

JETRO Invest Japan Report 2018



Message from the Chairman

With the goal of creating employment and innovation by attracting excellent human resources and technology to Japan, the government announced its target of increasing inward foreign direct investment (FDI) stock to 35 trillion yen by 2020. Steady progress is being made toward achieving this policy goal, with FDI stock achieving a historical high for the fourth consecutive year by the end of 2017, at 28.6 trillion yen.

Meanwhile, the trend in drawing inward FDI has been shifting from quantitative expansion to more qualitative contributions. In particular, there has been an increased focus on innovation and startups globally, the former being capable of changing existing industries and society through technologies related to the Fourth Industrial Revolution—such as IoT and AI—and the latter rapidly growing as an active player in that field. With "innovation" and "startup" as keywords in drawing investment, overseas companies are beginning to contribute to the emergence of innovation in Japan through promotion of open innovation and participation in an environment conducive to the creation of startups.

In order for Japan to be chosen as an investment destination by international companies in the midst of global locational competition, "ease of doing business" is key. In June 2018, the Japanese government established a project-based "Regulatory Sandbox system" and prepared an environment which enables the demonstration of innovative technologies and business models free from existing regulations. In addition to that, under "Growth Strategy 2018" (decided by the Cabinet on June 15, 2018), it is pushing forward with reforms from the perspective of business operators, including plans to finalize a system that allows online corporate establishment procedures to be processed within 24 hours in FY2019.

JETRO, as Japan's central organization for attracting inward FDI, has provided support for foreign companies entering the Japanese market and expanding their business in Japan. Since the start of the "Invest Japan" campaign in 2003, JETRO has supported for more than 18,000 projects and helped in the successful establishment of over 1,800 companies. Experienced staff members who serve as "Personal Advisors" work closely with foreign companies to address the challenges they face starting up in Japan—including those related to language, business practices, rules and regulations—in order to realize more projects. Furthermore, under the "Support Program for Regional Foreign Direct Investment in Japan" started this fiscal year, our organization has placed the vitalization of local regions through FDI as an important pillar and is working with the government as one to assist municipalities proactive in drawing investment.

This report is a compilation of information on the activities of foreign-affiliates and their perception of the Japanese business environment, related policies of the central and local governments, statistics on Japan's inward FDI and JETRO's own activities. It is constructed with the aim of giving readers a broad view of the topic of investment into Japan. We hope it will be a useful resource for anyone considering starting business in Japan or supporting foreign investment into the country.



Hiroyuki Ishige

Chairman and CEO

Japan External Trade Organization

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1 Recent Situation of Inward FDI in Japan

1

Inward foreign direct investment (FDI) in Japan in 2017 saw a sixth successive year of excess inflow and the record high of the stock for the fourth consecutive year. Asia was the fastest-growing direct investor, contributing a stock of 5.3 trillion yen in 2017 (an increase of 10.3 times since 2000), well ahead of Europe and North America. In “qualitative” terms, there are companies entering Japan in new sectors of the economy such as sharing services, startup accelerators and FinTech.

By investment type, the single largest component of inward FDI stock was “equity capital” (share purchases or capital expenditure by a foreign company with a value of at least 10% of voting rights); this accounted for 16.31 trillion yen, equivalent to about 60% of the total. Next was “reinvestment of earnings” (proportion of undistributed earnings from a Japanese business or local subsidiary with foreign ownership corresponding to the level of foreign investment) at 6.52 trillion yen, followed by “debt instruments” (cash loans exchanged between parent and subsidiary and acquisition/disposal of bonds) at 5.73 trillion yen.

1. Inward FDI stock marked a record high for four consecutive years

(1) General outlook: Inward FDI stock tops 28 trillion yen

As at the end of 2017, inward FDI stock in Japan was 28.55 trillion yen, an increase of 322.7 billion yen (1.1%) in annual terms, seeing the fourth successive year of record high (Chart 1-1). Inward FDI stock as a proportion to nominal gross domestic product (GDP) remains 5.2%, the same as the previous year.

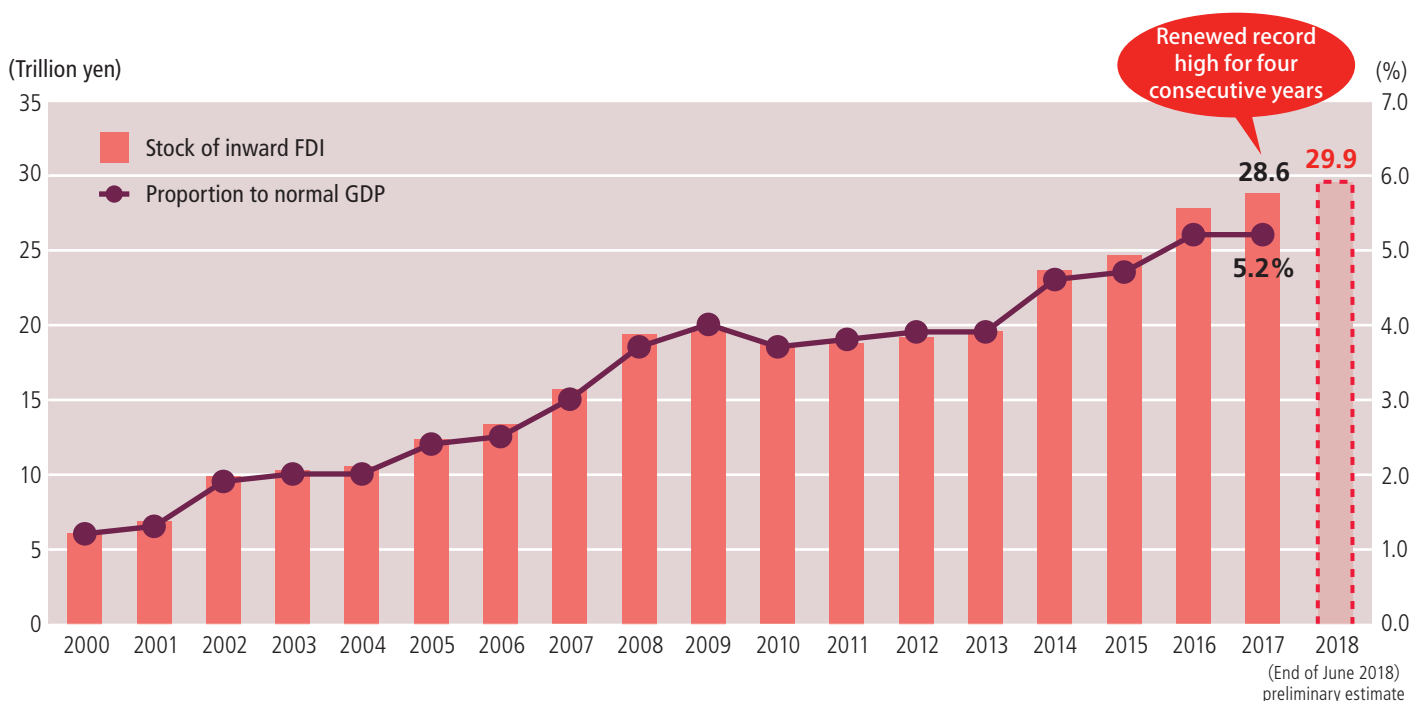
According to the Ministry of Finance, the increase can be attributed to: (1) overall transaction during 2017, commensurate with inward FDI in the international balance of payments (2.12 trillion yen increase); (2) exchange rate fluctuations (11 billion yen reduction); and (3) adjustments to accommodate movements such as fluctuations in share and debenture prices and discrepancies between balance of payment figures and foreign asset and liability balance figures (1.79 trillion yen reduction).

(2) By industry and region: Ten-fold increase in FDI from Asia since 2000

Europe accounted for roughly half of inward FDI stock in Japan in 2017 (Chart 1-2), contributing 14.92 trillion yen (up 3.1% in annual terms). The bulk of the investment came from the manufacturing sector (Chart 1-3). Within Europe, the largest single investor country was the Netherlands, where around 80% of investment was in electrical machinery, followed by France, where over 70% of investment was in transportation equipment.

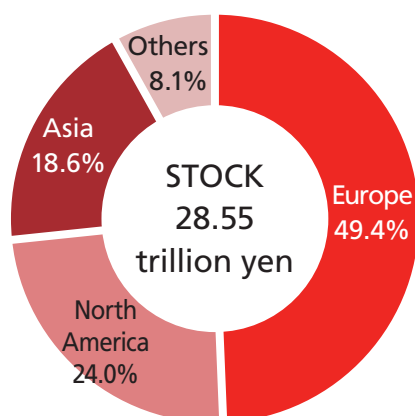
North America contributed 6.85 trillion yen in inward FDI stock (down 6.1% from the previous year). Around 80% of the stock was from the non-manufacturing sector, with the majority coming from finance and insurance industry. Despite the contraction in investment, attributable mainly to the decision by a leading US insurance provider to pull out of the Japanese life insurance market in 2017, North America remains the largest source of FDI (Chart 1-4).

Chart 1-1 Inward FDI stock and its proportion to nominal GDP (based on Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6))



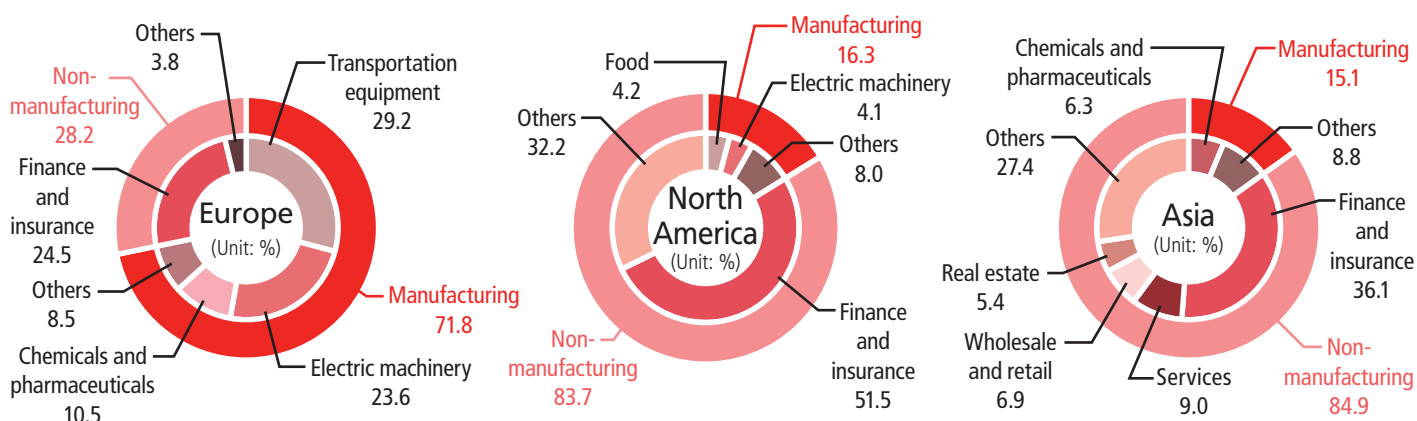
[Source] "International Investment Position of Japan" (Ministry of Finance and Bank of Japan), "National Accounts of Japan" (Japan Cabinet Office)

Chart 1-2 Share of inward FDI stock in Japan by region (as of end of 2017)



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

Chart 1-3 Share of inward FDI stock in Japan by region and industry (as of end of 2017)



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

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

Chart 1-4 Inward FDI stock in Japan by country/region and by industry Top 10 (as of end of 2017)

<By country/region>

Rank	Country/region	Stock (billion yen)	Ratio (%)
1	US	6,670	23.4
2	Netherlands	4,595	16.1
3	France	3,500	12.3
4	Singapore	2,542	8.9
5	UK	1,721	6.0
6	Cayman Islands	1,414	5.0
7	Switzerland	1,259	4.4
8	Hong Kong	960	3.4
9	Germany	894	3.1
10	Luxembourg	857	3.0

<By industry>

Rank	Industry	Stock (billion yen)	Ratio (%)
1	Finance and insurance	7,504	33.2
2	Electric machinery	3,329	14.7
3	Transportation equipment	3,281	14.5
4	Chemicals and pharmaceuticals	1,562	6.9
5	Services	1,276	5.6
6	Communications	700	3.1
7	General machinery	672	3.0
8	Wholesale and retail	582	2.6
9	Real estate	434	1.9
10	Transportation	402	1.8

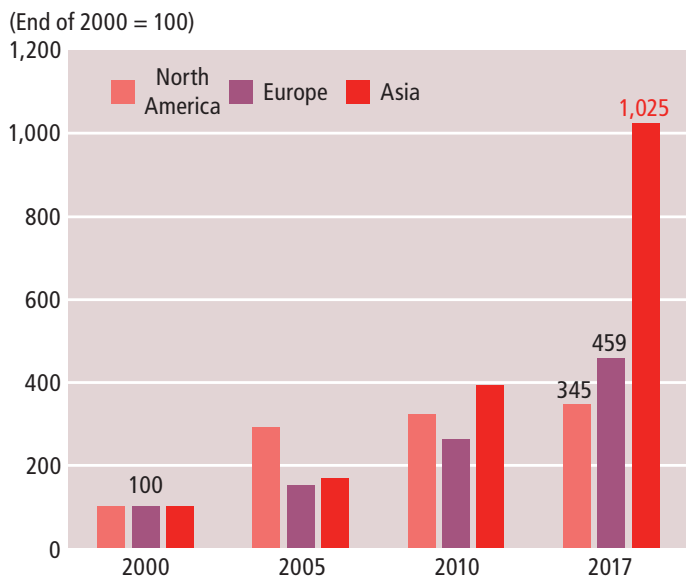
[Note] In the statistics of the inward FDI stock by industry, the investment made by a subsidiary to the parent company is counted as the withdrawal of investment by the parent company. The calculation method differs from that of the statistics for inward FDI stock by region and investment type.

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

The stock of Asia rose 2.1% in annual terms to 5.3 trillion yen. Singapore was the single largest contributor from Asia, at 2.54 trillion yen (up 7.4%), followed by Hong Kong (960.2 billion yen, down 13.9%), Taiwan (674.3 billion yen, down 11.8%), South Korea (458.2 billion yen, up 14.1%) and China (286.6 billion yen, up 51.4%). By industry, the bulk of FDI came from the non-manufacturing sector, with finance and insurance, services and real estate particularly prominent.

