page [here](#).

<sup>1</sup> Tokyo Metropolitan Government Official Website: <http://bit.ly/1XmMkdg>

# E1. SPECIAL ZONE FOR ASIAN HEADQUARTERS

## INVESTMENT PROCEDURES<sup>1</sup>

If a foreign investor gives advance notification of its intention to invest in a newly established Asian regional headquarters or R&D center, the review period under the Foreign Exchange Act for direct investment will be shortened from 30 days to 2 weeks.

For more information, please visit the Tokyo Metropolitan Government website details page [here](#).

1 Tokyo Metropolitan Government Official Website: <http://bit.ly/1XmMkdg>

# E2. NATIONAL STRATEGIC SPECIAL ZONE

## I. OVERVIEW

Established by the national government in 2013, the National Strategic Special Zone provides foreign companies with competitive incentives, subsidies, and administrative programs as part of its program to increase business innovation and startup growth in Tokyo.

Designated areas are: Tokyo Metropolis, Kanagawa Prefecture, Narita City, Chiba Prefecture.<sup>1</sup>

## I. ZONE ADVANTAGES BREAKDOWN<sup>2</sup>

- **Program Eligibility**
- **Tax Incentives**
- **Low Interest Loans**

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1 Tokyo Metropolitan Government Official Website: <http://bit.ly/1PKVL7d>

2 Tokyo Metropolitan Government Official Website: <http://bit.ly/1XmMkdg>

## E2. NATIONAL STRATEGIC SPECIAL ZONE

### TOKYO AREA NATIONAL STRATEGIC SPECIAL ZONE<sup>1</sup>

This zone is for foreign businesses who acquire machinery as part of implementing a project in the National Strategic Special Zone.

Companies must meet certain additional conditions to qualify for this incentive program.

1 Tokyo Metropolitan Government Official Website: <http://bit.ly/1XmMkdg>

## E2. NATIONAL STRATEGIC SPECIAL ZONE

### TAX INCENTIVES<sup>1</sup>

When the implementing body of a designated project in the National Strategic Special Zone acquires machinery within the zone, it can be subject to either (1) or (2) below.

**(1) Special depreciation:** Machinery, etc. : 50%\* deduction; Buildings, etc. : 25% deduction\*

**(2) Investment tax credit:** Machinery, etc. : 15% deduction; Buildings, etc. : 8% deduction

If the company fulfills certain conditions, it can also be subject to special measures under the R&D tax system, special fixed asset tax measures, and special tax measures for national strategic private sector for urban renewal projects.

\* Immediate depreciation in the case of designated core projects (including the medical field and health care fields utilizing advanced technologies)

1 Tokyo Metropolitan Government Official Website: <http://bit.ly/1XmMkdg>

## E2. NATIONAL STRATEGIC SPECIAL ZONE

### LOW INTEREST LOANS<sup>1</sup>

When companies such as startups or small and medium-sized enterprises:

**(1)** fulfill the conditions prescribed in the *Outline of Granting of Interest Subsidies for Loans in the National Strategic Special Zones*

**(2)** take out loans from designated financial institutions

**(3)** use loans for funds needed to implement specified businesses,

the financial institutions will receive interest subsidies. This results in qualified companies receiving low-interest loans.

<sup>1</sup> Tokyo Metropolitan Government Official Website: <http://bit.ly/1XmMkdg>

# F. BUSINESS SUPPORT PROGRAMS

## I. TOKYO ONE-STOP BUSINESS ESTABLISHMENT CENTER<sup>1</sup>

Tokyo Metropolitan Government staff provides support for the following:

- Filling out applications required for incorporation and business set up
- Filling out applications for issuance of Certificate of Eligibility for Resident Status
- Submission of the above applications

**In addition, in response to requests from companies, multi-language interpretation and translation services are also available.**

## II. BUSINESS DEVELOPMENT CENTER TOKYO<sup>2</sup>

The Business Development Center staff can assist businesses with a variety of consultation services, including business guidance, Japanese culture support, and assistance with sales channel development (for established companies).

