INVEST JAPAN

JETRO Invest Japan Report

2022

JETRO

Introduction

JETRO has compiled a comprehensive report on foreign direct investment (FDI) in Japan, “JETRO Invest Japan Report 2022,” with the aim of providing information for foreign and foreign-affiliated companies considering doing business in Japan, as well as reference material to assist foreign companies in their investment in Japan.The key points of the report are as follows.

1. In 2021, the amount of FDI flow to Japan decreased by 55.0% from the previous year to 3.0 trillion yen, while the stock increased 0.8% from the previous year to 40.5 trillion yen

- FDI flow to Japan in 2021 was 3.0 trillion yen, down 55.0% from the previous year. By forms of capital, equity capital, which represents the trend of new investments and capital increases in Japan, increased 425.0% from the previous year to 2.6 trillion yen, a significant turnaround from 2020 and a record high. By region, Asia accounted for the largest amount at 2.2 trillion yen, up 98.5% from the previous year, followed by North America at 1.0 trillion yen, down 41.4% from the previous year. Europe saw a net withdrawal of 1.1 trillion yen.
- The FDI stock in Japan at the end of 2021 was 40.5 trillion yen, up 0.8% from the previous year and marking a historical high. It stood at 7.5% of GDP. Investment from Asia expanded, surpassing that from North America for the first time.

2. More than half of foreign-affiliated companies plan to strengthen/expand their business in Japan.

- According to the “Survey on Business Operations of Foreign-affiliated Companies in Japan” conducted by JETRO from September to October 2021, a majority (52.6%) of companies answered that they would “strengthen/expand” their future business development in Japan, reflecting solid intention for expansion. Regarding the most important factor to consider when strengthening existing sites or establishing a new site, the most common response overall was "potential to acquire new customers." In manufacturing, "low business costs“ was a significant factor.
- Regarding notable government policy areas (multiple responses given), the "one-stop system and digitization of labor and tax-related procedures" was the most popular overall at 39.2%. "Promotion of digital transformation (DX)" was of interest in the service and other industries, and "policies for a carbon neutral society" in the manufacturing industry, both exceeding 40%.

3. Establishment of priority investment areas to activate New Form of Capitalism.

- The Basic Policy on Economic and Fiscal Management and Reform 2022, by the Cabinet Decision on June 7, 2022, sets forth (1) Investment in and distribution to people, (2) Investment in science, technology and innovation, (3) Investment in startups, (4) Investment in green transformation (GX), and (5) Investment in digital transformation (DX) as priority investment areas to activate "New Form of Capitalism".
- Vision for a Digital Garden City Nation aims to create a "society in which everyone can live conveniently and comfortably anywhere in Japan" by shifting from concentration in large cities to multipolar concentration in rural and regional areas, through digitalization. In June 2022, the Cabinet decision was made on " Basic Policy for the Vision for a Digital Garden City Nation," which serves as the basis for its realization.

This report is based on information as of June 2022

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Chapter 1 provides an overview of inward FDI in the world, introduces trends in inward FDI in Japan and major investment projects, and discusses recent inward FDI development in Japan.

Section1. Global Inward FDI Flow in 2021

According to the United Nations Conference on Trade and Development (UNCTAD), global inward FDI in 2021 increased 64.3% from the previous year to 1,582.3 billion dollars (based on the directional principle). In 2020, it marked the lowest level since 2005, but in 2021, it returned to the level before the spread of COVID-19. By country and region, developed economies experienced a triple-digit increase,while developing economies saw a double-digit growth, and Japan recorded a 130.3% increase (Chart 1-1).

Chart 1-1: Trends in Global Inward FDI Flow (Million US dollars, %)

Country/Region	2019	2020	2021	2021 Growth rate (YoY)
World	1,480,626	963,139	1,582,310	64.3
Developed economies	764,456	319,190	745,739	133.6
Japan	13,755	10,703	24,652	130.3
Korea	9,634	8,765	16,820	91.9
Israel	17,363	24,283	29,615	22
Europe	404,756	80,786	219,033	171.1
EU	401,677	209,509	137,541	-34.4
Germany	52,665	64,589	31,267	-51.6
France	28,363	4,870	14,193	191.4
UK	45,454	18,194	27,561	51.5
North America	275,257	174,004	427,052	145.4
US	225,108	150,828	367,376	143.6
Canada	50,149	23,176	59,676	157.5
Developing Economies	84,442	64,400	99,655	54.7
East Asia	232,339	284,726	328,918	15.5
China	141,225	149,342	180,957	21.2
Hong Kong	73,714	134,710	140,696	4.4

Note: Figure for Japan in the chart are calculated by UNCTAD based on the directional principle. The data do not correspond to those in Chart 1-2. See column.
Source: UNCTAD data. Classification is also as defined by UNCTAD.

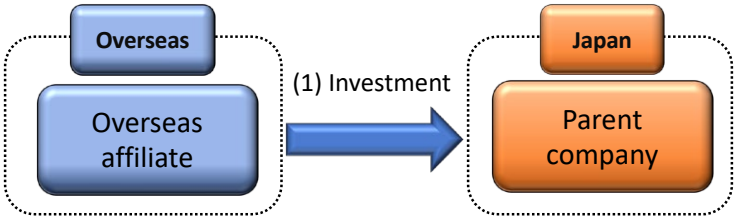
[Column] Measurement Principles

1. Asset and Liability Principle

Investments from Japan to overseas are classified as "assets" (outward FDI), while those from overseas to Japan are classified as "liabilities" (inward FDI).
In the chart below, "(1) Investment" is recorded as inward FDI.

2. Directional Principle

Investments of a Japanese parent company in an overseas affiliate are classified as "outward FDI," and investments of an overseas parent company in a Japanese affiliate are classified as "inward FDI."
In the chart below, "(1) Investment" is not recorded as inward FDI but is regarded as a recovery of the Japanese parent company's investment (negative outward FDI).

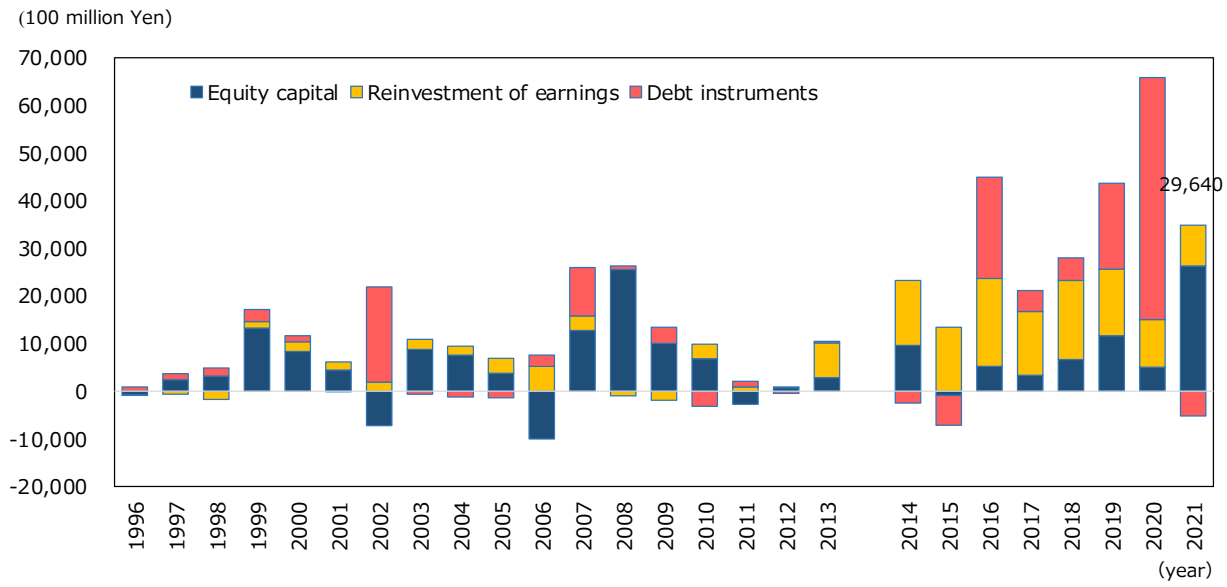


Section2. Trends in Inward FDI to Japan

1. Flow

On the other hand, according to the "Balance of Payments" (asset and liability principle) of the Ministry of Finance and Bank of Japan, FDI flow to Japan in 2021 decreased significantly by 55.0% year-on-year to 3.0 trillion yen (Chart 1-2). Looking at this by type of capital, equity capital increased 425.0% year-on-year to 2.6 trillion yen, reinvestment of earnings fell 14.3% to 0.9 trillion yen, while debt instruments, which represent the lending and borrowing of funds between enterprises in capital ties, turned negative at -0.5 billion yen from 5.1 trillion yen in the previous year. Equity capital, which represents the trend of new investments and capital increases in Japan, increased significantly and reached a record high, a turnaround from 2020, when the economy and society were affected by the global COVID-19 crisis.

Chart 1-2: FDI to Japan (Flow)



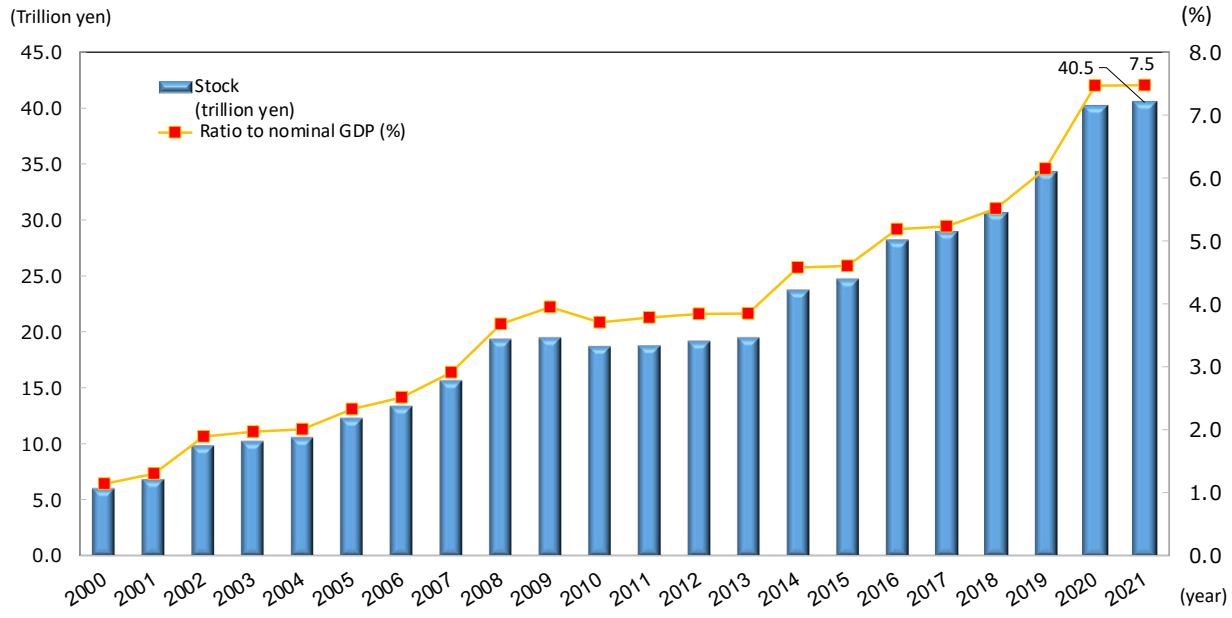
Note: The figures before 2013 are calculated based upon a different principle.
Source: “Balance of Payments” (Bank of Japan (BoJ); Ministry of Finance (MoF))

2. Stock

At the end of 2021, the FDI stock in Japan (asset liability principle) was 40.5 trillion yen, remaining at the highest level, albeit with only a slight increase of 0.8% over the previous year (Chart 1-3). The ratio against GDP was 7.5%.