The stock of Asia has risen by a factor of 10.3 times compared to 2000 levels (Chart 1-5), with the contribution from Asia relative to the total inward

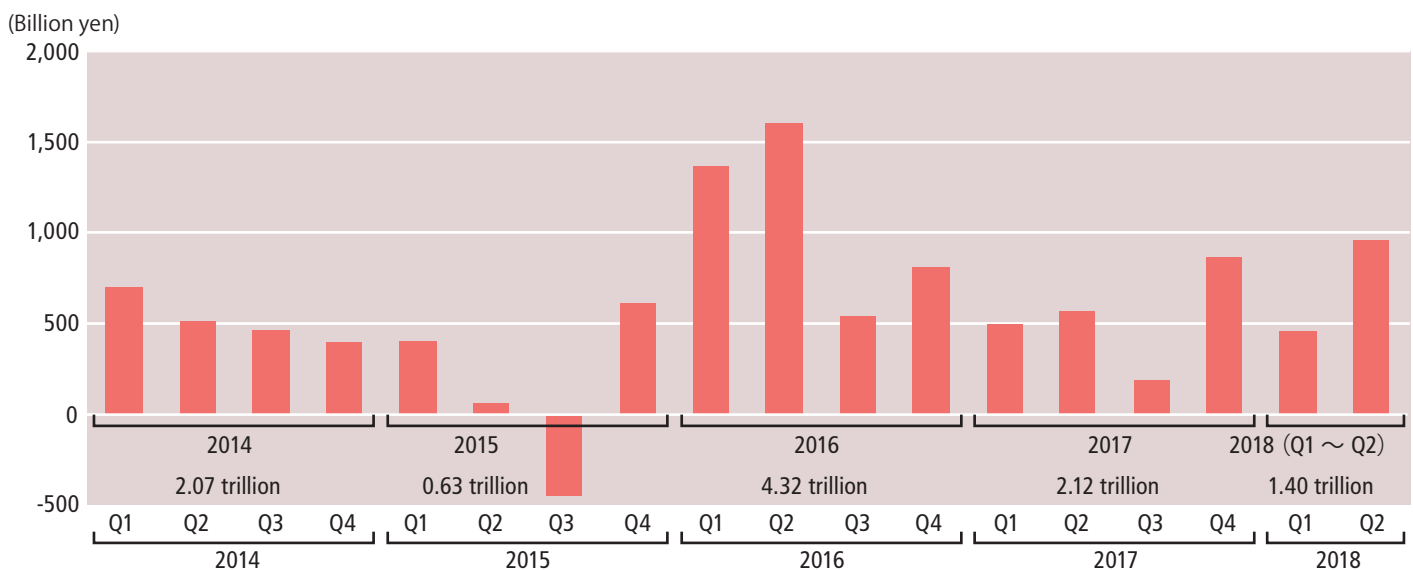
Chart 1-5 Changes in inward FDI stock in Japan by region (indexed to end of 2000 level = 100)



[Note] Based on BPM6 (figures before 2014 have been converted by JETRO from BPM5-based to BPM6-based)

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

Chart 1-6 Changes in quarterly net flow of inward FDI into Japan



[Note] Q1 = Jan-Mar, Q2 = Apr-Jun, Q3 = Jul-Sep, Q4 = Oct-Dec

[Source] "Balance of Payments" (Ministry of Finance and Bank of Japan)

FDI stock rising from 8.5% to 18.6%. Asia is increasingly becoming a major provider of global investment source country. According to the UNCTAD (United Nations Conference on Trade and Development) figures, combined outward FDI stock from the 11 main countries and regions of Asia [Note] grew by a factor of 9.2 times between 2000 and 2017, while Asia's proportion to the total global FDI stock also rose from 7.8% to 17.3%.

Outward FDI from Asia, the world's growth center, is expected to grow further. As seen in Europe and North America, FDI tends to be more prevalent between countries/regions that have shared geographical or historical characteristics. Thus it may be anticipated that future growth in outward FDI from Asia will likewise be concentrated within Asia. In this context, there is scope for further growth in inward FDI from Asia into Japan.

[Note] The 11 countries and regions in Asia whose figures are individually reported in balance of payments statistics of the Ministry of Finance and Bank of Japan: China, Hong Kong, Taiwan, South Korea, Singapore, Thailand, Indonesia, Malaysia, the Philippines, Vietnam and India.

2. Inward FDI saw a sixth successive year of excess inflow

(1) General outlook: Marks fourth highest record at 2 trillion yen

2017 saw net flow of inward FDI in Japan (based on balance of payments, referred to as "inward FDI in Japan" hereafter) of 2.12 trillion yen, the sixth successive year of surplus. Although the figure halved compared to 2016, due mainly to a reactionary fall from the previous year, it still represents the fourth highest surplus since comparable 1996. By investment type, reinvestment of earnings (1.64 trillion yen) accounted for nearly 80% of the total, followed by debt instruments (242.5 billion yen) and equity capital (237.1 billion yen).

Inward FDI in Japan from January to June 2018 shows at 1.40 trillion yen, up around 30% in annual terms (Chart 1-6). This is thought to be partly attributable to the June finalization of the Toshiba Memory sale to the Japan-US-South Korea corporate consortium, as explained later.

(2) By country/region and industry: The advent of new fields of investment such as the sharing economy

By region, Asia recorded inward FDI in Japan at 632 billion yen, North America 646.5 billion yen and Europe 505.3 billion yen in 2017 (Chart 1-7). As in 2016, the top industries were from the manufacturing sector, with electric machinery (614.2 billion yen) the largest, followed by transportation equipment (433.1 billion yen) and general machinery (250.8 billion yen). The summary of inward FDI in Japan from 2017 to the first half of 2018 by region, including specific investment projects, is as follows.

2017 saw a drop in inward FDI in Japan from Asia as a reactionary fall to the acquisition of Sharp by Taiwan's Hon Hai Precision Industry in the previous year. Despite this, the value of investment remains equivalent to 2014 and 2015 levels. Singapore alone accounted for around half of the inflow surplus (384.7 billion yen). China recorded an outflow surplus in 2016 but an inflow surplus of 108 billion yen in 2017.

Asia is increasingly investing in B to C sectors including new service industries such as sharing services. For example, from Singapore, whose investment has traditionally focused on acquiring real estate and developing logistics networks through via real estate investment trusts and investment funds, **honestbee**, a company providing personal shopping services, established an office in Tokyo in February 2017 and is expanding its service coverage to other regions. The Chinese bike-sharing behemoth **Mobike** launched bicycle sharing service

in Sapporo City, Hokkaido Prefecture, in July 2017, having set up a Japanese subsidiary a month earlier, and is currently rolling out into other prefectures starting with Kanagawa Prefecture. In June 2018, major ride-hailing operator **Didi Chuxing** teamed up with Softbank to establish a joint venture to launch a new AI (artificial intelligence)-driven taxi service.

In addition to investment in the sharing economy, foreign-affiliates showed brick activities in the fields related to inbound tourism with demand from Asian visitation numbers steadily rising. August 2017 saw **Tujia**, a Chinese major vacation rental site, announce a business collaboration with Rakuten Group's equivalent business entity for expansion into Japan. Low-cost carriers (LCC) are steadily adding new routes including regular flights to Japanese regional cities. In November 2017, Singapore-based **JetStar Asia** introduced the first ever direct service between Singapore and Naha, Okinawa Prefecture, and in 2018 Korean-based **Air Busan** launched the first LCC service between Busan and Chubu, Aichi Prefecture. This level of interest from foreign tourism operators seeking to cash in on the inbound tourism boom is expected to generate significant momentum that will translate into higher visitation numbers in regional areas of Japan.

Elsewhere, **Ruten (PChome Online)**, Taiwan's largest e-commerce operator, has opened a second office in Osaka City following the Tokyo facility, while **NextDrive**, a supplier of IoT-driven smart energy management solutions, has recently set up a Japanese subsidiary. These are the examples of the startups entering Japan in the field of the Fourth Industrial Revolution.

Chart 1-7 Changes in net flow of inward FDI into Japan by country/region

(Unit: Billion yen)

		2014	2015	2016	2017	2018 Jan-Jun	Year-on-year growth (%)
		678	677	933	632	328	△ 26.7
Asia	China	80	77	△ 11	108	23	327.8
	Hong Kong	228	119	159	△ 27	49	361.7
	Taiwan	126	85	256	84	24	△ 37.4
	Korea	70	113	65	109	66	29.3
	ASEAN	174	281	465	357	167	△ 51.2
	Singapore	144	229	394	385	58	△ 84.7
North America		759	524	689	647	24	△ 92.6
	US	758	527	688	657	20	△ 94.0
Latin America		73	△ 240	181	298	553	240.8
Oceania		62	△ 77	88	28	236	-
Europe		441	△ 284	2,406	505	120	△ 4.0
	EU	376	△ 263	2,300	348	104	2.6
World		2,075	627	4,317	2,118	1,403	31.6

[Note] △ indicates negative figure.

[Source] "Balance of Payments" (Ministry of Finance and Bank of Japan)

Inward FDI in Japan from North America was characterized by US investment funds' active deals (Chart 1-8). **Kohlberg Kravis Roberts (KKR)** acquired Calsonic Kansei, the largest auto parts manufacturer in the Nissan group, for around 500 billion yen in May 2017, while **Bain Capital** played a leading role in facilitating the acquisition of Toshiba Memory, a company affiliated with Toshiba, which is in the midst of a major restructuring, by a Japan-US-Korea corporate consortium for 2 trillion yen in 2018.

Japan is also starting to attract so-called IT platformers and startup incubators in the US. **Amazon Japan** has been particularly active, setting up the first ever dedicated fashion distribution facility in western Japan in October 2017 in Osaka Prefecture, while its cloud services arm **Amazon Web Services (AWS)** opened a second data center in February 2018, also in Osaka. **Plug and Play**, one of the US largest startup accelerator, set up a Japanese subsidiary in July 2017, while **WeWork**, a leading provider of coworking spaces with approximately 300 sites (as of June 2018) around the world, launched in Tokyo in February 2018, with plans to expand to Yokohama, Osaka and Fukuoka City.

Europe continues to provide significant investment in the manufacturing sector, particularly by companies using IT. **MER MEC**, an Italian developer of inspection and diagnostic systems for railway infrastructure, established

a Japanese subsidiary in February 2017. The company's system was adopted for testing by JR East Japan, making it the first overseas supplier of a foreign-made inspection system for a Japanese railway company. **Beckhoff Automation**, a major German manufacturer of industrial control equipment, opened its second office in Japan in Nagoya City in September 2017. Toyota Motor selected industrial network protocol invented by the company extensively, and Beckhoff targets to a nationwide roll-out of the product. As in the automobile industry, **Gestamp Automoción**, a Spanish leading supplier of pressed parts for the automobiles, opened a new R&D center in Tokyo in June 2017 and opened the first plant in Mie Prefecture.

There are some examples of European companies entering Japan in the FinTech sector. **Shift Technology**, a French developer of automated insurance fraud detection services, opened a Japanese subsidiary in 2018, as did **ClaimVantage**, an Irish supplier of insurance claim processing software application. Shift Technology is a company to have set up operations in Tokyo through Metropolitan Government's accelerator program "FinTech Business Camp Tokyo," and its products have already been adopted by Mitsui Sumitomo Insurance Group and Aioi Nissay Dowa Insurance.

Chart 1-8 Major inward M&A deals in Japan from 2017 to first half of 2018

Date effective	Target	Industry	Acquirer	Parent country/region	Industry	Value (billion yen)	
2017	May	Calsonic Kansei	Autoparts	Kohlberg Kravis Roberts (KKR)	US	Investment firm	498.2
	Apr	USJ	Leisure	Comcast NBC Universal	US	Media	254.8
	Jul	Hitachi Koki	Machinery	Kohlberg Kravis Roberts (KKR)	US	Investment firm	147.1
	Mar	Accordia Golf	Leisure	MBK Partners	Korea	Investment firm	85.3
	Sep	Coca-Cola Bottlers Japan	Beverage	Coca-Cola Japan	US	Beverage	54.1
	Aug	TASAKI	Retail (Jewel)	MBK Partners	Korea	Investment firm	31.5
	Apr	AIG Fuji Life Insurance	Finance	FWD Group	Hong Kong	Finance	39.2
2018	Jun	Toshiba Memory	Electronics	Bain Capital (US), SK hynix (Korea) and others	-	Investors group	2,000.0
	Apr	Takata	Transportation equipment	Joyson Electronics	China	Transportation equipment	175.0
	Mar	ASATSU-DK	Advertising agency	Bain Capital	US	Investment firm	152.3

[Note] ① As of August 2018. ② Ranked by single transaction value. ③ "Acquirer" is the ultimate acquirer (including corporate group).

[Source] Thomson Reuters

Rate of return on inward FDI into Japan

“Rate of return on inward FDI” is an indicator of how efficiently corporate investors raise profit from their investment in a foreign country. It is defined as direct investment income (debit) (recorded in primary income as part of balance of payments) divided by the value of inward FDI stock.

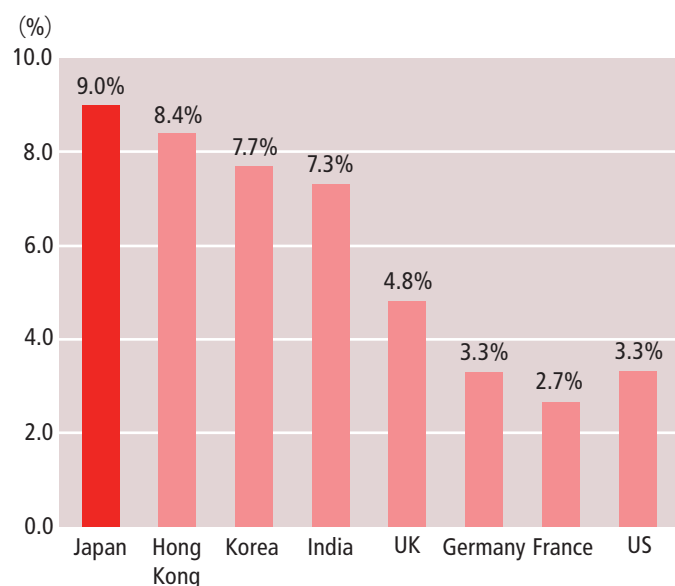
The rate of return on inward FDI in Japan averaged 9.0% over the period from 2008 to 2017, which compares favorably with the other major FDI recipients (Chart 1-9). By country or region, corporate investors from North America (primarily manufacturing) and Europe (primarily non-manufacturing) enjoy a relatively high rate of return from Japan.