The bilingual staff also offers assistance for foreign company employees and their families seeking to move into the Tokyo area. Assistance includes helping employees identify real estate, local shopping, bilingual health care centers, and international education schools for children.

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1 Tokyo Metropolitan Government Official Website (includes application form examples): <http://bit.ly/1QEG3L9>

2 Business Development Center TOKYO: <http://www.bdc-tokyo.org/?cat=3>

# BUSINESS SUPPORT PROGRAMS

## III. TOKYO EMPLOYMENT CONSULTATION CENTER<sup>1</sup>

The Tokyo Employment Consultation Center provides foreign businesses with access to lawyers, certified social insurance consultants, and labor consultants. Companies can arrange free business consultations to discuss employment and labor issues, as well as best practices to meet Japanese employment regulation standards.

## IV. PROVISION OF ADMINISTRATIVE AND LIVING INFORMATION IN MULTIPLE LANGUAGES<sup>2</sup>

Local municipal governments provide information in multiple languages concerning life-related matters such as housing, education, child rearing, health care, and disaster preparedness.

## V. BUILDING SPACE FOR BUSINESS & RESEARCH PURPOSES<sup>2</sup>

This special program offers companies multi-purpose office buildings equipped with sophisticated business support functions to promote a successful market experience. Services include service apartments, MICE\* facilities, and high-performance office buildings with earthquake resistant features and backup power systems.

\*MICE: Meetings, Incentives, Conferences, and Exhibitions

1 Tokyo Metropolitan Government Official Website: <http://bit.ly/1XmMkdg>

2 Business Development Center TOKYO: <http://www.bdc-tokyo.org/?cat=3>

# G. JETRO SUPPORT PILLARS

## I. BUSINESS CONSULTATIONS

JETRO provides foreign companies with free consultations on the legal system, cost estimation, taxation policies, market regulation, business practices, human resources, optimal locations, and the subsidy application process. As part of its consulting platform, JETRO also connects companies with business experts who can provide additional insight on the international market-entry process.

## II. MARKET RESEARCH AND COST INFORMATION

As part of its support system, JETRO provides companies with up-to-date market reports, access to its business match database (which allows companies to establish potential business partnerships with local businesses), a personal business advisor, and JETRO's established network of professionals in the greater Tokyo area.

## III. LAWS & REGULATIONS HOTLINE

JETRO's position as a government-supported non-profit gives it access to the latest information on regulation and de-regulation policies. JETRO helps mediate business questions and concerns with various government ministries and cabinet offices. In addition, JETRO can submit deregulation requests to regulatory authorities.

## IV. TEMPORARY OFFICE SPACE

For businesses seeking to quickly establish a temporary office in Japan, JETRO offers temporary office space fully equipped with business supplies. These office spaces are available for use in Japan's six major cities (Tokyo, Yokohama, Nagoya, Osaka, Kobe, and Fukuoka), and come prepared with a reception area, conference rooms, event halls, office supplies, work PCs, printers, and scanners. Office spaces are available for free for the first 50 days.

# JETRO PAST CLIENTS<sup>1</sup>



Worked with JETRO to quickly set up a temporary office space in Tokyo after securing an OEM partnership with Hitachi.



JETRO's extensive business network allowed Shire to identify licensed Japanese partners to sell its products through.



With JETRO assistance, Tommy Bahama opened their first store in Ginza, Tokyo, one of the most competitive fashion districts in Japan.



Opened a research and development office in Hachioji, Japan, with a focus on R&D, sales support, and part procurement support.

<sup>1</sup> Japan External Trade Organization: [https://www.jetro.go.jp/en/invest/success\\_stories/](https://www.jetro.go.jp/en/invest/success_stories/)

# READY TO TAKE THE NEXT STEP?

## I. CONTACT JETRO

JETRO staff offers bilingual assistance to businesses seeking to learn more about entering the Japanese market. To begin a dialogue, please fill out our [Business Inquiry Form](#) or find your local office on our JETRO website ([www.jetro.go.jp/usa](http://www.jetro.go.jp/usa)).

# JETRO

JAPAN EXTERNAL TRADE ORGANIZATION