By type of capital, equity capital increased 13.8% year-on-year to 21.3 trillion yen, debt instruments decreased 13.4% to 11.9 trillion yen, and reinvestment of earnings fell 5.7% to 7.3 trillion yen. Reflecting the flow of debt instruments turning negative and the significant increase in equity capital mentioned earlier, the share of debt instruments in the stock declined to 29.4% at the end of 2021 from 34.2% at the end of 2020, while the equity capital increased to 52.7% from 46.6%.

Chart 1-3: FDI stock in Japan



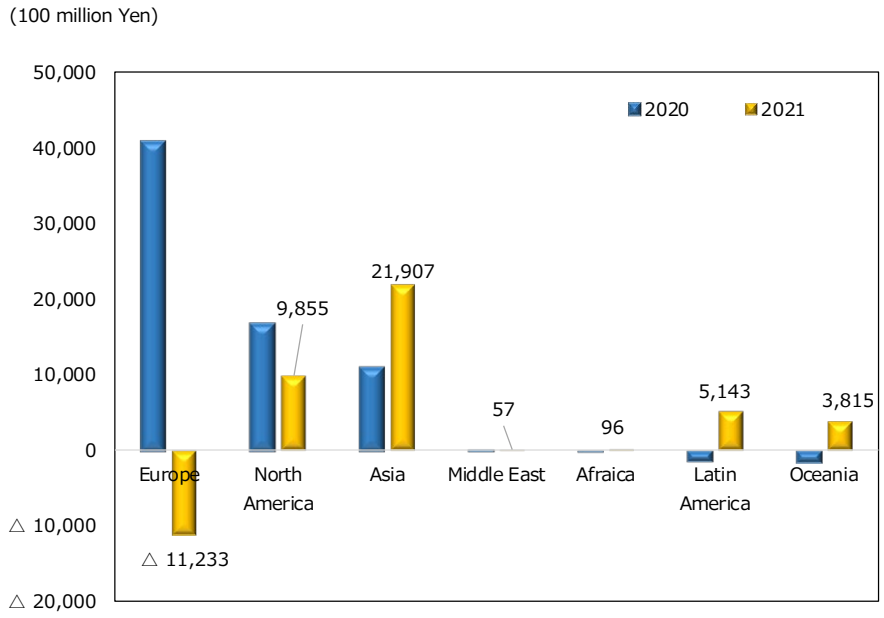
Source: "International Investment Position of Japan" (MoF, BoJ), "National Accounts of Japan" (Japan Cabinet Office)

Section3. Trends in Inward FDI to Japan by Country and Region

1. Flow

Breaking down FDI flow to Japan (asset liability principle) in 2021 by region, Asia accounted for the highest amount at 2.2 trillion yen, up 98.5% from the previous year, followed by North America at 1 trillion yen, down 41.4%. Europe saw a net withdrawal of 1.1 trillion yen (Chart 1-4). As for Asia, investment from Hong Kong was the largest among the countries and regions in the world at 1.3 trillion yen, up 533.1% year-on-year, and that from Singapore was the third largest at 0.6 trillion yen, up 33.7%. Those accounted for the majority of investment from Asia (Chart 1-5). The U.S. was the second largest investor at 0.9 trillion yen, down 44.1%. Europe saw net withdrawals, with Switzerland at -0.4 trillion yen, the U.K. at -0.3 trillion yen, Sweden at -0.3 trillion yen.

Chart 1-4: FDI to Japan in 2021 (flow, by region)



Source: "Balance of Payments" (MoF, BoJ)

Chart 1-5: FDI Flow to Japan in 2021: Top 10 country and region (100 million Yen, %)

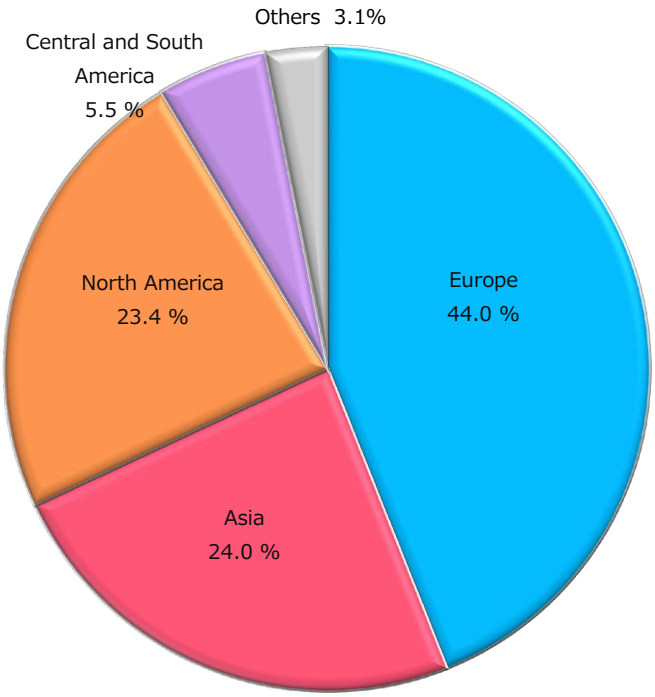
Ranking	Country/Region	2021	2021 Growth rate (YoY)	2021 Share
1	Hong Kong	13,157	533.1	44.4
2	US	9,354	-44.1	31.6
3	Singapore	6,451	33.7	21.8
4	Cayman Isl.	4,711	—	15.9
5	Australia	3,101	—	10.5
6	Germany	1,928	24.7	6.5
7	South Korea	1,378	62.1	4.6
8	China	880	-43.0	3.0
9	Canada	501	454.7	1.7
10	Belgium	256	320.9	0.9
—	World	29,640	-55.0	100

Source: "Balance of Payments" (MoF, BoJ)

2. Stock

Looking at the FDI stock at the end of 2021 (asset liability principle), Europe accounted for 44.0% of the total at 17.8 trillion yen and was the largest, followed by Asia at 9.7 trillion yen (24.0%), and North America at 9.5 trillion yen (23.4%) (Chart 1-6). With increased investment from Hong Kong, the FDI stock in Japan from Asia expanded, surpassing that from North America for the first time. On the other hand, Europe fell due to declines in the stock from major countries such as Switzerland and the Netherlands. By country and region, the U.S. continued to be the largest investor at 9.2 trillion yen (22.8% of the total), followed by the U.K. at 5.7 trillion yen (14.0%) (Chart 1-7). The top 10 countries and regions were mainly taken up by Europe and Asia other than the U.S., accounting for 84.6% of the total FDI stock in Japan.

Chart1-6: FDI Stock in Japan by Region



Source: "International Investment Position of Japan" (MoF, BoJ)

Chart 1-7: FDI Stock in Japan by country and region

Rank	Country/Region	Stock	Share
1	U.S.	92,358	22.8
2	U.K.	56,562	14.0
3	Netherlands	39,236	9.7
4	Singapore	37,093	9.2
5	France	31,713	7.8
6	Hong Kong	27,598	6.8
7	Switzerland	19,253	4.8
8	Cayman Isl.	17,501	4.3
9	Germany	12,184	3.0
10	South Korea	9,299	2.3
—	Others	62,247	15.4
—	Total	405,044	100

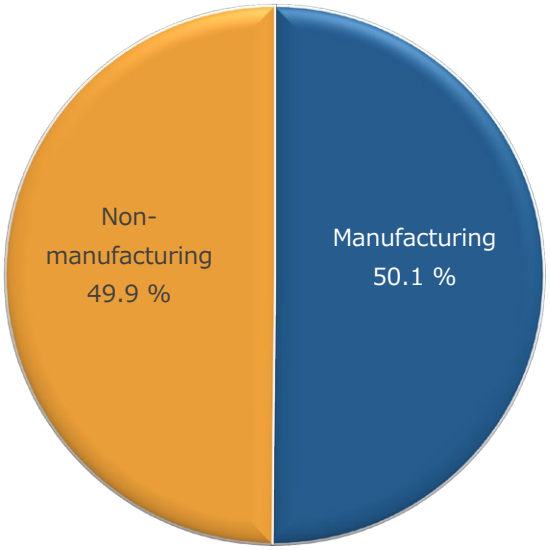
Source: "International Investment Position of Japan" (MoF)

Section4. Trends in Inward FDI to Japan by Industry

1. Flow

Breaking down FDI flow to Japan in 2021 by industry based on the directional principle, FDI flow to Japan increased 136.8% year-on-year to 2.7 trillion yen, surpassing the record high marked in 2016. The manufacturing industry grew significantly to 1.4 trillion yen (50.1% of the total), while the non-manufacturing industry accounted for 1.3 trillion yen (49.9%), with an almost even split between the two sectors (Chart 1-8). By industry in detail, chemicals and pharmaceuticals increased significantly from the previous year to 1.5 trillion yen, followed by finance and insurance at 0.9 trillion yen, up 25.1% (Chart 1-9). In terms of investment in the chemicals and pharmaceuticals industry by country and region, Hong Kong marked the largest flow accounting for more than 70% of the total in the industry, at 1.1 trillion yen, a 3,642.9% jump from the previous year. In this industry, investment from Switzerland was also robust and rose 24.2% to 148.6 billion yen. In the manufacturing industry, electric machinery performed well, rose 49.1% year-on-year to 200 billion yen, but transportation equipment turned negative at -300 billion yen.

Chart 1-8: FDI to Japan in 2021 (Flow, by Industry)



Note: This is based on the directional principle and different from that of the statistics by country/region (asset and liability principle).
Source: "Balance of Payments" (MoF, BoJ)

Chart 1-9: FDI to Japan in 2021: Top 10 sectors

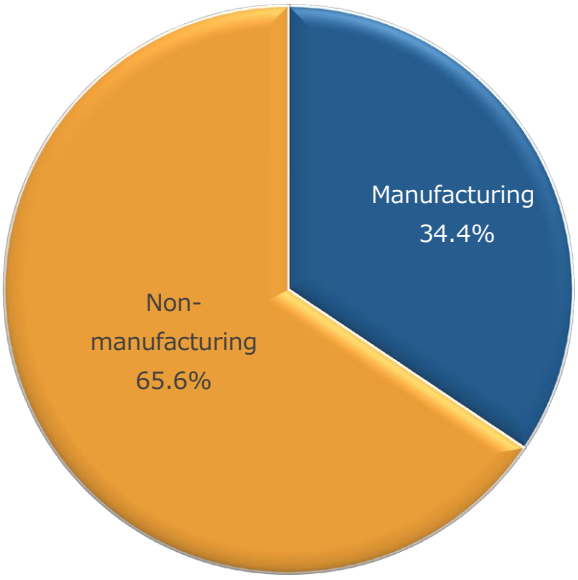
Ranking	Sector	2021	Growth rate (YoY)
1	Chemicals and pharmaceuticals	14,713	987.7
2	Finance and insurance	9,297	25.1
3	Communications	4,246	2,981.5
4	Electric machinery	2,350	49.1
5	Service	613	-30.1
6	Transportation	487	130.6
7	General machinery	137	-34.7
8	Iron, non-ferrous, and metals	102	250.0
9	Construction	98	—
10	Lumber and pulp	88	860.4
—	Wholesale and retail	-2,403	—
—	Transportation equipment	-3,293	—

Note: (1) Directional principle. (2) Negative amount indicates net withdrawal.
Source: "Balance of Payments" (MoF, BoJ)

2. Stock

At the end of 2021, the FDI stock in Japan by industry (directional principle) was 27.2 trillion yen, up 4.8% from the previous year. The manufacturing industry accounted for 34.4%, while the non-manufacturing industry accounted for 65.6% (Chart 1-10). By sectors, finance and insurance grew by 10.4% from the previous year to 11.0 trillion yen (40.5% of the total), which was the largest (Chart1-11). Chemicals and pharmaceuticals followed this at 3.3 trillion yen (12.3% of the total), up 77.8% from the previous year, which was the highest growth rate. Meanwhile, transportation equipment saw a double-digit decrease, falling 13.2% from the previous year to 2.8 trillion yen (10.4% of the total). Electric machinery also declined to about 60% of the prior year.