The OECD report “FDI in Figures (April 2016)” ranks Japan third out of 22 countries for rate of return on inward FDI (10%). In services other than finance and insurance activities, Japan is ranked top at 17.8%.

Japan’s high rate of return may be to some extent a reflection of the financial health of the foreign companies that choose to invest in Japan. Also, the absolute value of inward FDI in Japan is still fairly small compared to other countries, so this could make the rate of return higher as a calculated result.

Nevertheless, given that the profitability of the target market is a key factor in investment decisions, Japan’s high rate of return on inward FDI compared to other countries suggests that it is an attractive destination for corporate investors. In a survey of foreign-affiliated companies conducted by JETRO in FY2018, nearly 70% of respondents, evaluating the Japanese market from the perspective of profitability, answered “Profitability is high” or “Profitability is somewhat high”. This result is consistent with the actual data on Japan as a target for inward FDI.

Chart 1-9 International comparison of average rates of return on inward FDI in 2008 – 2017



[Note] Rate of return on inward FDI =

Direct investment income (debit) / Term’s inward FDI stock (term final balance) × 100 (%)

[Source] “IMF Data Warehouse” (IMF) (as of June 22 2018), “International Investment Position of Japan” (Ministry of Finance and Bank of Japan)

Locations of foreign-affiliated companies in Japan

According to the 51st Survey of Trends in Business Activities of Foreign Affiliates (Ministry of Economy, Trade and Industry, 2017), nearly 70% of foreign-affiliated companies in Japan choose Tokyo Metropolitan as the location for their headquarter offices (Chart 1-10).

Non-manufacturing businesses in particular tend to gravitate towards Tokyo Metropolitan; over 80% of companies in information and communications, finance and insurance and transport are based there. Manufacturers, by way of contrast, are more likely to set up in prefectures other than Tokyo; this trend is most notable for transportation equipment (87.8%), production machinery (76.9%), electrical machinery (68.3%), and information and communication equipment (63.2%).

By region, foreign-affiliates from Asia are more likely to base themselves outside of Tokyo (37.7%) compared to those from Europe and the US (31.4%). The Kansai area, along with Kyushu and Okinawa area, are popular destinations for Asian companies.

Investment in regional areas of Japan by foreign and foreign-affiliated companies can bring a wealth of benefits such as sales channels, technology, human resources, and know-how of the companies which contribute to the improvement of productivity and creation of employment opportunities. For this reason, local governments around Japan are actively pursuing inward FDI as a means of regenerating the regional economy. The Japanese government adopted “Support Program for Regional Foreign Direct Investment in Japan” in May 2018 in order to strongly advance regional vitalization through inward FDI in Japan.

The JETRO’s survey of foreign-affiliated companies found that over 60% of target locations for those companies planning secondary investment in Japan were areas rather than Tokyo. It is important to actively promote investment in local regions by utilizing their strengths such as distinctive industrial clusters, numerous regional resources and outstanding labor forces.

Chart 1-10 Top 10 locations where foreign-affiliated companies are based

Rank	Prefecture	No. of manufacturing companies	No. of non-manufacturing companies	Total no. of companies	Ratio (%)	Region			
						Europe	North America	Asia	Others
1	Tokyo	219	1,948	2,167	67.4	941	584	515	127
2	Kanagawa	96	226	322	10.0	177	78	58	9
3	Osaka	36	136	172	5.3	67	29	70	6
4	Hyogo	18	62	80	2.5	44	16	19	1
5	Aichi	22	48	70	2.2	30	11	25	4
6	Saitama	26	42	68	2.1	36	10	20	2
7	Chiba	14	51	65	2.0	31	9	23	2
8	Shizuoka	16	10	26	0.8	13	4	7	2
9	Fukuoka	5	17	22	0.7	6	4	12	0
10	Ibaraki	14	6	20	0.6	9	6	5	0
	Others	96	109	205	6.4	72	46	73	14
	Total	562	2,655	3,217	100.0	1,426	797	827	167

[Source] “The 2017(51st) Survey of Trends in Business Activities of Foreign Affiliates (conducted in connection with business for FY2016)” (Ministry of Economy, Trade and Industry)

2 Toward Improvement of Business Environment

With the goal of creating employment and innovation by attracting excellent human resources and technologies to Japan, the government has announced its target of increasing inward foreign direct investment (FDI) stock to 35 trillion yen by 2020 as one of the priority issues in its growth strategy.

Attracting foreign companies and promoting domestic establishment is a global locational competition with other countries and regions, and it is critical in “making business easier.” Therefore, in recent years, the government is working on various measures with the aim of making Japan “the most business-friendly country in the world.”

This chapter will lay out and describe the initiatives by the government in contributing to the improvement of the business environment in Japan and attraction of foreign companies cored around “Growth Strategy 2018” approved by the Cabinet in June 2018 and other related measures.

1. Further improving the business environment and contributing to more inward FDI into Japan

(1) Establishment of project-based “Regulatory Sandbox” system

– a mechanism to lead to deregulation using demonstrated data gathered by “try first” approach

In response to the order for enforcement of the Act on Special Measures for Productivity Improvement (June 6, 2018), the government of Japan (GoJ), on the same day, organized the GoJ’s Regulatory Sandbox Team at the Japan Economic Revitalization Bureau of the Cabinet Secretariat, and started preliminary consultations and acceptance of applications (Chart 2-1).

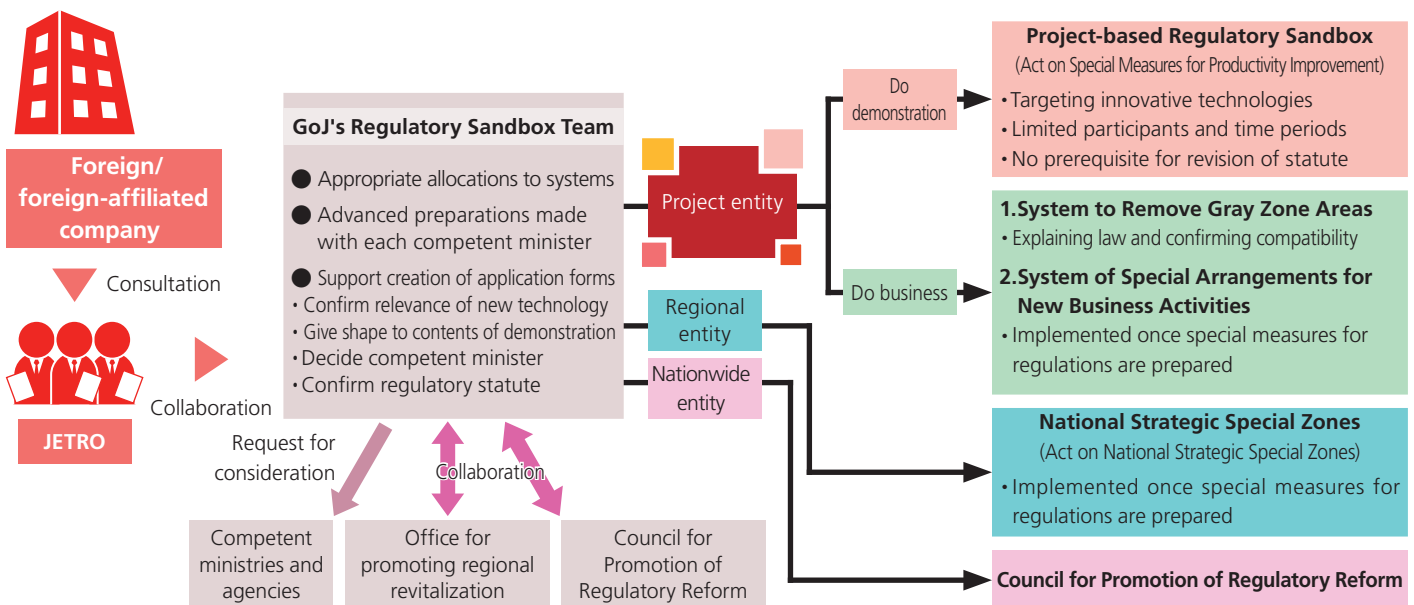
The project-based “Regulatory Sandbox” system creates an environment where innovative technologies and business models can be demonstrated without restrictions being imposed by existing regulations while making sure the participants and periods are limited, to enable data collection that will lead to swift validation and regulatory reform [Note 1]. Regarding demonstration plan applications from enterprises, the minister in charge makes the approval after listening to the opinion of a committee configured of experts. This differs from the conventional “System to Remove Gray Zone Areas” [Note 2] and “System of Special Arrangements for New Business Activities” [Note 3] in that it is a system featuring a “try first” approach to collect the necessary data for deregulating, with policy being formed via “dialogue with the market.” After completion of the demonstration period, the minister with regulatory jurisdiction will review the regulations based on the data obtained via demonstration.

There are systems with a similar concept mainly used in the field of FinTech in other countries; however, with the newly established Japanese system, wide-ranging applications are accepted regardless of the field of industry, the applying company’s size or whether the applicant is a Japanese or foreign corporation.

To put innovative technologies and business models to practical use, business opportunities must not be missed, thus it is essential to move swiftly while proceeding with procedures. Thus, while placing importance on making the approval process swift from the point of application at the GoJ’s Regulatory Sandbox Team [Note 4], it will appropriately allocate consultations from enterprises to each system, and make advanced preparations with each competent ministry and agency, as well as support for the creation of application forms.

As the point of initial contact for foreign companies and foreign-affiliated companies, JETRO works to introduce this system domestically and internationally as well as liaise and coordinate with the GoJ’s Regulatory Sandbox Team.

Chart 2-1 Project-based “Regulatory Sandbox” system and its relationship to other systems for revising regulations



[Source] Innovative Technology/Businessmodel Evaluation Committee for Regulatory Sandbox in Japan

[Note 1] Envisaged as a system to be applied when companies start new businesses that are not envisaged by existing regulations. It is a system to encourage development of business models through trial and error in order to foster new innovative businesses; hence, it is compared to "playing in a sandbox."

[Note 2] A system to enable enterprises to stably start new businesses, provide alignment to specific business plans and confirm in advance whether or not regulations will apply, even when the applicable range of current regulations is unclear.

[Note 3] A system where enterprises planning new businesses make proposals on special regulatory measures, and the system is then used to approve the special regulatory measures on a corporation basis, on condition that safety can be assured.

[Note 4] After the minister in charge receives the application, the committee that evaluates new business activities will forward their opinion to the minister in question within one month, and the company in question will be notified of approval or disapproval within one month of the committee's opinion being received by the minister.

(2) Moves toward improvement of World Bank "Doing Business" ranking

The government has set key performance indicators (KPI) for its growth strategy that look to get Japan into the top three of OECD member countries in terms of World Bank business environment rankings by 2020. However, Japan is still at 25th among OECD countries (39th in overall terms) of the rankings for 2019 (published in October 2018) (Chart 2-2).

In an effort to improve this ranking, the government set up the "liaison meeting of ministries and agencies concerned with improving business environment" to promote consideration of initiatives to improve the business environment in the fields of evaluation as well as consider the areas ((1) Online and one-stop administrative services for incorporation of companies, (2) Evolution of information technology for court proceedings, etc., and (3) Overall optimization of trade proceedings) with greatest leeway for improvement in terms of international evaluation, which is notably low.

The following introduces an outline of formulated policy.

① Incorporation of companies – Realize completion of formalities within 24 hours during FY2019

In the World Bank rankings, Japan is ranked low in the field of "Starting a business" (30th out of 36 OECD member countries in 2019), with main factors noted as numerous necessary formalities/procedures and the number of days required regarded as excessive.

Based on the results of consideration at the "meeting to discuss online and one-stop administrative services for incorporation of companies" set up in September 2017, the following: (i) realizing a one-stop administrative service

using the national identification number (My Number) portal (Mynportal) [Note], (ii) online processing of procedures to establish a company in under 24 hours, (iii) rationalizing attestation of the articles of incorporation when a company is being established and (iv) making seal certificate optional were worked into the "Growth Strategy 2018", including their implementation periods.

Formerly, some seven days were required to complete review of application for registration of incorporation, but, as of March 2018, this has been reduced in principle to within three days by using priority processing and, moreover, the review work proceeds digitally. In FY2019, the aim is to achieve online registration of incorporation within 24 hours.

Furthermore, in 2020, the multiple application points will be unified into a one-stop administrative service, with the aim being to achieve an online service where users can complete all 12 formalities required in a registration of incorporation in one application process.

Enabling processing of incorporation procedures online and in a one-stop administrative service has been earmarked as a flagship project in the government's push for digital government. If the scheme is realized, the environment for performing incorporation procedures will become one task doable in one day, leading to the prospect of a big contribution to the improvement of Japan's business environment ranking.

[Note] Mynportal is an online service operated by the government. It mainly serves as a portal site where personal information related to the national identification number (My Number) system can be checked.

② Evolution of information technology for court proceedings, etc

Among the items evaluated in the World Bank's business environment ranking system, in "Enforcing contract", the index for Japan's automation of court proceedings using information technology (IT) is evaluated as being low. Hence, in a move to improve that, the government set up a committee to consider the evolution of IT for court proceedings in October 2017 and has been considering measures for that since then.

As a result, while respecting autonomous decisions by the judicial branch, the complete use of IT in court proceedings related to civil action suits is now being aimed for. Indeed, the intention is to also expand this to cover introduction of web conferences for court cases.

From here on, in a move toward realizing online petitions, the Ministry of Justice will speedily consider and prepare the issues, and are going to decide the start time of such petitioning in FY2019. Moreover, regarding the introduction of web conferences, swift consideration and preparation will be promoted with the aim of starting around FY2022.

Chart 2-2 Japan's overall ranking

2019	
1	New Zealand
2	Singapore
3	Denmark
4	Hong Kong
5	Korea, Rep
6	Georgia
7	Norway
8	US
32	France
33	Poland
34	Portugal
35	Czech Republic
36	Netherlands
37	Belarus
38	Switzerland
39	Japan



[Notes] Numbers indicate the rankings out of 190 countries.

[Source] "Doing Business 2019" (World Bank)

③ Improvement of trade proceedings and port logistics, etc.

In the “Trading across borders” items ranked by the World Bank, the time and cost involved in border compliance for actual freight is ranked comparatively low for both export and import.

In October 2017, the government set up the “public and private council to examine trade procedures” that has pushed ahead with deliberations about optimization that will achieve reductions in freight holding time. As a result, the aim is to push ahead with an initiative to bring together the government, port operators, port stakeholders and users to work toward improving freight holding by shortening the deadline times for delivering freight to container yards and solutions to alleviate congestion at ports. Also, other points to be discussed are digitalization of information across all areas of trade and the promotion of data usage between stakeholders.

④ Liaison meeting of ministries and agencies concerned with improving business environment

In December 2017, the government set up the “liaison meeting of ministries and agencies concerned with improving business environment” to create an opportunity for related ministries and agencies to come together and continuously discuss ways of improving the business environment further.

Based on the discussion in the meeting, the aim is to push ahead with the following initiatives to raise the business environment to the highest level in the world: (i) online and one-stop administrative services for incorporation of companies, (ii) evolution of information technology for court proceedings, etc., (iii) improvement of trade proceedings and port logistics, (iv) digitalization of services related to real estate deals, (v) online simplification of proceedings related to construction and (vi) simplification of proceedings related to tax and social insurance.

The World Bank’s rankings are based on answers to a survey distributed to people cooperating in the ranking study of each country, but, according to the liaison meeting of ministries and agencies, some parts of the analysis differ to the current legal system and the actual state of business in Japan. Thus, the government is working to get the World Bank to provide an accurate reflection of the Japanese business environment by recommending the appropriate people to cooperate in the ranking study and providing constructive information.

(3) 20% reduction in cost for administrative procedures

To alleviate the burden from administrative procedures on enterprises and enhance productivity, in the Council for Promotion of Regulatory Reform meeting in March 2017, the government decided to reduce the cost (work time of enterprises) for administrative procedures by 20% by March 2020 and adopted three simplifying principles: (1) thorough digitalization of administrative procedures [digital-first principle], (2) no second request for the same information to businesses [once-only principle] and (3) unification of documentary formats. Based on these decisions, each ministry and agency formulated the basic implementing plans (simplification plans) in June 2017.

In order to examine the issues across a wide spectrum, including the setting of details and goals for initiatives to be undertaken by ministries and agencies, the Subcommittee for Administrative Burden Reduction of the Council for Promotion of Regulatory Reform set up two deliberation teams in August 2017, and they focused on examining the issues across seven months. Specifically, the teams laid out a revised policy for the basic implementing plans in which excellent instances of work undertaken by a certain ministry or agency should be expanded to other ministries and agencies. They also picked up on strong requests about certain issues from enterprises in order to demand that ministries and agencies work to simplify the issues in question.

Greater scrutiny was applied to fields and items that have a big impact on small and medium-sized enterprises, such as the individual fields of social insurance and subsidies. In addition, based on a chain of events, including decisions to “make administrative services 100% digital” and to “abandon the practice of attaching documents” at the government’s IT strategic headquarters (December 2017) and the e-government cabinet meeting (January 2018), the focus of attention was the methods for simplifying procedures, in particular the use of “digitalization” to achieve that. Based on the results of these examinations of issues, ministries and agencies revised their basic implementing plans by March 2018.

According to the “Third Report by the Council for Promotion of Regulatory Reform - For New Era to Come -”(June 2018), the annual cost in time expended in targeted fields (business licensing, and procedures related

Chart 2-3 Prospect of administrative procedure costs and number of hours reduced by area

	Target cases/procedures for basic plan formulation	Target cases/procedures for cost measurement	Number of Hours Spent		Number of Hours Reduced		Reduction Rate
	Total Number of Cases Processed (Number of Procedures Processed)	Total Number of Cases Processed (Number of Procedures Processed)	(Equivalent Monetary Value)	Per Case	(Equivalent Monetary Value)	Per Case	
Business Licensing	6,519,196 cases (786 procedures)	5,253,226 cases (330 procedures)	141.73 million hours (360.4 billion yen)	27.0 hours	29.6 million hours (75.3 billion yen)	5.6 hours	20.9%
Social Insurance	62,716,706 cases (105 procedures)	56,806,812 cases (28 procedures)	122.11 million hours (310.5 billion yen)	2.1 hours	29.22million hours (74.3 billion yen)	0.5 hours	23.9%
Surveys and Statistics	7,169,681 cases (153 procedures)	6,811,452 cases (98 procedures)	23.93 million hours (60.9 billion yen)	3.5 hours	5.62 million hours (14.3 billion yen)	0.8 hours	23.5%
Labor Management	3,304,726 cases (71 procedures)	3,013,296 cases (15 procedures)	15.14 million hours (38.5 billion yen)	5.0 hours	3.06 million hours (7.8 billion yen)	1.0 hour	20.2%
Subsidies	297,660 cases (74 procedures)	292,598 cases (56 procedures)	11 million hours (28 billion yen)	37.6 hours	2.3 million hours (5.8 billion yen)	7.9 hours	20.9%
Commercial Registration	998,850 cases (33 procedures)	595,272 cases (2 procedures)	8.53 million hours (21.7billion yen)	14.3 hours	1.71 million hours (4.3 billion yen)	2.9 hours	20.0%
Certificate of Employment	2.46 million cases (1 procedure)	2.46 million cases (1 procedure)	5.56 million hours (14.1billion yen)	2.3 hours	1.64 million hours (4.2 billion yen)	0.7 hours	30.0%
Total	83,466,819 cases (1,223procedures)	75,232,656 cases (530procedures)	328 million hours (834.1 billion yen)	4.4 hours	73.15 million hours (186 billion yen)	1.0 hour	22.3%

[Source] Third report by the Council for Promotion of Regulatory Reform - For New Era to Come-(June 4, 2018, Council for Promotion of Regulatory Reform)

to social insurance and subsidies, etc.) before procedure reductions (simplifications) were made amounted to 328 million hours (834.1 billion yen). This was the first time in Japan that administrative procedure costs had been enumerated, which means the reduction (simplification) benefit can be quantitatively evaluated now. Furthermore, the cost reduction benefit resulting from the basic implementing plans after the revisions are expected to be 73.15 million hours annually (186 billion yen, 22.3% reduction) (Chart 2-3). As this reduction benefit will continue each year, it can be expected to contribute massively to the reform of the Japanese business environment if the implementing plans succeed.

From here on, the government will periodically follow up on the implementing plans as well as horizontally develop it in regional local governments; therefore, the government is asking those local governments to understand and cooperate in reducing administrative procedure costs.

(4) Inviting more foreign professionals into Japan

① Inviting more foreign entrepreneurs – extending period of stay to maximum of one year for preparation of starting a business

The government is putting a lot of effort into inviting more highly skilled foreign professionals, including the establishment of a “Japanese Green Card for Highly Skilled Foreign Professionals.” With an even greater call for foreign entrepreneurs being made in “Growth Strategy 2018,” the government has outlined a policy to commence a “Startup Program (provisional name).”

Normally, for foreigners to start up a business in Japan, they need “Business Manager” status of residence to allow them to do business, with those requirements entailing: (1) the opening of an office and (2) two or more full-time employees or a domestic investment of more than five million yen. With the special exemptions for entrepreneurial professionals in the current National Strategic Special Zones (Tokyo, Fukuoka City, etc.), if the feasibility of achieving a business plan can be proven through screening by a local government, then, normally, the preconditions for obtaining the required status of residence upon arrival into Japan are set as being fulfillable within six months of arrival, and entry to Japan is granted.

In contrast, with the “Startup Program (provisional name),” the aim is to expand the special exemption for entrepreneurial professionals being applied in some regions of the National Strategic Special Zones to the whole of Japan as well as extend the usual status of residence length of six months for preparation of starting a business to one year. Hence, as a program to support startup activities, such as implementing supervision and support measures for structuring a consultation system, the “Startup Program (provisional name)” is scheduled to commence operation in 2018.

② Establishment of new status of residence for working in Japan

There is a critical shortage of workers in Japan, especially in small and medium-sized enterprises. This difficulty in obtaining workers also is a major obstacle that prevents foreign-affiliated companies from expanding business in Japan.

Under these conditions, in the “Basic Policy on Economic and Fiscal Management and Reform 2018” and the “Growth Strategy 2018,” the government announced a policy to establish a new status of residence for expanding the acceptance of foreign manpower with certain levels of expertise and technical skill. This actual opening of the door to foreigners in work fields that have in principle not been allowed up to now is drawing a lot of attention as a massive policy shift.

According to the “Basic Policy on Economic and Fiscal Management and Reform 2018,” technical skills and Japanese ability will have to be proved by tests, whereas foreigners who completed three years of technical intern training will be exempted from such tests. Also, the maximum period of stay will be five years in total, but bringing along family members will in principle not be allowed. However, if it is acknowledged that the foreigner in question has attained a higher level of expertise, such as passing certain tests while residing in Japan, consideration also will be given to a status of residence for the existing field of

expertise or technical skill.

Although the government has not announced the types of work to be targeted, it is highly likely that the main fields will be those critically short of workers, such as the construction and farming industries, caregiving, hotel business and shipbuilding.

On 24 July 2018, under close collaboration with relevant administrative agencies, the government set up a “ministerial conference on inviting foreign professionals to come and work and live in Japan” – hence, preparations with the aim of establishing a new status of residence in April 2019 are moving ahead.

③ Online procedures for status of residence

It was burdensome to carry out the procedures for status of residence, including those to be carried out at the Immigration Bureau. In addition, it took time to carry them out because the Immigration Bureau was congested. Due to this, consideration of issues, including the provision of online procedures in FY2018, was undertaken to pave the way for the provision of wide-ranging smoother and faster procedures.

As a result, in the “Growth Strategy 2018,” targeting the affiliated institutions that appropriately employ foreigners and notify the employment status of foreigners, online applications covering procedures for status of residence will start from FY2018 and will allow affiliated institutions to carry out the procedures online on behalf of the foreigner in question.

④ “Business Manager” status of residence acquisition for coworking space now feasible

A foreigner starting a business in Japan or employed to manage/operate a business will need a “Business Manager” status of residence. One of the prerequisites for approving such a status of residence is the criteria that “the facilities to be used as an office for the business concerned must be located in Japan” or “the office for the business concerned must exist in Japan.” Up to now, as a rule, shared offices, such as coworking spaces, have not conformed to status of residence requirements.

However, in recent years, as business models and ways of working diversify, so have office layouts – thus, coworking spaces and shared offices are becoming infrastructures for people and companies starting new businesses. Amidst this trend, JETRO received requests for coworking spaces to be approvable under the preconditions for workplaces from foreign companies wishing to startup a Japanese subsidiary and do business in Japan without incurring too many costs.

Acknowledging this, the outcome of discussions between the Ministry of Economy, Trade and Industry and the Ministry of Justice is that approval has been given for a preferential measure for issuing “Business Manager” status of residence to foreign managers of Japanese subsidiaries or branches belonging to foreign companies that have received JETRO Certification of Support. In cases where the workplace (coworking space, etc.) meets fixed conditions, the prerequisite for this preferential measure is that the application must be made within three years from the time when the business was started in Japan, for example.

In November 2018, all regional Immigration Bureau offices will be informed of this measure by the Director General of the Immigration Bureau, Ministry of Justice, and application of the measure is expected to be commenced.

(5) Initiatives toward expanding Japan's inward FDI into regional areas

① Support Program for Regional Foreign Direct Investment in Japan

The government's Council for Promotion of Foreign Direct Investment in Japan (6th meeting) adopted the Support Program for Regional Foreign Direct Investment in Japan on 17 May 2018 (Chart 2-4).

In this program, all arms of the government, cored around the relevant ministries and agencies and JETRO, will work closely together to support in detail those local governments that wish to attract foreign companies to their regions by making the most of their regional strongpoints (companies with technical prowess, distinctive industrial clusters, diverse regional resources and excellent workforce). The aim is to add some power to the promotion of regional revitalization through the expansion of Japan's inward FDI (which up to now has been mainly reserved for some big cities, such as Tokyo) out into regional areas.

In specific terms, a plan to attract foreign companies will be drawn up and, for the local government to achieve regional vitalization, the following will be performed: (i) support drawing up of plans, (ii) support matching of foreign companies with relevant region's companies and local government, (iii) support the effective use of policies of relevant ministries and agencies, and (iv) advise, in a one-stop service, about regulations and administrative procedures that relate to foreign companies and local governments. In addition, the

relevant ministries and agencies will provide pertinent information about the support policies, regulations and administrative procedures under their jurisdiction to foreign companies and local governments as well as constructively respond to inquiries, consultations and requests made by foreign countries and local governments.

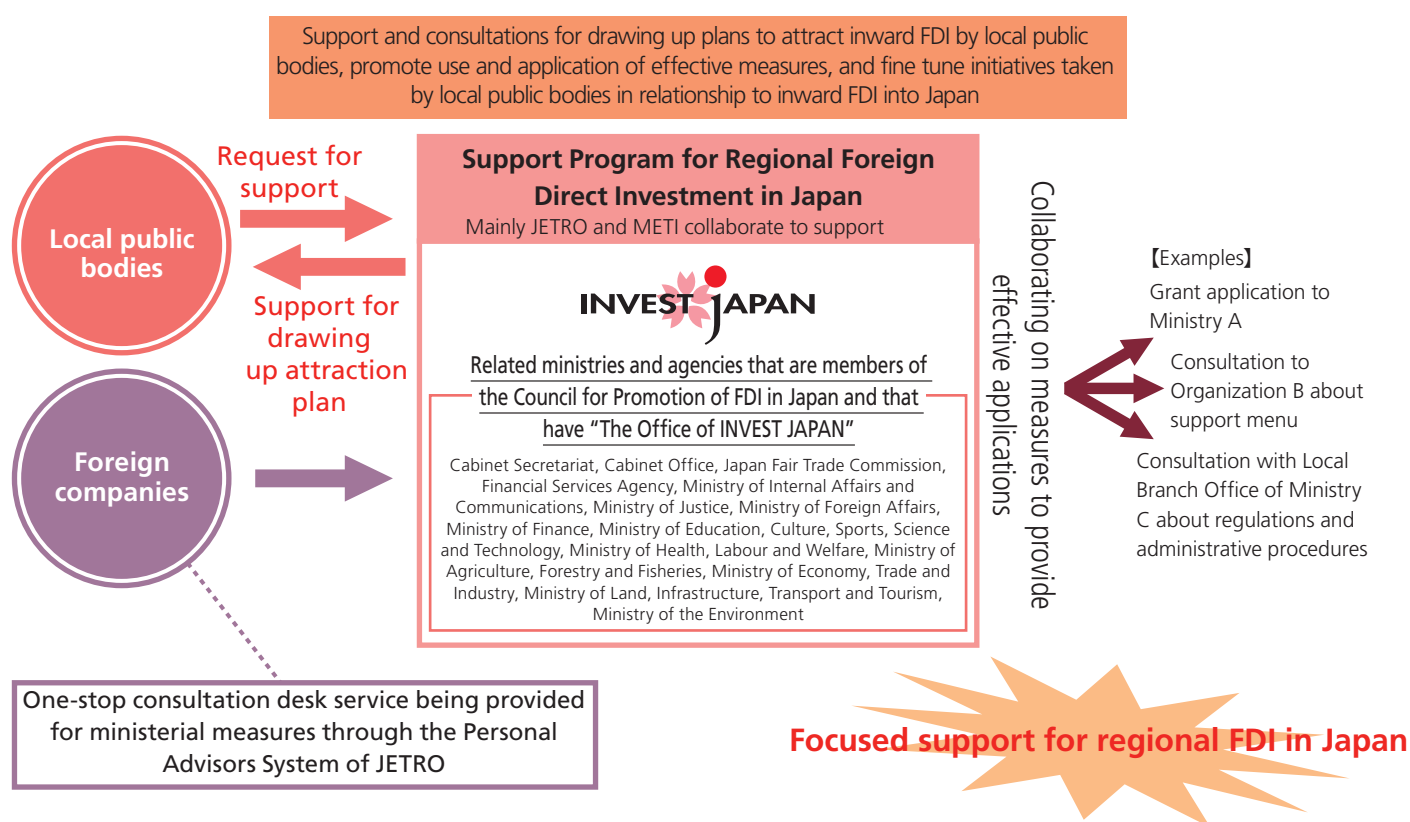
② Regional Business Conference (RBC)

As Japan is garnering a lot of international attention about the staging of the 2019 Rugby World Cup and 2020 Tokyo Olympics and Paralympics, it is a good time to bring Japan's inward FDI to regional areas by telling the world that Japan's regional areas have great business environments.