Chart1-10: FDI Stock in Japan by Industry



Source: "International Investment Position of Japan"(MoF, BoJ)

Chart 1-11: FDI Stock in Japan: Top 10 sectors (at the end of 2021)

Rank	Sector	Stock	Share
1	Finance and insurance	110,072	40.5
2	Chemicals and pharmaceuticals	33,459	12.3
3	Transportation equipment	28,327	10.4
4	Communications	23,262	8.6
5	Electric machinery	15,563	5.7
6	Services	13,957	5.1
7	General machinery	5,971	2.2
8	Transportation	4,976	1.8
9	Real estate	4,569	1.7
10	Glass and ceramics	4,433	1.6
—	Others	26,996	9.9
—	Total	271,585	100

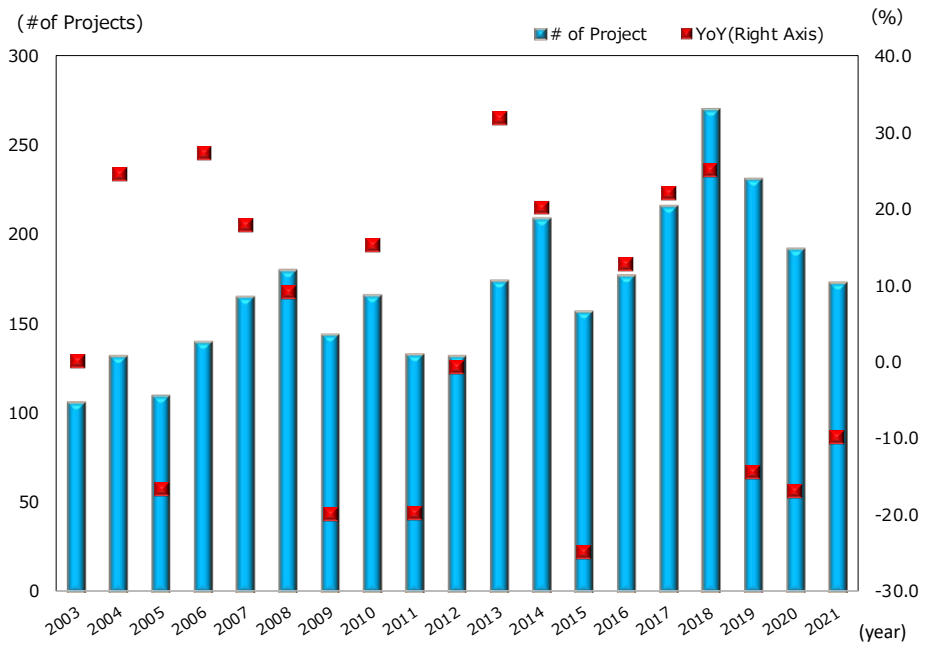
Source: "International Investment Position of Japan" (MoF BoJ)

Section5. Trends in Greenfield Investment in Japan

1. Number of projects

The number of greenfield investments in Japan in 2021 (based on the date of announcement) fell 9.9% from the previous year to 173, marking the third consecutive year-on-year decline (Chart 1-12).

Chart 1-12: Number of Greenfield Investments in Japan



Source: "fDi Markets" (Financial Times) (as of June 23, 2022)

2.Top 5 Countries and Regions/Top 5 Sectors

Looking at greenfield investment in Japan in 2021 by investor country/region, the U.S. marked the largest number of projects at 54, despite a 12.9% decrease from the previous year. It was nearly three times larger than that of Germany, the second largest, and far surpassing other countries and regions (Chart 1-13). The U.K., the third largest, rose 50.0% from the previous year to 18, while Singapore fell 36.8% to 12.

Looking at by sectors, as in previous years, software accounted for the largest number of projects at 50, although it fell 20.6% from the prior year (Chart 1-14). Communications grew significantly by 81.8% to 20, followed by business services with 17, up 6.3%. Semiconductors also jumped to 11 from 2 in 2021, up 450.0%.

Chart 1-13: Number of Greenfield Investments in Japan in 2021 by Investor Country and Region (# of Projects, %)

Ranking	Country/Region	# of Projects	Growth rate (YoY)	Share
1	United States	54	-12.9	31.2
2	Germany	19	11.8	11.0
3	United Kingdom	18	50.0	10.4
4	Singapore	12	-36.8	6.9
5	China	7	16.7	4.0
—	Total	173	-9.9	100

Source]"fDi Markets"(Financial Times)(as of Jun. 23rd, 2022)

Chart1-14: Number of Greenfield Investments in Japan in 2021 by sectors (# of Projects, %)

Ranking	Sector	# of Projects	Growth rate (YoY)	Share
1	Software & IT services	50	-20.6	28.9
2	Communications	20	81.8	11.6
3	Business services	17	6.3	9.8
4	Industrial equipment	13	0.0	7.5
5	Semiconductors	11	450	6.4
—	Total	173	-9.9	100

Source]"fDi Markets"(Financial Times)(as of Jun. 23rd, 2022)

3. Major Greenfield Investment Projects in 2021

Among significant greenfield investment projects in Japan in 2021, investment activities in the semiconductor sector stood out, including Taiwan Semiconductor Manufacturing (TSMC) as well as a large-scale investment plan by Micron Technology reported in the media. In addition, data centers and renewable energy-related investment projects showed their presence (Chart 1-15).

Chart 1-15: Major Greenfield Investment Projects in Japan in 2021

Date (based on announcement)	Company	Country/ Region	Sector	Destination (Prefecture)	Outline	Investment amount (US$ million)
July	Taiwan Semiconductor Manufacturing (TSMC)	Taiwan	Semiconductor	Kumamoto	Established a subsidiary to provide foundry service with the aim of responding to the strong global demand for semiconductors.	7,500
June	Princeton Digital Group	Singapore	Communications	Saitama	Started construction of a large-scale data center with a capacity of 100 MW.	1,000
August	Envision AESC	China	Electronic components	Ibaraki	Decided to establish one of Japan's largest manufacturing plants in the Industrial Parks in IBARAKITOWN. The plant will manufacture next-generation lithium-ion batteries for electric vehicles.	393
April	Canadian Solar Inc (CSI)	Canada	Renewable energy	Fukushima, Ibaraki, Hiroshima	Started construction of solar power generation projects, which include the flagship Azuma Kofuji Project (Fukushima Prefecture) of 100MWp, as well as projects totaling 43MWp in Ibaraki Prefecture and Hiroshima Prefecture.	Undisclosed
October	Goodman	Australia	Real Estate	Chiba	Announced development of a data center for ST Telemedia Global Data Centres, a major data center operator in Singapore.	Undisclosed
February	Taiwan Semiconductor Manufacturing (TSMC)	Taiwan	Semiconductor	Ibaraki	Decided to establish TSMC Japan 3DIC Research and Development Center within AIST in order to conduct joint research with AIST on new materials for three-dimensional integrated circuit (3DIC) implementation.	186
August	Pacifico Energy	US	Renewable energy	Hyogo	Started construction of a large-scale solar power plant on a former golf course site. The scale of power generation is 121 MW.	Undisclosed
October	DSL. Japan	Germany	Chemicals	Hyogo	A joint venture between the Japanese subsidiary of German chemical giant Evonik and Shionogi has expanded its production line for high-performance gel-type silica to meet increased demand for reducing environmental impact.	Undisclosed

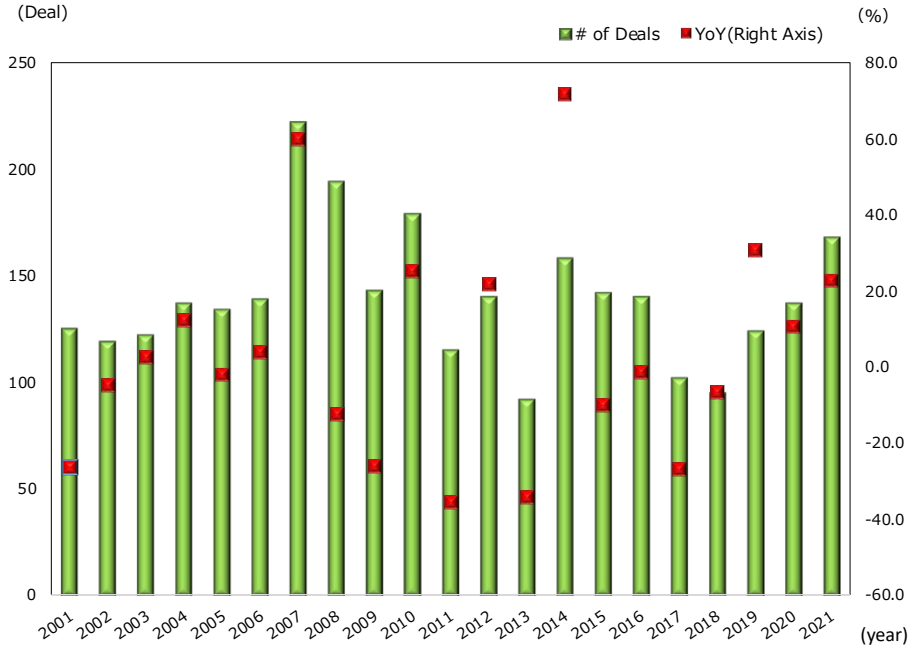
Source: "fDi Markets" (Financial Times) and company announcements

Section6. Trends in Inbound M&A in Japan

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

In 2021, the number of cross-border M&A deals to Japan (hereafter inbound M&A deals), based on the completion date, increased 22.6% from the previous year to 168 (Chart 1-16). The number of inbound M&A deals declined year-on-year for four consecutive years until 2018, but from 2019, it increased by double digits for three straight years. Looking at the number of deals in 2021 by investor country and region, the U.S. accounted for the largest at 56 deals(33.3% of the total), followed by Singapore (19 deals, 11.3% of the total) and South Korea (18 deals, 10.7% of the total) (Chart 1-17).

Chart 1-16: Inbound M&A Deals in Japan



Source: "Workspace" (Refinitiv) (as of June 23, 2022)

Chart 1-17: Inbound M&A Deals in Japan in 2021 by Investor Country and Region (%)

Ranking	Country/Region	# of Deals	Growth rate(YoY)	Share
1	US	56	43.6	33.3
2	Singapore	19	26.7	11.3
3	South Korea	18	38.5	10.7
4	China	15	0.0	8.9
5	UK	9	125	5.4
5	France	9	80	5.4
—	Total	168	22.6	100

Source: "Workspace" (Refinitiv) (as of June 23, 2022)

2. Major M&A Deals in Japan in 2021

Major M&A deals in Japan in 2021include the acquisition of Paidy Inc. by PayPal Holdings Inc (location of the ultimate parent company: US), and Takeda Consumer Healthcare Co., Ltd. by Oscar A-Co K.K. (location of the ultimate parent company: US) (Chart 1-18).