The government had planned to hold Regional Business Conferences (RBC) over 2019 and 2020 in collaboration with aspirational local governments wanting to attract foreign companies; however, in the "Growth Strategy 2018," this has been brought forward a year to start in 2018.

RBCs are events that foreign companies with a high level of interest in investing in a specific region are cordially invited to meet with the heads of local governments for investment promotion talks and participate in matching events with local companies, etc. As the first volley of projects, JETRO and the Ministry of Economy, Trade and Industry have selected Fukushima Prefecture (Theme: Medical and related industries), Ibaraki Prefecture (Theme: R&D center), Fukuoka Prefecture (Theme: IoT related industries) and Osaka City (Theme: Startup ecosystem) to be the four events held in succession from October 2018 onward.

Chart 2-4 Image of Support Program for Regional Foreign Direct Investment in Japan



[Source] Council for Promotion of Foreign Direct Investment in Japan (6th meeting)

(6) Tax reform

① Establishing a tax system pertaining to the promotion of information collaboration investment (Connected Industries Tax System)

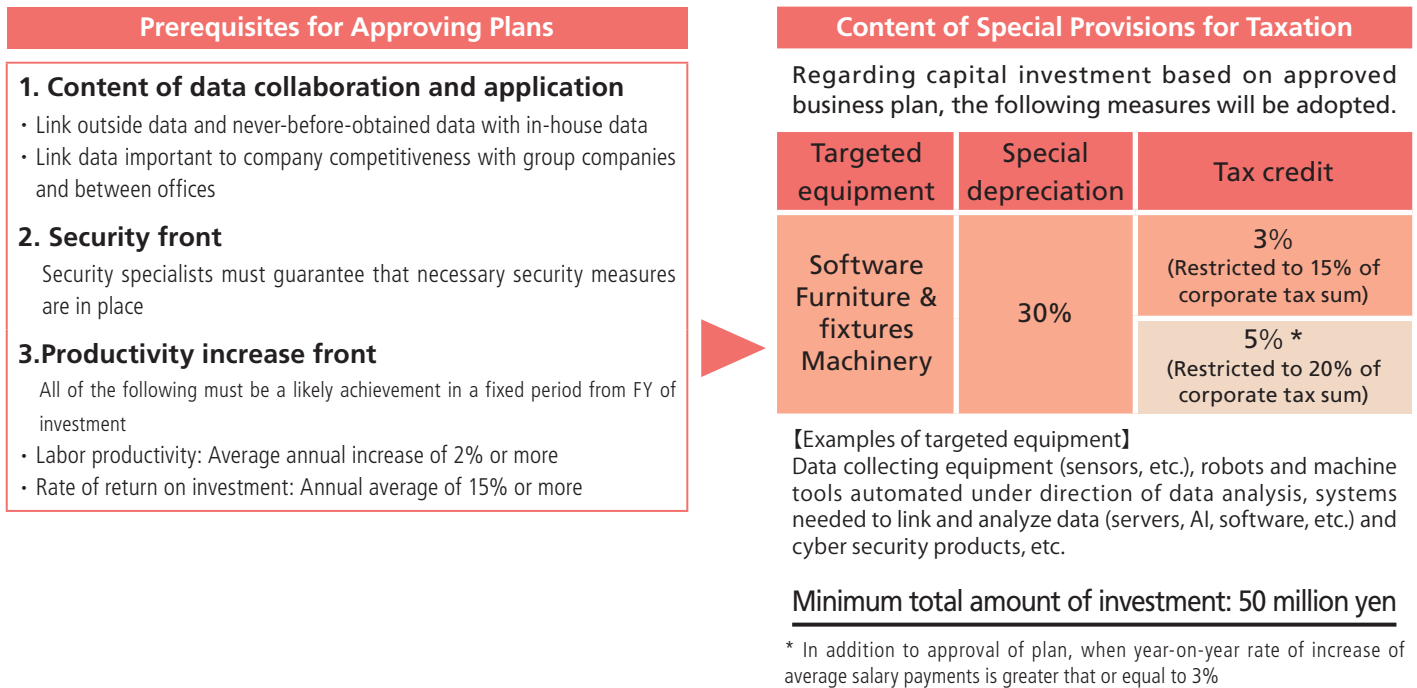
On 28 March 2018, the Partial Amendment of the Income Tax Act, etc. was concluded, and various revisions of company taxation were made.

With the tax system revisions this time round, taxation measures were established to support the introduction of systems, sensors and robots necessary for improving productivity by connecting, using and applying data that is protected by a certain degree of cyber security.

Specifically, this measure involves a special depreciation of 30% or a tax credit of 3% (5% in cases of wage increase) for capital investment based on a business plan created by the relevant enterprise and approved by the competent minister. Targeted enterprises are those that make blue-paper income tax returns, with no restrictions on them due to type of industry and size of capital base. Furthermore, their minimum total amount of investment has to be 50 million yen, and applicable equipment includes data collecting equipment (sensors, etc.), robots and machine tools automated under direction of data analysis, systems needed to link and analyze data (servers, AI, software, etc.) and cyber security products (Chart 2-5).

With this reform measure, the tax system can be used to stimulate business by encouraging technical innovation, improving company productivity and strengthening competitiveness. It is obtained for the period from 6 June 2018 (enactment date of Act on Special Measures for Productivity Improvement) to 31 March 2021 and applies to the equipment attendant to business.

Chart 2-5 Image of tax system pertaining to the promotion of information collaboration investment (Connected Industries Tax System)



[Source] FY2018 Tax Reform pertaining to Economy, Trade and Industry (Ministry of Economy, Trade and Industry)

② Establishing a measure for smooth business restructuring via stock acquisition by way of compensation through ownership of company stock

In the tax reform this time round, a measure has been included to defer taxation on capital gains pertaining to stocks as consideration in mergers and acquisitions, in order to support companies in efforts to swiftly and boldly change their business portfolios (Chart 2-6).

Using stocks as consideration in mergers and acquisitions is common practice in Europe and America, but in Japan it has not been popular because of the tax burden that occurs for the stockholders of the company targeted for acquisition (selling side) where stocks are issued as consideration in the acquisition – therefore, it has been difficult to flexibly and smoothly conduct large-scale acquisitions up to now.

Thanks to this reform, an acquiring company with a plan to restructure business just needs to get the competent minister's approval to enable a tax deferral for the stockholders (sellers) in the acquisition, so there is no need to secure funds to pay tax obligations. Likewise, as acquiring companies can make acquisitions without using cash, the reform will make acquisitions easier for startup companies that are short on capital, which should contribute to the expansion of mergers and acquisitions. Moreover, as another efficacy, sellers will hold stocks of the acquisition company, which will give them an incentive to help increase the worth of the acquiring company after the merger or acquisition has taken place, suggesting that company value will increase due to cooperation between sellers and acquiring companies.

Thus, this system will encourage entities such as venture companies to enthusiastically adopt outside management resources and technologies. The system also works from the perspective of raising company productivity and is applicable from 9 July 2018 (the date for enacting the law that partially revises the Act on Strengthening Industrial Competitiveness) to the end of FY2020.

③ Revision of tax obligations – such as inheritance tax on foreigners after they leave Japan

Regarding inheritance and gift taxes on inheritances and gifts made after leaving Japan by people without Japanese citizenship who have resided in Japan for a long time, following on from FY2017, further revisions to the tax system have been made in FY2018.

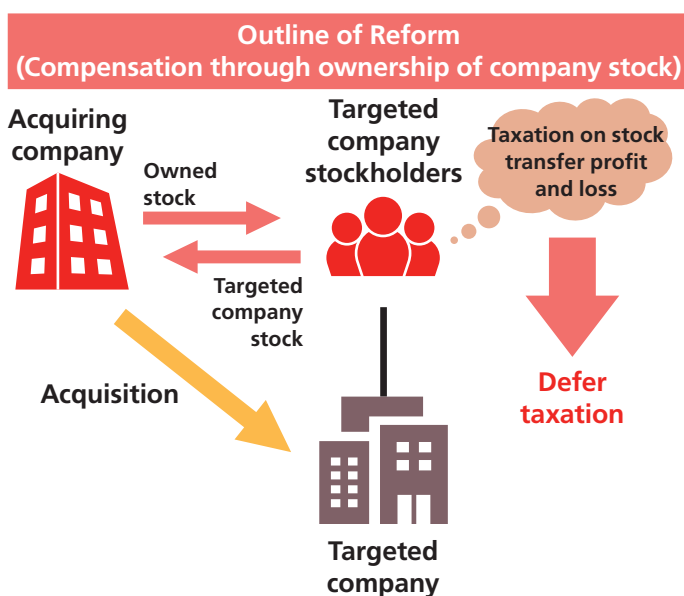
With the FY2017 revision, in cases of inheritance where the deceased heir or his/her heir (inheritor) is a foreigner who had been temporarily residing in Japan on a status of residence [Note 1], a revision was made to decrease taxable items; whereas, in cases where the deceased heir had resided in Japan for a long time [Note 2], both domestic and overseas assets of the deceased heir were deemed taxable items, even if the inheritor in question did not have an address in Japan at the time of inheritance.

With the FY2018 revision, from the perspective of further promoting the acceptance of and long stay of highly skilled foreign professionals, the above point was revised to in principle stop taxation (inheritance taxation) of overseas assets in cases of inheritance and gifting after the foreigner in question had left Japan (note however that in cases where the foreigner in question takes an address in Japan within two years of leaving Japan, any gift of overseas assets is deemed to be taxable). This revision became applicable to inheritances and gifts from 1 April 2018.

[Note 1] Those who have status of residence as defined by Appended Table I of the Immigration Control and Refugee Recognition Act and have registered addresses in Japan for a total of 10 years or less during the past 15 years.

[Note 2] Those who have resided in Japan for more than ten years during the past 15 years.

Chart 2-6 Image of a measure for smooth business restructuring via stock acquisition by way of compensation through ownership of company stock



Before Tax Reform

- Tax burden on stockholders of company targeted for acquisition when targeted company stocks are transferred
- Must sell off some of acquiring company's stocks as compensation to pay tax obligation
- Fear of stock price dropping if stockholders of company targeted sells off acquiring company's stocks

▶ **In practice, acquisition of company-owned stocks as compensation is difficult**

After Tax Reform

- Acquiring company with a plan to restructure business just needs to get the competent minister's approval to enable a tax deferral for the stockholders (sellers) in the acquisition, so there is no need to secure funds to pay tax
- This removes the fear of acquiring company's stock price dropping

▶ **Smoothing company restructuring with company-owned stocks as compensation**

[Source] FY2018 Tax Reform pertaining to Economy, Trade and Industry (Ministry of Economy, Trade and Industry)

(7) Enhancement of corporate governance

Enhancement of corporate governance will lend itself to improvements in profitability for Japanese companies, which will result in making Japanese companies more attractive as investment targets, feasibly contributing to the increase in inward FDI into Japan.

On 1 June 2018, the Tokyo Stock Exchange publicly announced a revised edition of its corporate governance code. The code was put into practice in June 2015 as a guide to show how proper corporate governance should take place, and this was its first revision.

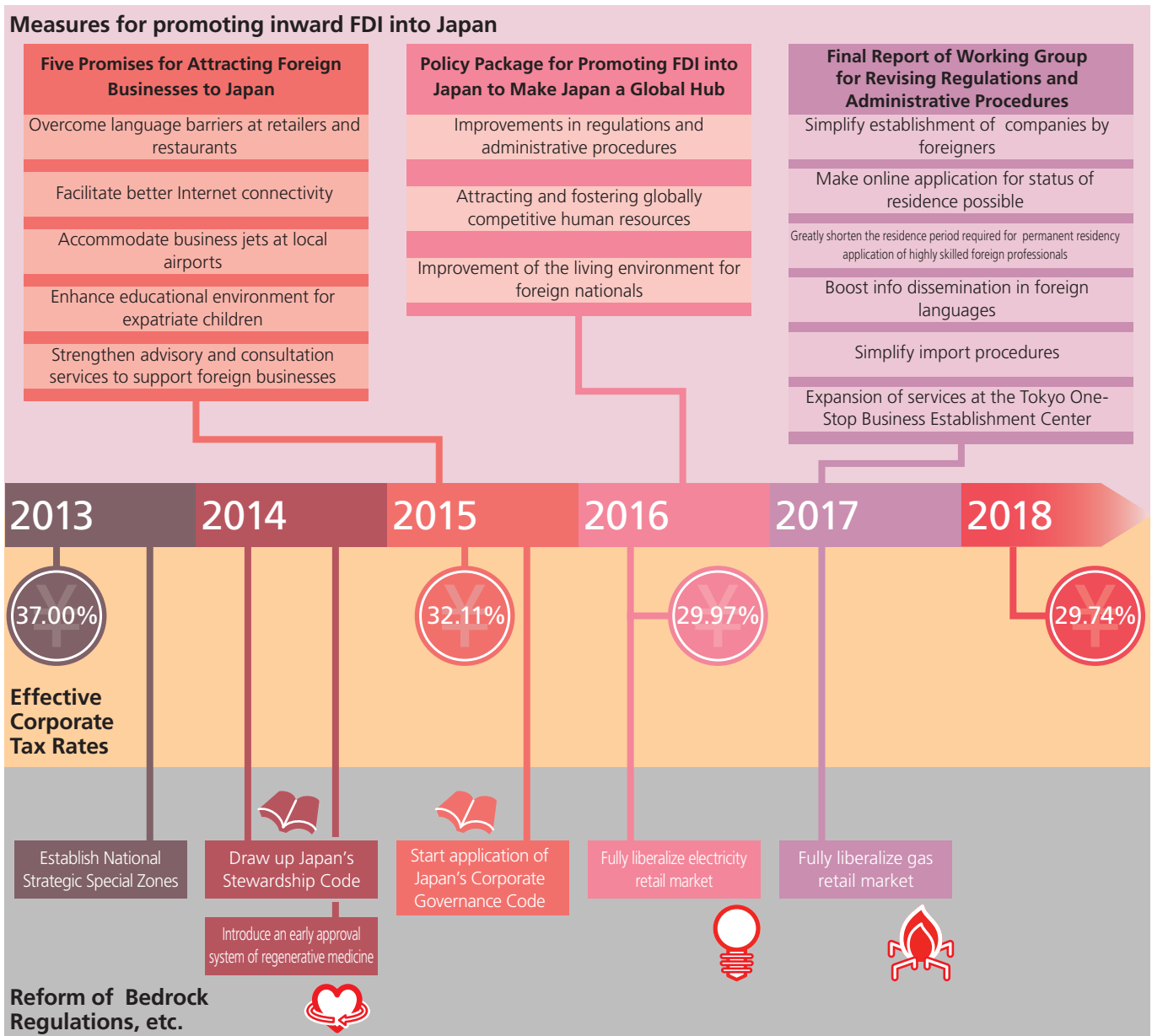
The revision is consistent with the government's growth strategy that aims to further substantiate the ongoing corporate governance reforms. It came about from a proposal in a follow-up meeting on the Stewardship Code and Corporate Governance Code that the Financial Services Agency and the Tokyo Stock Exchange are running as the secretariat.

The specific points of the revision require the following from listed

companies: (1) release of policy or ideas on reducing cross-shareholdings, (2) establishment of procedures with objectivity, timeliness and transparency in connection to appointment and dismissal of CEO, (3) Constructive use of independent outside directors (4) composing of board of directors that brings about compatibility in diversity and optimal capacity that includes gender and international mindedness, and (5) management that is able to accurately grasp the company's capital cost. It is safe to say that these steps are coming to grips with issues more than has happened conventionally.

In addition, the government has drawn up the "Guidelines for Investor and Company Engagement" as an annex for both the Stewardship Code (revised in May 2017) and Corporate Governance Code. The annex is compiled of items that can be expected to generate selective dialogue between institutional investors and companies, so that through mutually constructive dialogue, the company concerned can be expected to achieve sustained growth and increase the medium-to-long-term value of the company.

2. Business environmental improvement efforts till now



3 Trend in Inward FDI in Japan – Foreign Investment Contributing to the Emergence of Innovation

Changes occurring along with rapid progress of the Fourth Industrial Revolution include: (1) new value emerging thanks to the introduction of innovative business models and services, (2) the spread of open innovation, and (3) increasing focus on the startups as the bearers of innovation.

This chapter will shed light on the forms that foreign-affiliated companies are taking amidst these changes which contribute to the emergence of innovation in Japan. Also, this chapter will introduce some initiatives being undertaken by pioneering local governments that make use of foreign investment for their regional innovations.

1. Foreign investment bringing innovation in the Fourth Industrial Revolution field to Japan and in turn creating new value

(1) “Connecting” with IoT to make normally hidden info “visible”

Connecting up all sorts of things to obtain and analyze data to make hidden trends and situations numerically and graphically “visible”, IoT technology is giving birth to new value in various fields, including manufacturing, medical treatment and daily living.

In 2017, **Siemens** (Germany) started offering the Japanese manufacturing industry an analysis system using an in-house-developed industrial IoT platform to analyze massive swathes of data gathered from sensors installed in equipment and devices such as machine tools. The system makes things like work time and operating information “visible”, which, in turn, connects to productivity improvements and equipment failure predictions at plants. Bringing down the operating cost to make it easier for small and medium-sized enterprises to introduce this IoT technology, the system is also used by a control panel manufacturer in Kanazawa, Ishikawa Prefecture. Thus, it looks likely that small and medium-sized plants will find this system an effective tool to combat labor shortages they suffer from.

HealthTech company **Philips** (Netherlands) offers healthcare solutions which utilize data obtained by connecting up their in-house-developed platform to devices such as medical treatment equipment and household healthcare goods. They have brought these solutions to Japan, starting in September 2017 with an oral care service connected to electric toothbrushes they offer and then in January 2018 a treatment support service connected to a medical treatment device for sleep apnea syndrome. Device usage data are automatically gathered in a cloud, where computers and smartphones can be used by doctors and patients to accurately check the data at any time – in other words, bringing “visibility” to healthcare. Furthermore, the analyzed data connects to more effective medical treatment, better operational efficiency by doctors and remote therapy. Philips will expand these connectable device types and services, to help prevent illness and support healthcare in Japan.

NextDrive (Taiwan), a startup which has developed one of the world’s smallest IoT gateways measuring less than 5 cm in length and width that plugs directly into power outlets, founded a Japanese subsidiary in January 2017. IoT gateways are devices that act as live linkups to send data gathered by devices – such as sensors and cameras – to a cloud via the internet. NextDrive’s gateway supports multiple wireless standards, so it can be connected to various devices, making it a spotlighted product in the realm of smart-house equipment where it can be used to expand the potential of things like home security, home energy management systems (HEMS) and health management. Jointly developed with Japanese companies, Kyoto

University and others, it is even being connected to Wi-SUN (wireless smart utility network). NextDrive provides smart energy management solutions by helping to make household energy usage “visible.” Further expansion is expected amidst the Japanese government working hard to popularize smart houses and introduce HEMS since the 2011 Great East Japan Earthquake.



Cube J Series and its peripherals provided by NextDrive

(2) FinTech bringing change to Japanese financial services

FinTech is one of the cutting-edge technologies in the age of the Fourth Industrial Revolution. Up to now, financial institutes, cored around banks, have been the mainstay of financial services, but, thanks to the spread of smartphones and the development of IT technologies, even enterprises without large-scale systems and an army of experts can provide financial services, opening the way for hi-tech foreign affiliated companies to enter a diverse range of fields, including mobile payments, overseas money transfers, crowdfunding, insurance and asset management, where they are bringing change to Japanese financial services.

One important area where such changes are coming is in the move to become cashless. The Japanese government is touting the next ten years as a period to make the cashless payment rate double. Going cashless reduces costs that come with a cash-based society, such as actual stores and ATMs, as well as improving productivity and payment convenience, while also encouraging consumerism. Mobile payment far-seeing the expansion of inbound tourist consumerism and 2020 Tokyo Olympics and Paralympics sets a precedent for it. To provide services for the overseas tourists who are familiar with cashless payments, the Japanese retail industry, railways, taxi companies and airports, etc., are already pushing ahead with the introduction of QR code payment services, such as AliPay (by **Alibaba Group**) and WeChatPay (by **Tencent** who provides China’s biggest SNS service, WeChat). All users have to do is to register their credit card or bank account details in advance, to enable easy payment by reading store QR codes with their smartphone.

Popularizing cashless payments across all walks of life in Japan will depend on how well the cashless merits are laid out to stores and users, but the fact that the services for inbound tourists have kicked off the trend already could be enough traction to pull Japan fully into the cashless world from here on.

Indeed, Japan is witnessing a push by some companies to offer further evolved cashless payment services using the latest technologies such as AI and biometrics. **Coolpay** (Singapore), a startup which has developed a system where payments can be made by simply holding up a finger to a dedicated scanner that reads (authenticates) the fingerprint, opened a base in Tokyo in October 2017. By linking the user’s fingerprint with credit card details and membership programs, the user can pay for goods and services at any store around the world that has the fingerprint scanner,

without having to do anything with a smartphone. With the latest scanner model, a face authentication function will be built in alongside fingerprint authentication, QR code, and NFC (Near field communication).

Shift Technology (France), a startup which offers a system that effectively detects insurance claims that look fraudulently suspicious by using AI to analyze past insurance payment data, established a Japanese subsidiary in Tokyo in January 2018. A major insurance company already has decided to be the first in Japan to use this system.

Apart from these examples, set against the backdrop of more and more foreigner workers and international students coming to Japan and wanting to make remittances regularly, there are foreign-affiliated companies emerging to provide low-price services for swift and easy overseas money transfers using smartphones. A string of such companies have commenced providing services in Japan, including **TransferWise** (UK), an overseas money transfer app company that has captured attention as a unicorn company (a startup worth more than one billion US dollars), **WorldRemit** (UK), an overseas money transfer service set up to support expatriate/migrant workers and **Flywire** (US), a payment agency service for international students.

(3) Foreign-affiliated companies working with existing companies to produce sharing services unique to Japan

Sharing services are one of the flagship business models in the age of the Fourth Industrial Revolution.

The domestic market size of the sharing economy is expected to expand some 2.5-fold between 2016 and 2022 (Chart 3-1). With consumers changing their thinking from “ownership” to “renting when needed” coupled with government-driven deregulating, it can be said that the business environment for sharing services is up and running. While the increased demand for accommodation and transport that accompanies the boom in foreigners visiting Japan is leading to business chances, a string of foreign companies with proven track records abroad are joining forces with existing industries in order to access Japan.

In 2018, **Airbnb** (US) established for the first time in the world for the company a cross-industry organization, “Airbnb Partners,” partnering with 36 Japanese companies. They aim to create a new ecosystem in the sharing economy to underpin the Japanese tourist industry. Indeed, Airbnb has signed a memorandum on promotion of tourism with the City of Kamaishi in Iwate Prefecture, one of the venues for the 2019 Rugby World Cup. Meanwhile, they also announced a partnership with the Beppu City Ryokan Hotel Association in Oita Prefecture.

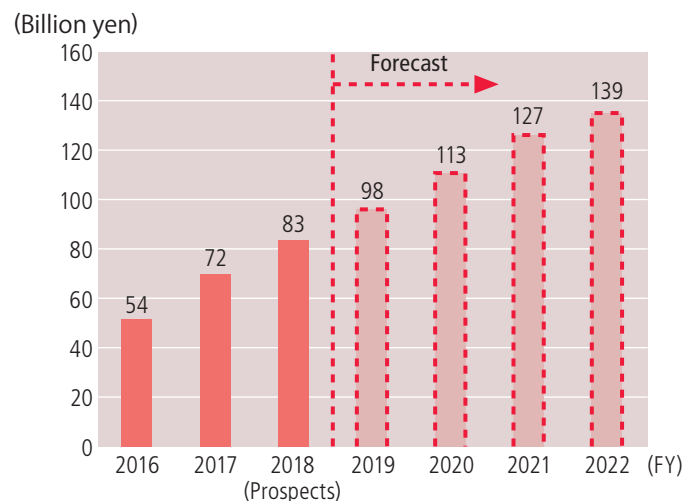
As vacation rental sites, companies like **HomeAway** (US), **Tujia** (China) and **Zizaike** (China) also are entering into the Japanese market, and they are listed as members of the industry association of vacation rental sites that the Japan Tourism Agency played a mediating role in forming. In tandem with this business flow, **Keycafe** (Canada), a company that offers IoT key box terminals enabling remote/unmanned key pickup-and-return services, has entered into a partnership with a major Japanese convenience store chain.

While onerous ride-share services using private vehicles are illegal in Japan, taxi allocating services are starting to enter Japan in specialist guises. The ride-share giant **Uber Technologies** (US) have conducted ride-share proving trials in a limited way in places like Kyotango City in Kyoto Prefecture as well as starting in July 2018 taxi allocating service proving trials in Awaji Island in Hyogo Prefecture jointly with a taxi company and the Awaji Citizens Station of Hyogo Prefecture. They officially commenced a taxi allocating service using a dedicated app in cooperation with a Nagoya taxi company in September 2018. **Didi Chuxing** (China) also have coupled up with Daiichi Koutsu Sangyo to start proving trials on AI-powered taxi allocating in Osaka, Kyoto, Fukuoka, Tokyo and other places. Apart from these examples, the Taiwanese taxi giant **Taiwan Taxi** is working on a partnership with Daiwa Motor Transportation, while ride-share giant **Via** (US) is in partnership with Mori Building and looking to start proving trials for ride sharing in one-box cars (people movers).

As for share bicycles, a Chinese giant, **Mobike** has set up a Japanese subsidiary in 2017 and is commencing proving trials in regional cities. They announced that they are cooperating with LINE. Meanwhile, a share scooter company **Gogoro** (Taiwan) has teamed up with Sumitomo Corporation and have started a service on Ishigaki Island in Okinawa Prefecture. Hence, the prospect is for such services to contribute to regional vitalization, including the improvement in convenience for users and the enticement of tourists in areas where there are not many forms of transport available.

Regarding the introduction into Japan of new businesses that are thought to be destructive, foreign-affiliated companies are cooperating with the existing companies to develop sharing services unique to Japan rather than fighting with them. As the cooperating trend is taking off, it could become the impetus for discussions to further deregulate from here on.

Chart 3-1 Transition and forecast of sharing economy service market size



[Note] In this study on the sharing economy, copyrighted work, such as music and videos, are not handled as shared property. Further, market size is calculated on a sales basis, such as matching charges and sales charges of the enterprise providing the service, monthly costs and earnings from other such services.

[Source] “Study on Sharing Economy Market 2018”, Yano Research Institute (published on September 12, 2018)

(4) Technologies of foreign-affiliated companies adopted by industries predominately developed in Japan

As seen in the above FinTech examples, the big changes taking place globally in the Fourth Industrial Revolution are tending to relativize the walls between industries, such as skilled manufacturing and services by the advance of IT in all industries. Amidst this, a trend is beginning to take shape where industries that have been predominately developed by Japanese companies up to now are beginning to make use of the technologies of foreign-affiliated companies.