Chart 1-18: Major Inbound M&A deals in Japan in 2021

No.	Completion	Target company	Target company: Industry	Acquiring company	Acquiring company: Country/ Region	Acquiring company: Industry	Value (US$ million)
1	October	Paidy Inc.	Other financials	PayPal Holdings Inc	US	Other financials	2,731
2	March	Takeda Consumer Healthcare Co., Ltd.	Pharmaceuticals	Oscar A-Co K.K.	US	Other financials	2,288
3	July	Shiseido Company, Limited-Personal Care Business	Other services, wholesale trade	K.K. Oriental Beauty Holding	UK	Other financials	1,524
4	November	Trygroup Inc.	Education	CVC Capital Partners Asia V Ltd	UK	Other financials	980
5	March	Rakuten Group, Inc.	E-commerce, B2B	Image Frame Investment (HK) Ltd	China	Other financials	606
6	November	GCA Corporation	Asset management, investment advisory	Houlihan Lokey Inc	US	Securities	458
7	February	Takeda Pharmaceutical Company Limited-TachoSil Business	Biotechnology	Corza Health Inc	US	Other financials	415
8	November	Text Trading Company, K.K.	Apparel sales	Foot Locker Inc	US	Apparel sales	360
9	June	Hulic Co., Ltd. -Hewlett Packard Japan Office Building	Commercial real estate	Tsubaki special-purpose company	Singapore	Asset management, investment advisory	353
10	December	Hanamizuki Holdings special purpose company -Kuwana Logistics Center	Commercial real estate	Hinoki LLC	Singapore	Other financials	307

Note: M&As with the top 10 transaction values are listed. The nationality of the acquiring company is the location of the ultimate parent company.
Source: "Workspace" (Refinitiv) (as of June 23, 2022)

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

Section1. Outline of Foreign-affiliated Companies

1. Survey on Business Operations of Foreign-affiliated

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

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

Chart 2-1: Overview of Responded Companies 1

New Analysis

Industry of foreign parent companies	n	Propotion(%)
Manufacturing	197	15.0
Wholesale trade/ general trade	507	38.6
Retail trade	50	3.8
Services and others	398	30.3

Chart 2-1: Overview of Responded Companies 2

New Analysis

Industry of foreign parent companies	n	Propotion(%)
Large enterprises	61	4.6
Small and medium-sized enterprises	1,088	82.7

Chart 2-1: Overview of Responded Companies 3

New Analysis

Country/region of the foreign parent company	n	Propotion(%)
North America	279	21.2
USA	264	20.1
Canada	15	1.1
Asia	447	34.0
China	135	10.3
Taiwan	84	6.4
Korea	81	6.2
Hong Kong	75	5.7
Singapore	42	3.2
Other Asia	30	2.3
Europe	523	39.8
Germany	167	12.7
France	82	6.2
United Kingdom	70	5.3
Switzerland	50	3.8
Netherlands	33	2.5
Other Europe	121	9.2
Others	41	3.1

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

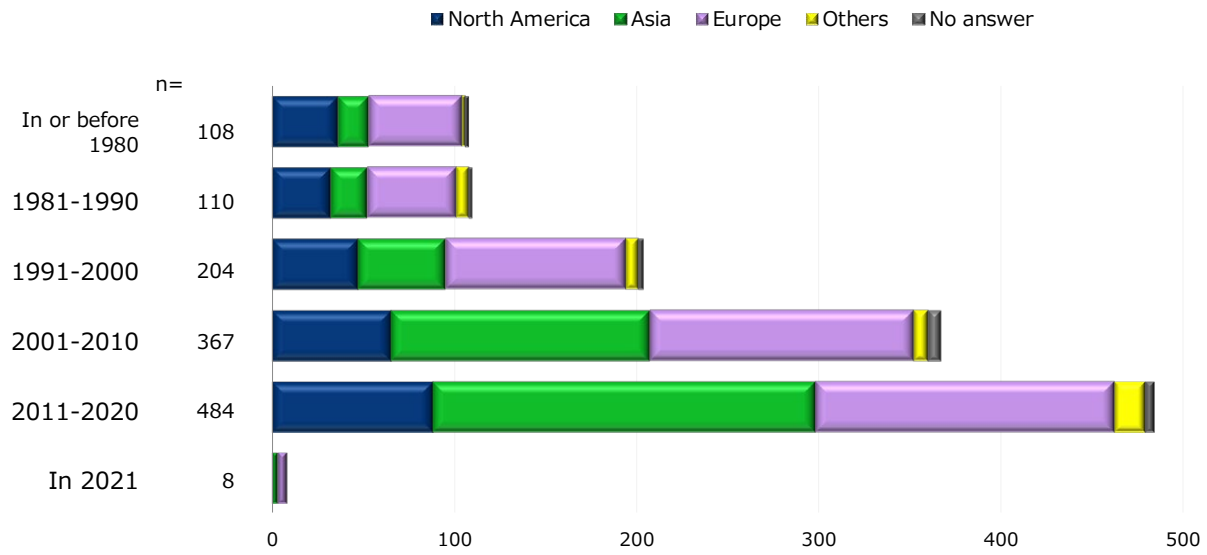
According to the survey on the ownership by foreign parent company, 68.1% of the respondents were 100% foreign-owned. By industry, 31.6% of the "retail trade" companies have an ownership ratio of over 50% to less than 100%, including many joint ventures (Chart 2-2). New Analysis

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

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

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

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

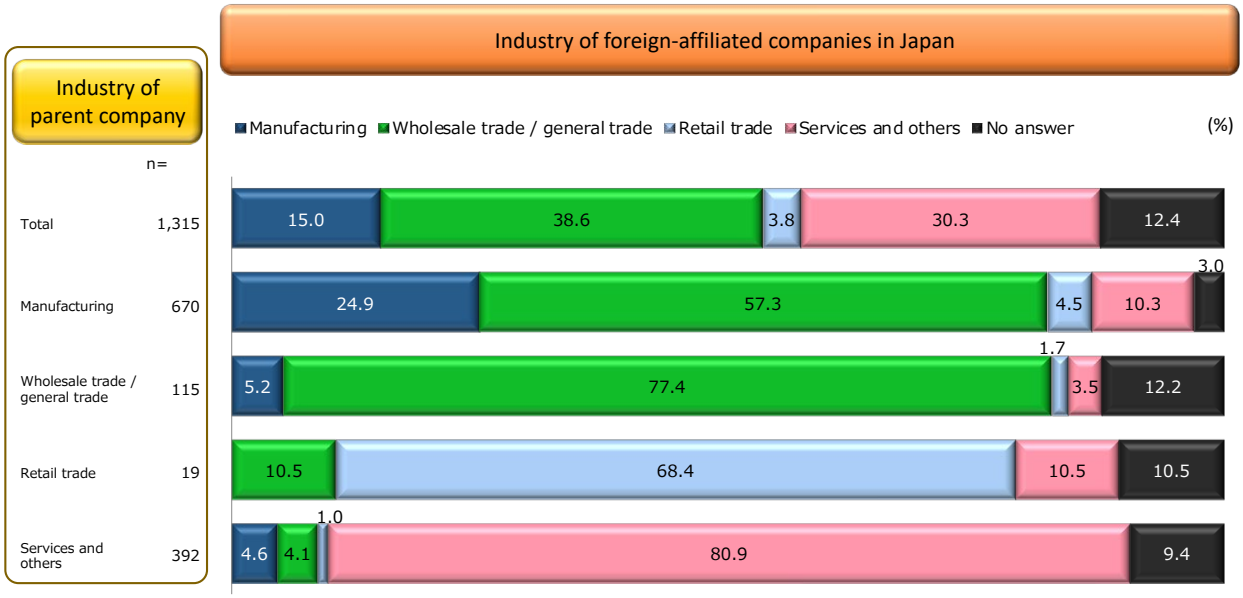


3. Industry Breakdown of Foreign Parent Companies and Foreign-affiliated Companies in Japan New Analysis

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

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

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



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

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

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

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

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

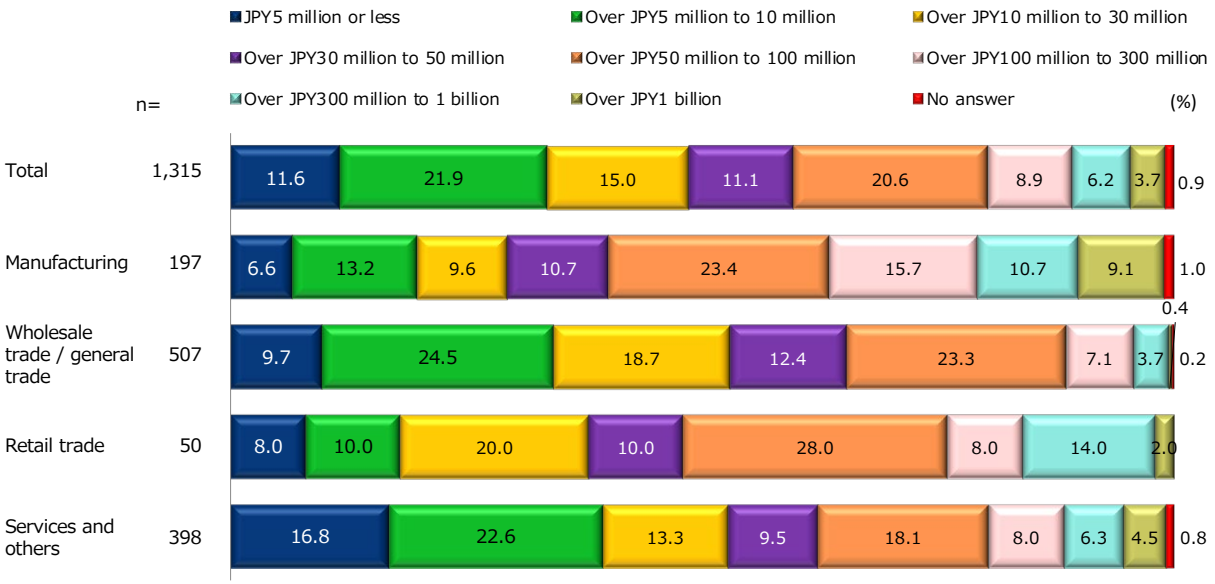


Chart 2-6: Number of Employees of Foreign-affiliated Companies in Japan New Analysis

5. Business Performance of Foreign-affiliated Companies in Japan

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

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

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

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

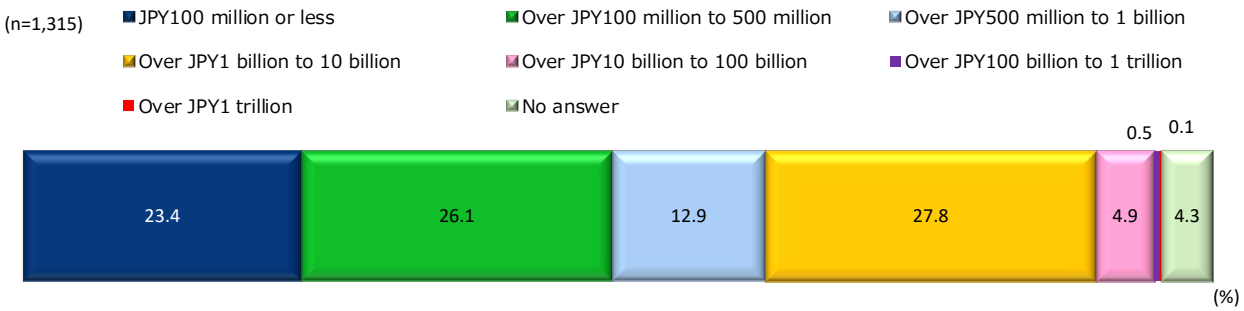
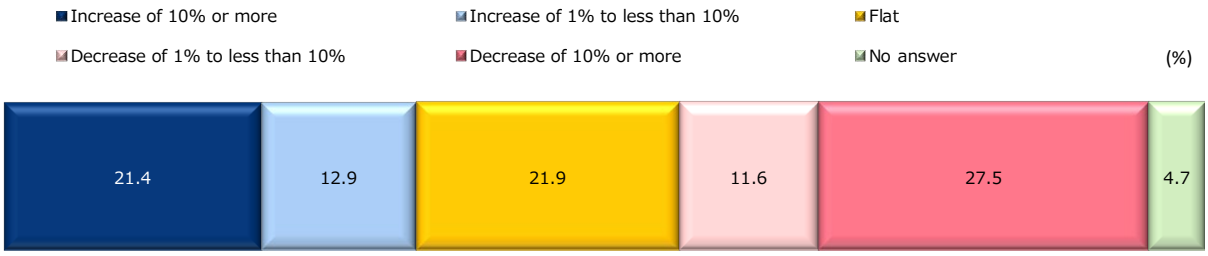