For example, it has been announced that Toyota Motor is adopting EtherCAT, the open industrial network protocol developed by **Beckhoff Automation** (Germany), as a standard field network for IoT in Toyota plants. Open protocol of EtherCAT realizes free combination of industrial components which used to be non-compatible. Introducing IoT requires a number of sensors being installed on machines in production lines. EtherCAT also provides wire-saving technology which combines fast data communication and power supply in just one cable, resulting in the advantage of reducing number of cables. In September 2017, Beckhoff Automation(Japan) established their second subsidiary in Nagoya. This will enhance the sales focus on manufacturers in Chubu region and the penetration of Beckhoff components in Japan.

Even the railway field, where the use of foreign technologies and products has been sparse, is beginning to change. The trial introduction of a track diagnostic system from the railroad inspection and signal systems developer **MER MEC** (Italy) was decided for the track of the Sanyo Shinkansen Line of JR West for the first time on a domestic project. Although Japan's high-speed Shinkansen boasts globally preeminent technologies, the tracks are normally inspected by workers visually checking as they walk the line. Whereas, MER MEC's system travels the track at 50km/h (Maximum measuring speed: 125km/h), continuously filming and sensing the track from various angles for onboard processing that enables automatic detection of anomalies. Thus, with the anticipation of improving safety and work efficiency, data collection started from September 2017, with the goal of putting the system to practical use after four or five years. Also, the next scheduled project is to introduce the system to the Hokuriku Shinkansen Line and conventional lines.



MER MEC's Track Machine Vision System

2. Foreign-affiliated companies involved in the emergence of innovation in Japan via open innovation

The trend of foreign-affiliated companies getting involved in open innovation with companies, universities and research institutes in Japan is picking up momentum. The approaches that foreign-affiliated companies take to utilize resources held by Japanese companies and universities are diversifying as follows: (1) commercialization of research seeds, (2) making use of data, (3) partnering startups, and (4) partnerships between small and medium-sized enterprises.

(1) Moves aiming to use and commercialize research seeds and address social issues

Foreign-affiliated companies with universities & research institute

Open innovation initiatives between foreign-affiliated companies and Japanese universities and research institutes in the fields of medical treatment and life science could well accelerate medical-treatment innovation and be the linking bridge to solutions for social issues and improvements in the quality of medical treatment in Japan. Furthermore, if these kinds of partnerships take place in regional areas, the anticipation is for the partnership to become the driving force behind regional innovation, which will contribute to regional revitalization.

Johnson & Johnson Innovation (a division of Johnson & Johnson (China) Investment Ltd. and a group company of the US **Johnson & Johnson** Group) has successively announced partnerships with Japanese universities, in order to speed up the early discovery and nurturing of research seeds as early as possible in the fields of pharmaceuticals and medical instruments. While, on the one hand, there is greater anticipation of breakthroughs in innovative medical systems and medical technologies, the current situation, on the other hand, is one where it is difficult to make practical use of or commercialize research seeds produced by universities because of insufficient research funds and human resources to support commercialization. In September 2017, Johnson & Johnson Innovation signed a strategic partnership agreement on "Strategic Global Partnership & Cross-Innovation Initiative" set up by Osaka University (this was the first such agreement with a foreign-affiliated healthcare company). The aim of the agreement is to develop and commercialize the promising research results of the university, such as regenerative medicine. This was followed by memorandum agreements with the University of Tokyo in February 2018 and Kyoto University in July 2018, with, in both cases, the focus of cooperation on development of pharmaceuticals and medical instruments cored around the sparking of innovations to solve unmet medical needs across the globe.

In July 2018, **Nihon L'Oréal**, the Japanese subsidiary of the giant French cosmetic group **L'Oréal**, opened a joint research base "Material Innovation Center" with the National Institute for Materials Science (NIMS), inside the NIMS facilities in Tsukuba, Ibaraki Prefecture. With Nihon L'Oréal partnering NIMS to develop products that make the most of the frontrunning new materials that NIMS have proudly developed, the hope is that the time required from fundamental research to product development will be greatly shortened.

(2) Moves aiming to use data to address social issues

Foreign-affiliated companies with universities & research institute

There also are moves under way to analyze the massive swathes of data possessed by universities and research institutes using a technical platform, so that the results can be used to address regional depopulation, super-aging and decreasing accessibility to medical care as well as threaded into efforts to reduce medical care costs and enhance the quality of medical treatment.

In June 2018, **Philips Japan** (Netherlands) entered into a comprehensive partnership with Tohoku University to jointly research the healthcare domain, setting up the "Co-creation Satellite" as a base inside the university where the university and companies can develop business together. The satellite acts to prevent illnesses by gathering various data from medical instruments and daily commodities to research daily living and its relationship to diseases. In May 2019, Philips Japan also is scheduled to open the "Co-Creation Center" (an R&D innovation center) in Sendai, Miyagi Prefecture. Teaming up with Miyagi Prefecture, it will generate innovation from the Tohoku area, an area that suffers a comparatively high percentage of social problems, such as population aging and depopulation.

In addition, Philips Japan announced in May 2018 that they will work with the National Cerebral and Cardiovascular Center (NCVC) in Osaka to jointly

develop AI to support medical diagnoses by doctors and prevention of illnesses. This joint work will bring the enormous trove of data in possession of NCVC together with the AI technologies of Philips. Besides these partnerships, in June 2018, Philips Japan entered into a partnership with Nagoya University to develop a medical treatment scheme that makes the most of next-generation IoT innovation in joint research that will put clinical data to good use academically.

Furthermore, it should be noted, that in March 2017, NCVC already has entered into a partnership with **GE Healthcare Japan**, a group company of **GE** (US), to develop leading-edge medical technologies and build up a next-generation hospital system.

(3) Moves to make use of research seeds via the fostering of Japanese startups

Foreign-affiliated companies with Japanese startups

There are moves afoot to incorporate research seeds and technologies of Japanese startups even as foreign-affiliated companies nurture those very same startups.

Bayer Yakuin, a group company of **Bayer** (Germany) opened an incubation lab in Kobe City, Hyogo Prefecture, in June 2018, with the aim of supporting startups in the bio field and establishing network. It is the first Asian arm of their facilities that are already in San Francisco (US) and Berlin (Germany). By supporting startups, Bayer can expand joint research and take the seeds of Japanese work for use around the world. Spin-off startups from Osaka University and Kyoto University with leading-edge technologies are taking up occupancy in the lab.

Already staging a startup competition program around the world, the US credit card giant **Visa** held its first such program in Japan in 2018. Looking toward the 2020 Tokyo Olympics and Paralympics, they called for proposals that can promote the propagation of innovative digital payment solutions.

Yet again, the big US life insurance company **Metlife**, partnering with LumenLab, the innovation center of Metlife Asia, held the Metlife Collab Japan Accelerator Program. The program takes the theme of “changing life insurance using open innovation” as a way of cooperating with startups to bring to fruition the inventive ideas in the field of health & wellness.

For startups the merit of open innovation with large companies comes from receiving capital and assistance from them.

(4) Moves to fuse together specialty fields on both sides to develop new products

Foreign-affiliated SMEs with Japanese SMEs

Moves among smaller foreign-affiliated companies and Japanese companies reveal efforts to fuse each other’s strengths in technology and specialty fields.

In February 2017, the US bio-pharma **Agilis Biotherapeutics** established a joint venture with a Japanese company and then opened an R&D center in Kawasaki City, Kanagawa Prefecture. The aim is to develop new therapeutics for chronic disease of the central nervous system by combining Agilis’ experience and technologies in gene therapy with the high level of manufacturing technology in the Japanese counterpart, Gene Therapy Research Institution.

The Vietnamese software developer **NTQ Solution** together with a Japanese company has developed a contactless computer security system that automatically logs on and logs off for users. Also, the Chinese robot maker **Suzhou Pangolin Robot Corp** teamed up with the technical licensing organization (TLO) of the University of Electro-Communications and a subsidiary company of Huis Ten Bosch (a theme park in Nagasaki Prefecture) doing business related to robot-utilizing, to form a three-way joint venture, **Pangolin Robot Japan**, in order to jointly develop a next-generation, self-standing, mobile humanoid delivering robots for serving tables.

In a JETRO survey of foreign-affiliated companies, respondents said that existence of excellent partners, companies and universities is one of the most appealing reasons for doing business in Japan. The interest in starting open innovation with Japanese companies is strong among foreign-affiliated companies (see Chapter 4).

3. Foreign-affiliated companies participating in the forming of Japanese startup ecosystem

While, on the one hand, as leaders of innovation, startups have the potential to pull along the next-generation of Japan’s economy, uncertainty about them is incredibly high. For this reason, the necessity for establishing a “startup ecosystem” is growing as a mechanism for developing startups and adding pace to their business efforts.

The ecosystem is populated by an eclectic team of actors, including large companies, universities, support groups, the government and local governments. Notably, the spotlight has been on the following actors in recent years: (1) coworking spaces providing flexible office and networking places, (2) incubators to help in the establishment of companies and structuring of business models to produce inventive ideas, (3) accelerators to speed up startup growth, (4) venture capitals to provide an acceleration program on top of capital, and (5) crowdfunding that collect funds from the public via Internet.

Indeed, the startup growth stages are often divided into four: “seed,” “early,” “expansion” and “later.” Yet, in Japan, up to now, there has been a lack of actors supporting startups mainly in the early stage. However, now foreign-affiliated companies are successively using their strengths – the abundant experience and successes achieved abroad – to make inroads into Japan (See Chart 3-2).

2018 could be called the “first year of share offices” in Japan. Set to a background of expanding work-style change, the number of coworking spaces has leapt, especially in Tokyo. Coworking space not only keeps office-opening costs down it also enables occupants to interact to come up with new ideas as well as providing opportunities for business – powerful reasons for making such spaces popular.

A company that made its way into Japan on the ability to offer that kind of community is **WeWork**, a big US player in the coworking space field. They started the ball rolling February 2018 by opening their first office in Japan in Roppongi, Tokyo, and in half a year they also opened up in Shimbashi, Marunouchi, Ginza, Hibiya and Harajuku, successively extending their presence to six offices. As of June 2018, WeWork has offices in almost 300 locations across the globe and connects more than 260,000 members from venture companies to large enterprises on a global scale, stimulating each other and creating new businesses and innovation. On top of that, each office has community managers who analyze the special features and work-related data of occupants in the coworking space, in order to coordinate the optimum networking spot for them. Like Uber and Airbnb, WeWork is well known as a unicorn company, and they intend to spread to key cities, such as Yokohama, Osaka and Fukuoka.

In October 2018, the big US cloud service **Amazon Web Services (AWS)** opened AWS Loft Tokyo as their first branch (outside of the US) of the facilities in Meguro, Tokyo, to support startups. In the coworking space that can be used free of charge, users also can get technical advice about startups from permanently stationed specialist technicians and attend seminars about the technology behind AWS.

The pace at which foreign-affiliated consulting firms open facilities equipped with coworking spaces and event spaces is picking up – for example, **PwC** Group, **Accenture** and **KPMG Japan** have each newly opened innovation creation facilities in the heart of Tokyo. Meanwhile, major foreign-affiliated rental office companies already well ensconced in Japan, including **Servcorp** (Australia) and **Regus** (UK), have now, one after the other, newly set up coworking spaces, which is widening the trend further.

The existence of various actors that help to nurture and grow startups in a hands-on way is fulfilling an important role in helping startups to overcome the so-called “death-valley curve.”

Venture Café – the sister organization to **Cambridge Innovation Center (CIC)**, an incubator that draws in huge numbers of startups – opened “Venture Café Tokyo” in March 2018. Including its US presence, Venture Café is doing business in six cities around the world in which it offers innovation promotion programs that include events and workshops where innovators, such as entrepreneurs and investors, can interact to expand their contacts and get opportunities to pick up business hints. Taking its first step into Asia via a base in Toranomon, Tokyo, Venture Café has co-staged with the City of Tsukuba (Ibaraki Prefecture) and JETRO the “Tsukuba Global Night” event. Other efforts include activities co-partnered by government bodies and local governments as well as companies and universities – for example, the “J-Startup Hour” in the “Thursday Gathering” program which is held every Thursday offers opportunities for private and public sector players, such as powerful supporters and companies selected in “J-Startup”, a startup support program run under a partnership between the public and private sectors.

Silicon-Valley-based **Plug and Play** (US), one of the world’s biggest technology accelerators and venture capital providers, advanced into Shibuya, Tokyo, in July 2017. They are operating accelerator programs with top companies in Japan, cored around business axis of FinTech, IoT and InsurTech. Their strength is being able to offer the following in a three-month program through their worldwide startup network: (1) provision of various forms of mentoring and business know-hows needed to grow a startup, (2) support for business alliance with large companies in Japan, and (3) support for global expansion. Plug and Play has a proven track record in investing in startups on the world stage from their very inception. Thus, by 2020, in Japan they are looking to invest in 50 startups and get cooperation from 50 large

companies, while also keeping an open mind about setting up in other locales apart from Tokyo.

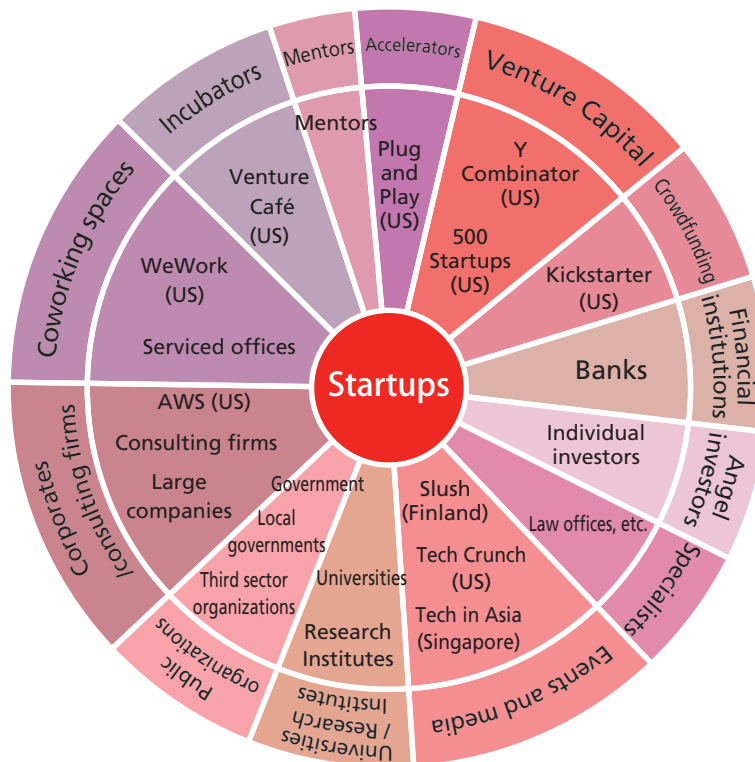
Another Silicon Valley based venture capital company, **500 Startups** (US), has been investing in seed-stage startups ever since it established a Japanese subsidiary in February 2016. Also, from 2016, after entering into a partnership with the City of Kobe, it is annually staging “500 Kobe Accelerator.” Among the entrepreneurs who have participated up to now, there are already some who have received venture capital and entered into partnerships with companies (see p.23).