Chart 2-8: Increase/decrease in Sales of Foreign-affiliated Companies in Japan

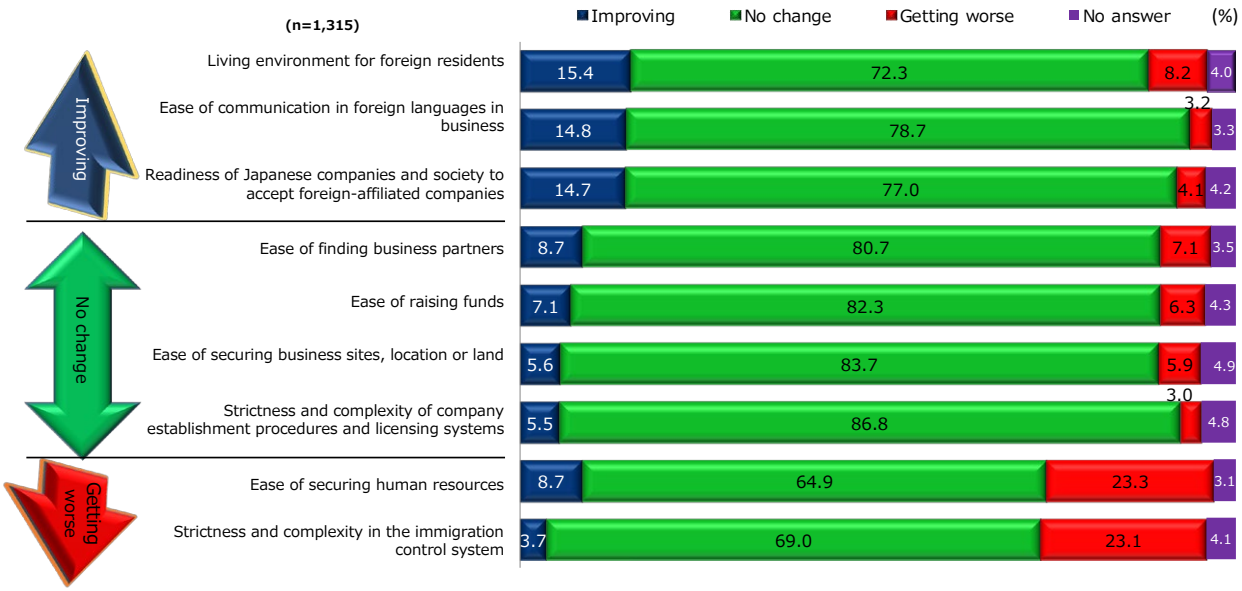


Section2. Changes in the Business Environment and Business Plan

1. Changes in the Japanese Business Environment

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

Chart 2-9: Changes in the Japanese Business Environment



2. Impact of COVID-19 and Future Business Plan

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

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

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

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

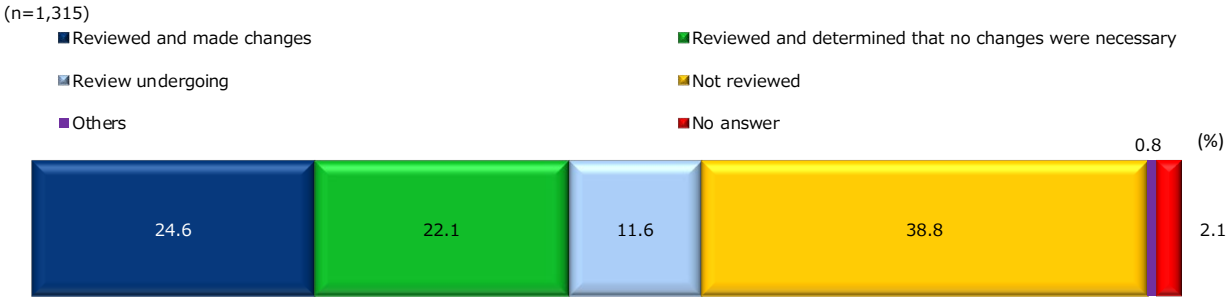
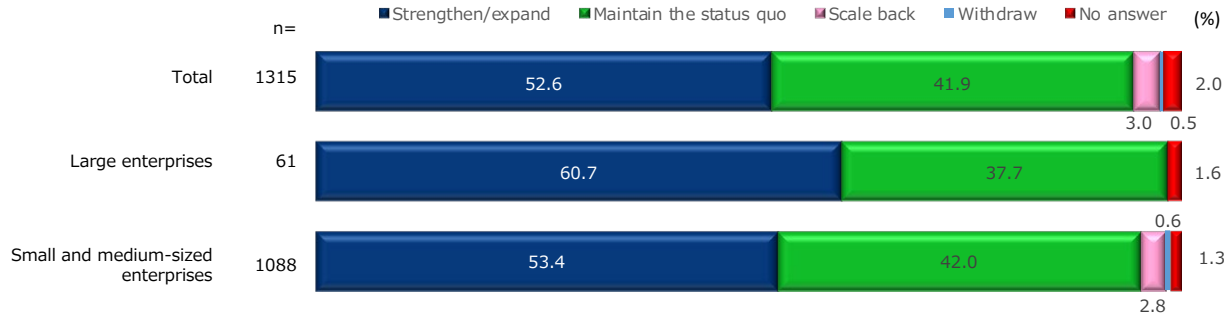


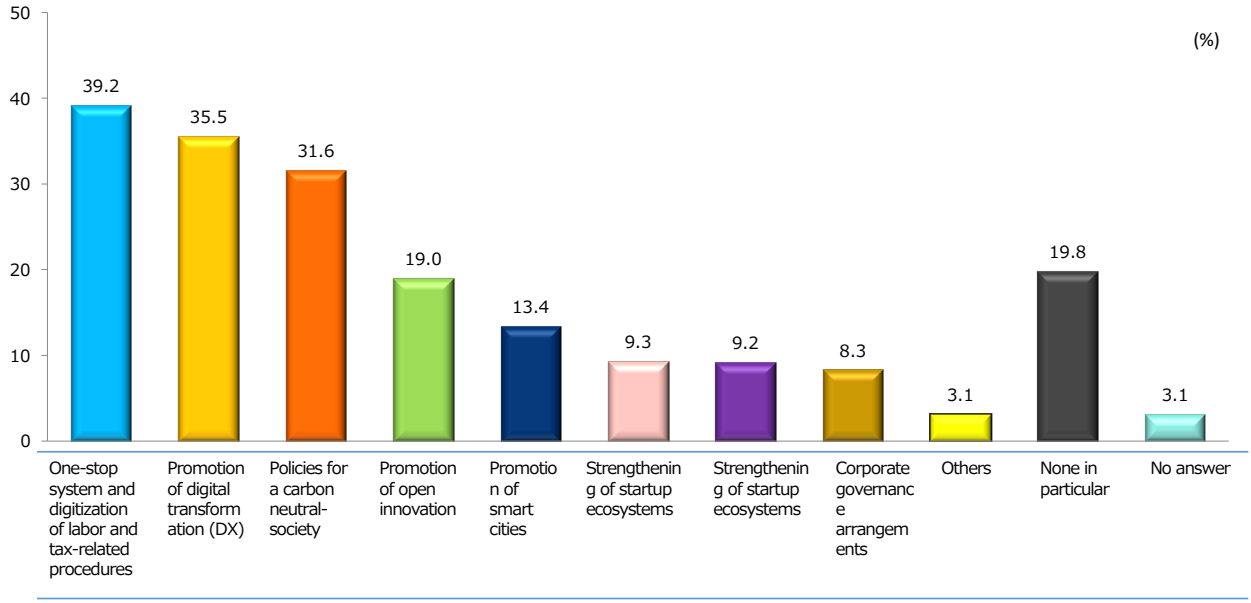
Chart 2-11: Future Business Plans in Japan New Analysis



3. Notable Policies for Future Business Activities

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

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



Section3. Expansion of Foreign-affiliated Companies into the Region

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

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

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

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

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

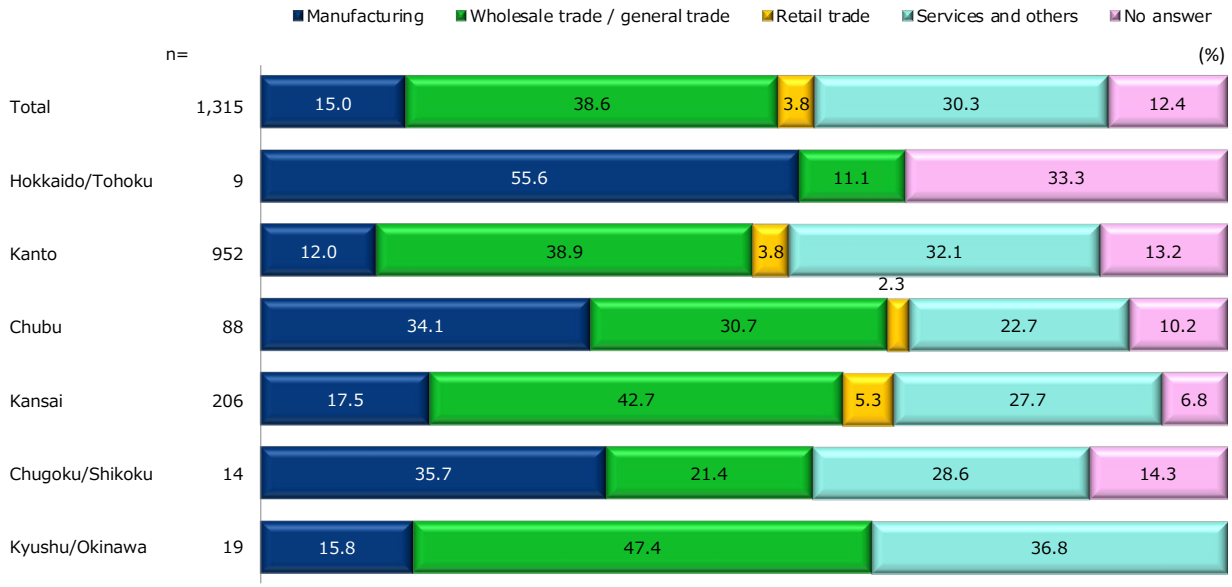
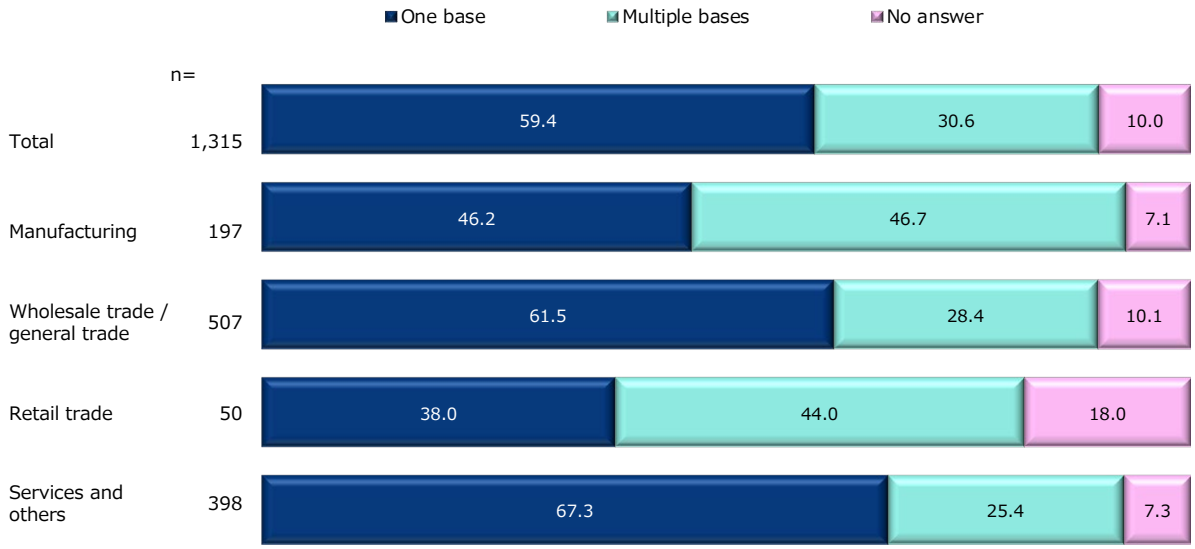


Chart 2-14: Number of Bases by Industry New Analysis



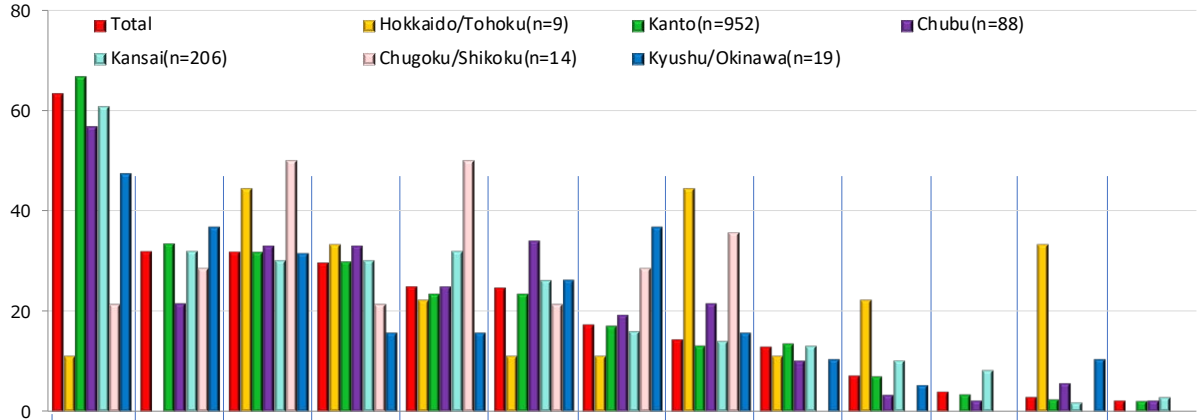
2. Attractiveness of the Business Environment in Japan

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

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

New Analysis

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

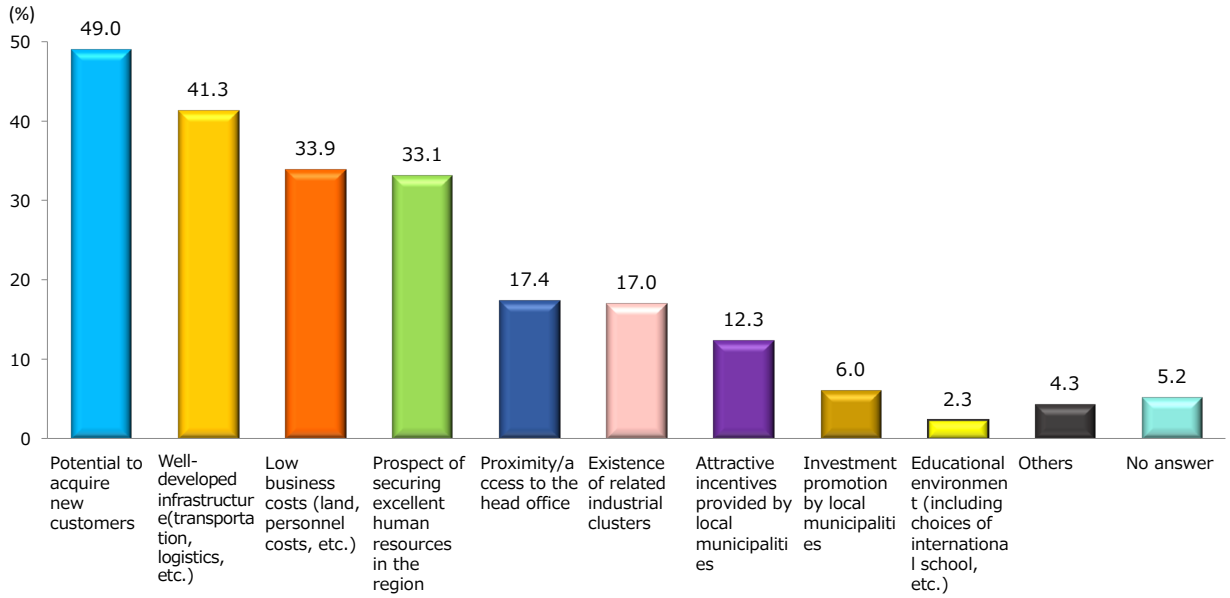


	Japanese market size	Growth potential of the Japanese market	Well-developed infrastructure	Stability of the nation and society	High level of technology and R&D capabilities of Japanese companies	Industrial cluster of related industries	Quality of living environment	Domestic human resources	Suitability as a regional headquarter for Asia	High level of technology and R&D capabilities of Japanese universities and research institutes	Various support systems of national and local governments	Others	No answer
Total	63.4	32.0	31.9	29.7	25.0	24.7	17.4	14.4	13.0	7.3	4.0	3.0	2.3
Hokkaido /Tohoku	11.1	-	44.4	33.3	22.2	11.1	11.1	44.4	11.1	22.2	-	33.3	-
Kanto	66.8	33.5	31.8	30.0	23.5	23.5	17.2	13.2	13.6	7.1	3.5	2.5	2.2
Chubu	56.8	21.6	33.0	33.0	25.0	34.1	19.3	21.6	10.2	3.4	2.3	5.7	2.3
Kansai	60.7	32.0	30.1	30.1	32.0	26.2	16.0	14.1	13.1	10.2	8.3	1.9	2.9
Chugoku /Shikoku	21.4	28.6	50.0	21.4	50.0	21.4	28.6	35.7	-	-	-	-	-
Kyushu /Okinawa	47.4	36.8	31.6	15.8	15.8	26.3	36.8	15.8	10.5	5.3	-	10.5	-

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

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

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



Section4. Open Innovation (Collaboration and Cooperation)

1. Collaborative Partners of Foreign-affiliated Companies in Japan

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

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

Chart 2-17: Implementation Status of Collaboration/cooperation by Industry New Analysis

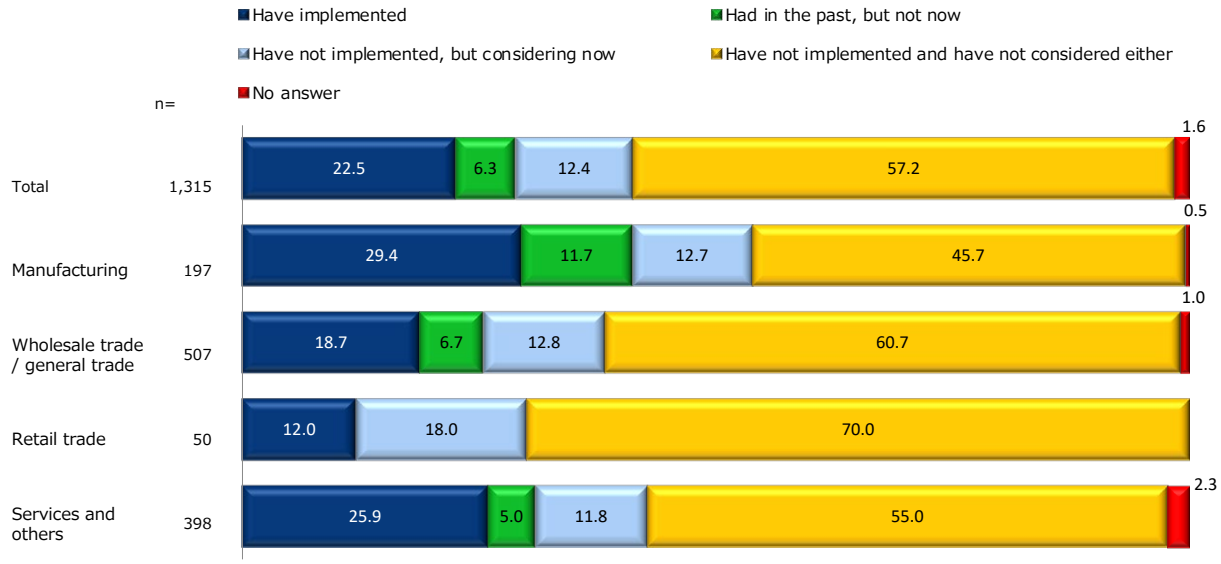
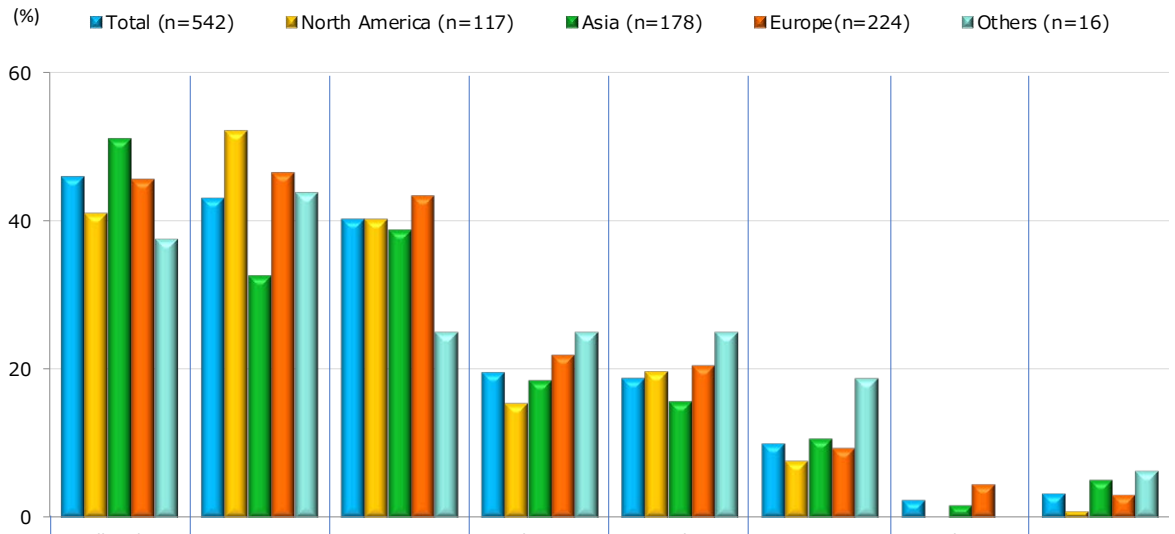


Chart 2-18: Collaborative Partners (Multiple answers given) New Analysis



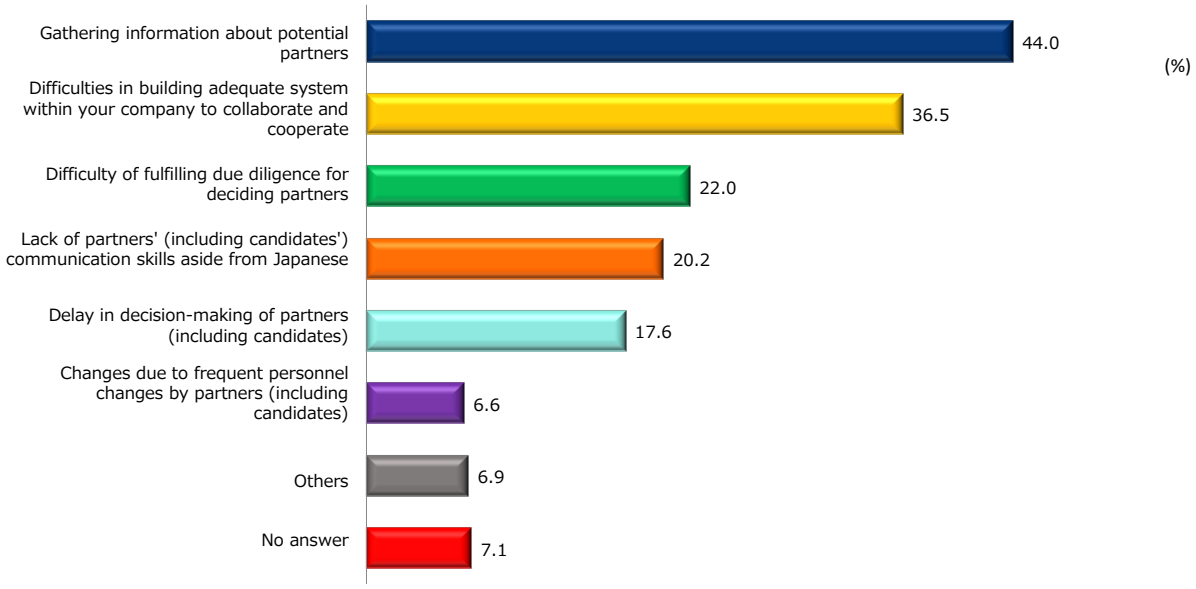
	Small and medium-sized enterprises (excluding distributors)	Universities (including collaboration with laboratories, professors, etc.)	Large enterprises (excluding distributors)	Distributors	Research institutions other than universities (including collaboration with laboratories, researchers, etc.)	Start-ups	Others	No answer
Total	45.9	43.0	40.2	19.6	18.8	10.0	2.4	3.3
North America	41.0	52.1	40.2	15.4	19.7	7.7	-	0.9
Asia	51.1	32.6	38.8	18.5	15.7	10.7	1.7	5.1
Europe	45.5	46.4	43.3	21.9	20.5	9.4	4.5	3.1
Others	37.5	43.8	25.0	25.0	25.0	18.8	-	6.3

2. Challenges in Conducting Collaboration/Cooperation

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

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

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



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

[Project] Regional Business Conference (RBC) (URL:https://www.jetro.go.jp/en/invest/rbc2022/)

RBC is a project to promote the attractiveness of Japan's regional business environment to foreign companies and encourage collaboration and cooperation with local companies and universities. For regions of Japan, the project helps to attract technologies and services that can solve social issues. At the same time, it enables foreign companies to efficiently explore opportunities for collaborative partnerships with local companies, universities, research institutes, and other candidates. In fiscal 2022, JETRO will hold RBCs in the healthcare, travel tech, and food tech fields.

[Project] Global Open Innovation

JETRO supports connecting the seeds of technologies and research results of universities and university ventures in Japan with foreign and foreign-affiliated companies and overseas universities looking to collaborate and cooperate with Japanese companies and universities. In fiscal 2022, JETRO targets the healthcare field and support open innovation initiatives by foreign and foreign-affiliated companies, such as joint R&D, in cooperation with JETRO's international business collaboration support platform "J-Bridge"(URL:https://www.jetro.go.jp/en/j-bridge.html) and others.

[Support Cases] Cooperation between the National Cancer Center (NCC) and foreign companies and institutions

- JETRO invited the Frederick National Laboratory for Cancer Research (FNLCR) (Note) of the U.S. to Japan and arranged business meetings. As a result, FNLCR and the NCC Exploratory Oncology Research & Clinical Trial Center (NCC EPOC) concluded a collaboration agreement in September 2021, centered on AI diagnostics and drug discovery. (Note) A US national research institute that conducts research in the biomedical field, with a focus on cancer, under the umbrella of the National Cancer Institute (NCI), part of the National Institutes of Health (NIH), the largest healthcare research institute in the United States.
- JETRO invited Arjuna Therapeutics, a Spanish company developing drugs for treating intractable cancer, and arranged business matchings for them. In September 2019, the company and the National Cancer Center concluded a joint research agreement on drug discovery for intractable cancers.

Chapter 3 overviews the government policy announced in June 2022, “The Basic Policy on Economic and Fiscal Management and Reform 2022, ” which aims to activate the “New Form of Capitalism” for achieving a sustainable economy by harnessing processes to overcome challenges to drive growth. It also introduces the “Vision for a Digital Garden City Nation” and the Japanese government’s support measures to promote the implementation and investment in semiconductors, 5G, and other sectors. It also covers works in recent years to improve the living environment with foreign investors and businesspeople.

Section1. Basic Policy on Economic and Fiscal Management and Reform 2022

There are structural changes in the environment surrounding Japan, such as COVID-19, Russia‘s aggression against Ukraine, and climate change. Domestically, Japan faces difficulties, including soaring prices for imported resources, a declining population, a low birthrate, an aging population, stagnant potential growth rates, and frequent and intensified disasters. Thus, multiple and compounded challenges, both domestic and international, are piling into Japan simultaneously.

Under these circumstances, it is necessary not merely to get through challenges but also to take advantage of efforts to solve social issues as an engine for value creation. The public and private sectors need to work together and implement prioritized investment and regulatory and institutional reforms in a systematic manner over medium- to long-term, all the while activating the "New Form of Capitalism" to transform the economic and social structure into a more resilient and sustainable one, simultaneously resolving social issues and achieving economic growth. Based on this background, the cabinet decision was made on the Basic Policy on Economic and Fiscal Management and Reform 2022 on June 7, 2022

It sets out the basic guideline for public-private partnership investment in priority investment sectors for realizing a "New Form of Capitalism," including "investment in people," investment in science, technology and innovation, investment in startups, investment in green transformation (GX), and investment in digital transformation (DX).

In particular, "investment in people" will also be a core investment in the foundations common to science, technology and innovation, startups, GX, and DX, which are the systematic and prioritized investment areas toward a "New Form of Capitalism." Combined with increased profits and income through productivity improvement by stimulating private sector investments, autonomous economic growth will be realized.

Chapter 3-1 shows priority investment areas to realize “New Form of Capitalism” set forth the Basic Policy on Economic and Fiscal Management and Reform 2022. The policy aims to execute systematic investments in these priority areas in the medium- to long-run by implementing necessary institutional reforms through plans such as public-private collaboration under the 400 billion yen 3-year package to enhance "investment in people," "6th Science, Technology and Innovation Basic Plan," "Five-year startup development plan," "Clean Energy Strategy," "Digital Garden City Nation Infrastructure Development Plan," and "Priority Policy Program for Realizing Digital Society."

Chart 3-1: Priority investment areas towards a new form of capitalism

No.	Priority investment areas	Outline	Plans
1	Investment in and distribution to people	・Investment in human capital ・Promote diverse workstyles ・Realization of high-quality education ・Promote increase in wages and raise minimum wages ・Doubling Asset-Based Incomes Plan	400-billion-yen package of measures to strengthen investment in people over 3 years
2	Investment in science, technology and innovation	・Provide incentives for companies that increase R&D investment ・Drive drastic expansion of investment in quantum technologies/AI/ biotechnology and medical care through public-private collaboration and an increased focus on the space and marine fields ・Substantial reinforcement of strategic management of universities, which are at the core of creating innovation, including industry-academia-government collaboration ・Strengthen support for young human resources	6th Science, Technology and Innovation Basic Plan
3	Investment in startups	・Formulate a five-year startup development plan eyeing a 10-fold growth of startups in 5 years ・Revise IPO process, improve environment for stock options, etc. ・Support the development and acquisition of human resources to back entrepreneurship and the matching of researchers with management personnel, etc. ・Spur open innovation and promote the use of public procurement	Five-year startup development plan
4	Investment in green transformation (GX)	・Crystalize the “Pro-Growth Carbon Pricing” vision to achieve more than 150 trillion-yen investment in the next 10 years ・Use of new financial instruments such as transition finance ・Establishment of the GX Executive Council ・Targeted improvement of environment to boost decarbonization investments (batteries, support for vehicle purchase and infrastructure development, hydrogen and ammonia, CCUS/ carbon recycling, advanced nuclear power, and nuclear fusion, etc.) ・Develop a green international financial center that trades green bonds and other environment-related products	Clean Energy Strategy
5	Investment in digital transformation (DX)	・Integrated promotion of digital reform, regulatory reform, and administrative reform ・Promote regulatory reform, including speeding up procedures and reducing costs for incorporation ・Standardization for DX in transport and logistics such as Self-driving cars, flying cars, and promotion of MaaS, and development of a technology map ・Prompt development of data platforms for medical and nursing care, education, infrastructure, and disaster prevention	・Digital Garden City Nation Infrastructure Development Plan ・Priority Policy Program for Realizing Digital Society

Source: The Basic Policy on Economic and Fiscal Management and Reform 2022

Section2. Amended 5G Promotion Act

The global progress of digitalization has reaffirmed the significance of semiconductors as vital products. The usage of semiconductors is expanding into all industries, including automobiles and medical equipment. Securing semiconductors is essential from an economic security perspective, as the global supply-demand situation is tightening. In order to establish a stable production system for semiconductors in Japan, revisions of the laws concerning supporting semiconductor-related capital investment were enacted in December 2021 and went into effect in March 2022.

Specifically, the Act on Promotion of Developing/Supplying and Introducing Systems Making Use of Specified Advanced Information Communication Technologies (5G Promotion Act) and Act on the New Energy and Industrial Technology Development Organization (NEDO Act) were partially revised. The revised 5G Promotion Act establishes a certification program concerning plans to develop production facilities for high-performance semiconductors in Japan (Chart 3-2). Plans certified by the revised NEDO Act will be eligible for receiving grants.

Chart 3-2: Certification program and support for high-performance semiconductor production facilities, etc.

Support target	The program certifies plans to develop and produce production facilities for specified semiconductors*1, etc. *1 Semiconductors that enable high-speed processing of large amounts of information essential for 5G information and communication systems and that are specified that stable production in Japan are especially necessary due to limited international production capacity.
Certification criteria	(a) Conformity to guidelines, the certainty of project implementation (b) Continuous production over a specific period (c) Contribution to stable domestic production (Investment to increase production, expand production capacity under tight supply, and for R&D, etc.) (d) Establishment of a system to manage technological information
Support measures	The following support measures for projects associated with the certified plan are available under specific conditions: 1. Loans by Japan Finance Corporation to financial institutions that provide loans for businesses (support for supporting financial institutions) 2. Subscription of shares issued by a joint stock company established to implement the project by Small and Medium Business Investment & Consultant Co., Ltd.(support and fundraising)*2 *2 A government agency that provides long-term stable funds to growth-oriented venture companies, SMEs/ medium-sized enterprises to support business stabilization and corporate growth while enhancing capital adequacy 3. Application of Special Provisions of the Small and Medium-sized Enterprise Credit Insurance Act, which provides certain guarantees for loans to SMEs for business innovation (support in terms of guarantees for loans) 4. Subsidies*3 for certified businesses by the New Energy and Industrial Technology Development Organization (NEDO) and interest subsidies to financial institutions that provide loans to certified businesses *3 See Chapter 3 (3)

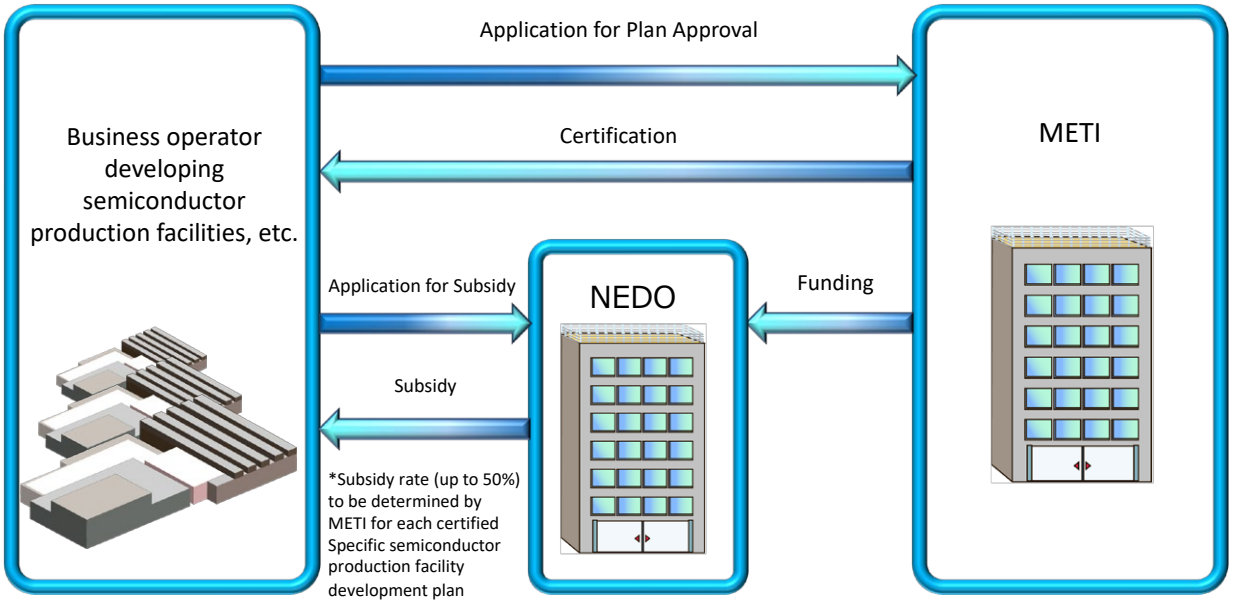
Source: Ministry of Economy, Trade and Industry(METI) website

Section3. Amended NEDO Act

As mentioned earlier, the government revised the Act on the New Energy and Industrial Technology Development Organization (NEDO Act) and established a fund for NEDO to provide grants for developing production facilities of high-performance semiconductors, etc. under the certified plans (Chart 3-3).

NEDO will provide subsidies for the development of production facilities for specified types of semiconductors approved by the Minister of Economy, Trade and Industry, utilizing a fund of 617 billion yen set aside at NEDO. The subsidy will be provided at a rate of up to 50%(The subsidy rate to be determined by METI for each certified specific semiconductor production facility development plan) for the cost of civil engineering and construction work and the production and purchase of machinery and equipment, etc., that are deemed to be part of the development of production facilities. Applications have been accepted since May 2022.

Chart 3-3: Specified Semiconductor Funding Program Scheme



Source: NEDO website

Section4. Review/Extension of 5G Introduction Promotion Tax

5G, the next-generation network standard of which service is now available in Japan, is attracting attention as an ICT infrastructure to contribute to solving local social issues in regions, such as automated delivery and smarter factories. The 5G Introduction Promotion Tax was introduced with the passage of a bill to partially revise the Income Tax Law and other laws in the Ordinary Diet Session in 2020. The 5G Introduction Promotion Tax aims to propel the expansion of 5G networks by providing tax incentives, such as tax credits or special depreciation on the amount of the investment, for specific national and local 5G capital investments made per approved deployment plans.

In the tax reform for FY2022, the system was revised to accelerate the development of base stations, especially in rural areas, toward the realization of the "Vision for a Digital Garden City Nation." Its application period has been extended by three years with the introduction of descending tax credit rates to promote intensive development over the next three years. Chart 3-4 shows eligible businesses, tax credit rates, etc.

Applicable until March 31, 2025

Chart 3-4: Outline of 5G Introduction Promotion Tax

Eligible Businesses	Tax Credit			Special Depreciation
	Area	Fiscal Year	Rate	
Deployers of nationwide 5G networks	Less-favored areas (depopulated areas, etc.)	FY2022	15%	30%
		FY2023	9%	
		FY2024	3%	
	Other areas	FY2022	9%	
		FY2023	5%	
		FY2024	3%	
Deployers of local 5G networks	All areas	FY2022	15%	30%
		FY2023	9%	
		FY2024	3%	

* The maximum deduction amount is 20% of corporate income tax amount.

Applicable Facilities

1. Nationwide 5G System

   - Base station radio equipment (master and slave stations installed outdoors)
     *Only multi-vendor and SA (stand-alone) type antennas are applicable.
     For “Other areas,” only multi-element antennas or millimeter wave-compatible antennas are applicable (until the end of FY2023).

2. Local 5G System

   - Base station radio equipment
   - Switching equipment
   - Transmission line facilities (using optical fiber)
   - Communication Modules
     *Applicable for only those used for advanced digitalization initiatives.

Source: METI, Ministry of Internal Affairs and Communications news release

Section5. Vision for a Digital Garden City Nation

"Vision for a Digital Garden City Nation"(URL:https://www.japan.go.jp/kizuna/2022/01/vision_for_a_digital_garden_city_nation.html) is an initiative to shift from concentration in large cities to multi-polar concentration in rural and regional areas through digitalization, towards a "society in which everyone can live conveniently and comfortably anywhere in Japan." The initiative aims to solve social issues such as the hollowing out of industries, the aging population, and the depopulation in rural and regional areas. In November 2021, a "Council for a Vision for a Digital Garden City Nation Realization" was established to materialize this initiative. The Council discussed the "Basic Policy for the Vision for a Digital Garden City Nation" at the 8th meeting in June 2022, which reached the Cabinet decision in the same month.

"Basic Policy for the Vision for a Digital Garden City Nation" aims to realize the vision with four pillars: (1) solving social issues using digital technology, (2) building hardware and software digital infrastructure, (3) training and securing digital talents, and (4) ensuring that no one is left behind. The Council has set key performance indicators (KPIs) to promote these efforts. (Chart 3-5)

Specifically, to enable "migration without job change," the government will support the development of facilities for satellite offices, etc., to further teleworking in regions and promote the development of communications infrastructures such as optical fiber networks, 5G, data centers, and submarine cables. In addition, to develop and secure human resources with digital skills necessary for solving social issues in rural and regional areas, the government will support their settling down in each area, including highly skilled foreign talents in the digital field.

Chart 3-5: Outline of KPI in "Vision for a Digital Garden City Nation"

Policies for realizing the vision	KPI (Key Performance Indicator)
Using digital technologies to solve social issues in rural areas	1,000 local governments to implement digitalization by the end of FY2024. Establish satellite offices, etc., in 1,000 local governments by the end of FY2024. Deploy management persons to 100 areas throughout the nation who will play a central role in driving regional and community development.
Developing hardware and software digital infrastructure to support the Vision for a Digital Garden City Nation	Achieve 99.9% household optical fiber coverage by the end of FY2027. Achieve 5G population coverage of 95% nationwide by the end of FY2023, 97% nationwide by the end of FY2025, and 99% nationwide by the end of FY2030. Build a dozen or more regional data centers around the country in about five years. Complete the “Digital Garden City Superhighway” using submarine cables surrounding the islands of Japan by the end of FY2025.
Developing and securing human resources with digital skills	Train 2.3 million personnel to promote digitalization by the end of FY2026.
Ensuring that no one is left behind	Start the Digital Promotion Committee with more than 20,000 members nationwide in FY2022.

Source: Cabinet Secretariat and Cabinet Office

[Column] Improving Foreign Investors- and Businesses-friendly Living Environment

Government's Initiatives

April 2014	The government established the Council for Promotion of FDI in Japan to promote FDI in Japan. It assumed a role of a command post in identifying and attracting investment projects, collecting opinions directly from foreign company executives, etc., and contributing to the efforts of relevant ministers and related councils to achieve necessary institutional reforms, etc.
May 2016	The Council compiled the "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub." It established the "Working Group for Revising Regulations and Administrative Procedures" to examine the simplification of regulations and administrative procedures that may hinder foreign companies from investing in Japan and coordinating with relevant government ministries and agencies (final report released in April 2017).

Medical System

May. 2016 The policy package sets a goal that the number of medical institutions with capabilities to accept foreign patients is to expand to around 40 locations nationwide by March 2017.

▼

Promoting the capacity development for accepting foreign patients by supporting the placement of medical interpreters and furthering the use of telephone medical interpreters, etc., mainly at core medical institutions selected by prefectures. (As of September 2021, multilingual medical care covers 95.8% of the medical areas in Japan) (Note)

▼

June 2021 Under the Strategy for Promoting FDI in Japan, the government will work to develop a foreigner-friendly healthcare system, specifying the target of having at least 1,000 hospitals providing care in multiple languages by March 2026.

(Note) Based on secondary medical areas. Of the 335 medical areas, 321 medical areas are covered.Source: Ministry of Health, Labour and Welfare's "Fiscal 2021 Survey on the Acceptance of Foreign Patients at Medical Institutions".

Children's Education

May 2016 The policy package specifies the promotion of educational support for foreign schoolchildren.

▼

Supporting local governments working to develop systems to promote the acceptance of returning and foreign children at schools and enhance Japanese language support. Promoting initiatives by setting organizing and implementing "special curricula" for schoolchildren who need Japanese language support as a mandatory requirement.
(Of the total foreign schoolchildren requiring Japanese language support, the percentage of those receiving it based on special arrangements at school increased from 76.9% (2016) to 90.9% (2021)) (Note)

▼

June 2021 The Strategy for Promoting FDI in Japan has established a goal for improving the educational environment for foreign school children, ensuring that all those who students who need it can receive Japanese language instruction by March 2023.

Source: Ministry of Education, Culture, Sports, Science and Technology, "Survey on Acceptance of Children in Need of Japanese Language Instruction (FY2021)."

Status of residence

April 2017 Based on the discussions of the Working Group, "Japanese Green Card for Highly-Skilled Foreign Professionals" system was established to significantly shorten the period of stay required to apply permanent residency for highly-skilled foreign professionals. In addition, requirements for the highly skilled professionals' point-based system were reviewed (the addition of evaluation items, etc.).

▼

December 2018 Foreign entrepreneurs who receive approval from a local government whose "Management Support Plan for Foreign Entrepreneurial Activities" was accredited by the government can stay to prepare for starting a business for up to one year. 14 local governments have been accredited (Note).

▼

July 2021 As part of the initiatives to achieve “Japan as a Global Financial Center (Finance Place Japan)" described below, a person completing registration as an investment management business while staying in Japan as a "temporary visitor" can change the status of residence straight to "highly skilled professional" or "business manager," etc. Expansion of preferential treatment in the highly skilled professionals' point-based system for financial professionals and relaxation of requirements for employing domestic workers, etc. were introduced.

(Note) As of July 2022. Also, “Programs to Promote the Acceptance of Foreign Entrepreneurs” for National Strategic Special Zones has been in place since July 2015, allowing foreign entrepreneurs six months of residence for startup activity. 10 local governments have adopted it.

Multilingualization

March 2015 Promote multilingualization of retail stores, food service, roads, and public transportation based on the "Five Commitments to Attracting Foreign Companies to Japan" in March 2015 .

▼

May 2016 The Policy Package set a target of publishing translations of more than 500 laws and regulations in foreign languages by March 2021.

▼

~March 2021 Foreign-language translations of 503 laws and regulations (Note) (including revisions) were published. The cumulative number of translated laws and regulations approaches 800.

▼

June 2021 The Strategy for Promoting FDI in Japan set a target of publishing at least 600 new English translations of laws and regulations by March 2026. Effort will be made for another 400 translations (making a total of 1,000 pieces), depending on the advancement in translation technology, etc.
(*) The "Public-Private Strategy Council for Promoting the International Dissemination of Japanese Laws and Regulations" held in January 2021 has set the field related to foreigners living in Japan as one of the priority areas.

(Note) As of March 5, 2021

Tax System

"Comprehensive Economic Measures to Secure People's Lives and Livelihoods towards Relief and Hope" was decided by the Cabinet in December 2020, incorporated “the International Financial Center Initiatives (Finance Place Japan)”.

International Financial Center Initiatives

April 2021	Regarding inheritance tax, if the foreign national had lived in Japan for more than 10 years, the worldwide assets were subject to taxation. After the reform, for foreign nationals residing in Japan with a valid working visa, the foreign assets were no longer subject to inheritance tax regardless of the period of residence.
April 2021	Taxation of carried interest, the distribution allocated return in excess of the capital contribution ratio, is clarified. It is not subject to comprehensive taxation (progressive tax rate, up to 55%) but is taxed as “capital gain of the shares”(uniformly 20%) in cases where there is economic rationality in the distribution of profits.
November 2021	Unlisted companies were not allowed to treat performance-based compensation for directors as tax-deductible expenses. After the reform, unlisted non-family companies and alike, whose primary business is investment management, can now include it in tax-deductible expenses with a number of conditions, including where the calculation methods are described in its business reports filed under the Financial Instruments and Exchange Act and disclosed publicly through the JFSA website.

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