Y Combinator (US), a company offering programs to nurture entrepreneurs (including the provision of capital) in Silicon Valley, in cooperation with a Japanese startup support body, staged in September 2018 its first official event in Japan, the “Y Combinator MEETUP in Tokyo,” which was held over several days at venues that include the University of Tokyo and Keio University. It should be noted that Y Combinator’s track record is impressive, as it has produced in the past companies like Dropbox and Airbnb through its well-known entrepreneur growth programs held in Silicon Valley, where strictly vetted startups are selected to receive modest funding and three months of intense guidance on business development.

Also, the world’s biggest crowdfunding platform **Kickstarter** (US) started offering a Japanese-language interface from September 2017, to truly begin providing a service for Japan. Now, users around the globe can invest in projects being made public in Japan.

In other moves, a string of info-orientated events is being held in Tokyo, including a matching event and conference staged by **Tech in Asia** (info media from Singapore), Slush Tokyo from the startup event **Slush** (Finland)

Chart 3-2 Startup Ecosystem in Japan (Focused on foreign-affiliated companies)



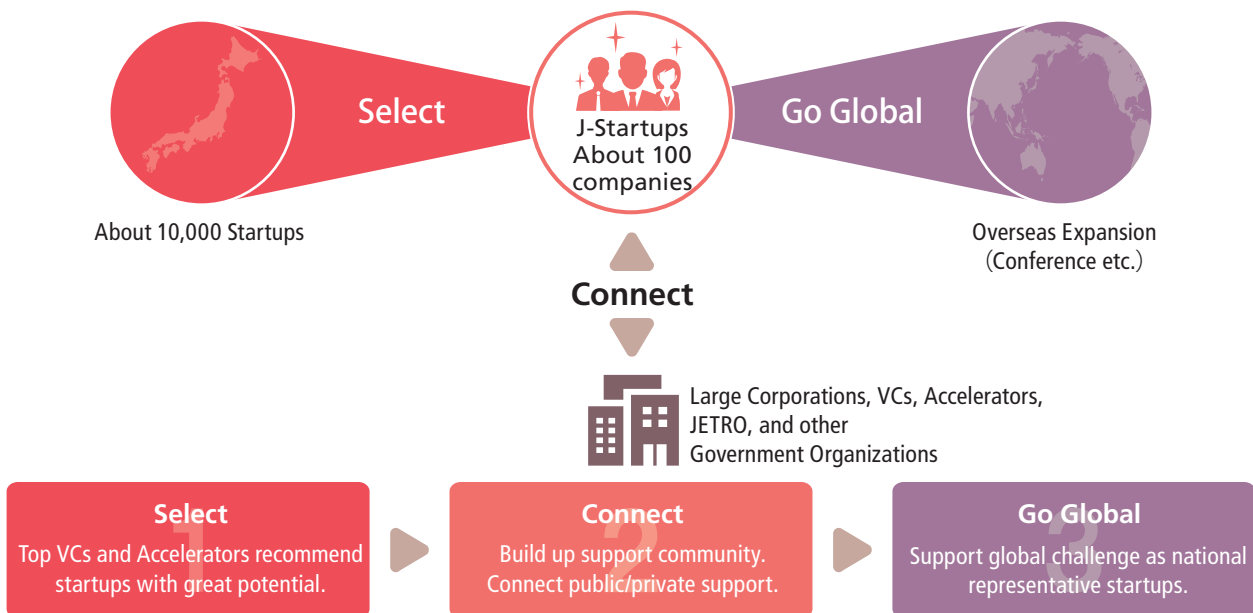
[Note] Classified by JETRO focusing on the representative factors of the foreign-affiliated companies introduced as examples in Chapter 3.

and TechCrunch Tokyo from **TechCrunch** (US), a beacon of startup news. Featuring programs such as talk sessions by famous entrepreneurs and pitch contests, events are reaching the size where thousands attend, providing various opportunities for Japanese startups to link up with supporters.

Likewise, since June 2018, JETRO has been running the “Global Acceleration Hub,” work consistent with “J-Startup” (See Chart 3-3), the program that funnels support to startups via public-private partnerships established under the principle guidance of the Ministry of Economy, Trade and Industry. This work aims to support the growth of Japanese startups. It involves JETRO taking the role of a partnership contact desk to link up worldwide startup ecosystems (from Silicon Valley to Israel) with Japanese companies and skilled professionals. The hub, in partnerships with foreign venture capital companies and accelerators, offers free services, such as on-site briefings and advice on business strategy proposals by mentors, and provision of coworking spaces to Japanese-affiliated startups wanting to expand business. At the same time, the hub also works to find local promising startups interested in deploying in Japan, aiming for two-way support (See Chapter 5).

These various movements are expected to contribute to the improvement of the environment for the emergence of innovation in Japan.

Chart 3-3 Overview of J-Startup



[Source] "J-Startup" (Ministry of Economy, Trade and Industry)

4. Foreign investment for creating innovation in local regions

Japanese local governments are also starting efforts to attract foreign startups and accelerators. This section introduces local governments' pioneering initiatives to embrace vitality of innovation from overseas for their sustainable development and globalization.

(1) Fukuoka City: Aiming to be a "Startup City" through National Strategic Special Zone and partnerships with overseas

Pushing the vision of "Global Startup City – Fukuoka", Fukuoka City, Fukuoka Prefecture is not just putting its backbone into efforts to attract Japanese entrepreneurs but also it is striving to bring overseas startups to the city and help them in their business efforts. Started under the National Strategic Special Zones system in 2015 for the first time in Japan, Startup Visa realized deregulating of conditions on obtaining "Business Manager" residence status, to give foreigners a helping hand in starting businesses in Japan. By the end of September 2018, the number of application to Startup Visa recorded 59, exceeding that to other special zones including Tokyo.

In April 2017, Fukuoka City established "Fukuoka Growth Next," a startup support facility leveraging public-private collaboration, bringing one-step administrative services for support of business. Then, in May of the same year, the city opened the "Fukuoka Global Startup Center" to specialize in supporting local startups in Fukuoka City developing overseas businesses and foreign startups' activities in Fukuoka City. The center provides free-of-charge consultations on business establishment provided by specialists such as lawyers, accountants and consultants, etc. In addition, to help foreign startups with capital procurement in Japan, the center also has beefed itself up in public-private partnerships, including one with a large Japanese crowdfunding company. The center received more than 1,100 consultation requests in FY2017 alone and an average of 180 per month in FY2018, with nearly all of them coming from foreign entrepreneurs and foreign companies.

With these kinds of support, an example of foreign startups entering Fukuoka City includes: **Green Jacket Sports** (Japanese subsidiary's name: **Golface**), a company developing and selling services (applications) for golf courses and golfers. Their smart cart navigation system provides services that include course guides for golfers, while it analyzes big data such as players' location information stored in the system and provides feedback to the golf courses, contributing to more efficient management. Also, the company started to organize golf tours in Japan for Taiwanese golfers in cooperation with the Nishitetsu Group. It is safe to say that this is a good example of how a foreign startup has made inroads into Fukuoka, bringing new services to the local community and boosting activities around inbound tourists.

Partnerships with foreign cities also are underpinning Fukuoka City's startup support measures. Fukuoka City has close ties with 14 locales in 10 countries and regions (as of September 2018) including the US, Taiwan and Estonia, promoting cooperation in enabling startups to mutually make inroads into each other's countries/regions. In 2016, the city launched a training program abroad for entrepreneurs to learn skills and knowledge necessary for business startups with an eye to future development into overseas markets and realization of overseas business. This program has been held annually since 2016, with visits to companies in Silicon Valley and participation in local startup

events giving Fukuoka-based startups a helping hand in making the move to other markets in other countries. Also, in September 2018, at Fukuoka Growth Next, the city staged international business matching events for 100 companies including foreign startups invited from overseas, which shows its overseas network making a big contribution in configuring an ecosystem for the support of startups.



Inside Startup Cafe where Fukuoka Global Startup Center is set up

(2) Osaka City: On the frontline of international-conference-led innovation and solutions for social challenges

With sights set on being an "open innovation city," Osaka City's core base is the "Osaka Innovation Hub" (OIH). In 2013, taking the redevelopment of the Umekita area as a good opportunity, OIH has made its mission to "realize an open innovation ecosystem in Osaka/Kansai area" as "a place for supporting the creation of innovation." OIH has 690 player members (entrepreneurs) and 280 partner members (investors, Japanese and foreign universities, public bodies and the media, etc.) that support the players. OIH stages in excess of 200 events annually, with 70% of those being member-driven carry-in plans. Indeed, pitch events, such as morning meetups, offer domestic and overseas startups opportunities to create new business and scale up.

Osaka City holds once every year the international innovation conference "Hack Osaka" which includes a startup pitch contest, and in the sixth conference Hack Osaka 2018, entrepreneurs competed over their ideas and business models in the fields of "digital health," "travel tech" and "smart city." In addition, Hack Osaka 2018 saw a lot of lively interaction between industry and academia in areas such as speeches by domestic and foreign entrepreneurs, an exhibition of products and services and business talk gatherings of participating startups and a panel discussion by experts involved in supporting entrepreneurs.

Hack Osaka runs in English for the entire program, vigorously inviting foreign startups. At the 2018 pitch contest, eight of the ten participating companies were foreign. The Gold prize-awarded startup, **Dot Incorporation** of South Korea, which was invited by JETRO to the conference, develops, manufactures and sells the world's first braille smartwatch. The startup develops the watch jointly with **Google**, already launching it in the US and China. Stepping up after these countries, Dot Incorporation intends to next launch in Japan and are exploring ways in which the product could be made available to the Tokyo

Olympics and Paralympics. Some of the other startups innovating to solve social challenges included **EyeFree Assisting Communication** (Israel), developing a wearable communication device for amyotrophic lateral sclerosis (ALS) patients, and **Shenzhen Yi-yuan Intelligence Tech** (China), developing software and products incorporating AI and big data technologies that enable users to diagnose their own skin.

Hack Osaka 2019, scheduled on 13th March 2019, has been selected as a project for Regional Business Conference (RBC, see Chapter V), in which foreign companies will be invited by Japanese local governments to participate in investment promotion talks and business matching events with local companies, to convey information on attractive business environments in their regions to the rest of the world. By inviting promising foreign startups and accelerators, the city aims to attract startups to Osaka and establish itself as an innovation hub in Osaka/Kansai area and a gateway abroad.



Pitch contest award ceremony at Hack Osaka 2018 (Courtesy of Osaka City)

Foreign startups also are welcomed to the program. One third of the more than 200 applicants for the 2017 program were from abroad. While only three foreign startups were selected for 2016, that number grew to five in 2017, a quarter of all selected applicants. After participating in the program, a Taiwan e-learning service provider **HOPE English** made its way into Japan. Although Kobe City does not necessarily assume program-completing startups to set up in Kobe City, the city does expect the program to provide impetus for new products and services to emerge from Kobe as well as offer a hand to encourage local startups. Amidst the high concentration of Japanese accelerators and venture capital in Tokyo, it can be said that the Kobe City's model is an initiative contributing to the proliferation of Japanese startup ecosystems to local regions.

Another initiative involves "Urban Innovation KOBE", which widely draws applicants from startups working on solutions to regional administrative issues. Given a trial period of four months, selected startups work with the city to solve the issues in question. For the first four-month program in 2018, 60 startups applied, and seven have been selected. **FlyData**, a US startup involved in management support using big data and AI, is experimenting with automated checking of receipts (sent from medical institutes) that the city usually checks manually on a monthly basis, in an effort to bring efficiency to verification of as much as 2.5 million receipts in a year. This kind of pioneering GovTech work where startups make the most of their innovative technologies to improve administrative productivity is being watched with interest.

3



A scene from 500 Kobe Accelerator (Courtesy of Kobe City)

(3) Kobe City: Teaming up with foreign-affiliates to offer entrepreneurs a platform for success



Kobe City is using the prowess and strengths of foreign-affiliates to shape a regional ecosystem for startups. A face-to-face meeting between a global venture capital/accelerator **500 Startups** and the mayor of Kobe City in 2015 was a turning point that led to a signed partnership agreement, which, in turn, has led to the acceleration program "500 Kobe Accelerator" being staged in Kobe once a year since 2016.

With 500 Kobe Accelerator, global team members of 500 Startups come to Japan and manage a six-week program. The 27 members who ran the program in 2017 exclusively worked with each participating company to advise them on business models and lecture them on how to procure capital and how to present a pitch. Such a program is an invaluable opportunity for participating startups at the seed level to be in Japan but learning about best practices in Silicon Valley from 500 Startups, a company with an investment track record of more than 2,000 recipient companies in 60 countries. In the final week of the program, a demo day is worked in for participants to pitch their business ideas to investors. In the past two years, 22 companies have successfully procured in excess of two billion yen of capital after demo days.

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

From May to June 2018, JETRO conducted the “Survey on Japan’s Investment Climate,” designed to collect data on the perception of the business environment in Japan among foreign-affiliated companies and develop a more attractive investment environment for foreign-affiliated companies through the analysis of the resulting data.

The questionnaire was sent out to approximately 1,700 companies, with a focus on foreign-affiliated companies supported by JETRO in their entry into the Japanese market, and 266 companies responded.

The results of the survey show that foreign-affiliated companies perceive Japan as a highly profitable market. In addition, the results also highlighted the fact that, although companies felt that Japan’s greatest appeal lies in the large scale of its market, at the same time, they are also focusing on mid- to long-term growth in their business sectors, as well as business opportunities resulting from the fact that Japan is a frontrunner in addressing global challenges. Companies on the whole are keen to expand investment and increase the number of employees in Japan in the future, and are positive about the open innovation with Japanese companies, universities, etc.

1. Greatest appeal lies in the Japanese market, with high profitability also seen as a major selling point

Japan’s attractiveness as seen from the perspective of foreign-affiliated companies is a vital element in gaining a comprehensive grasp of Japan’s business environment. In this survey, in regard to the perceived attractiveness of doing business in Japan among foreign-affiliated companies, the top three answers given by companies are as follows: “Japanese market,” “Existence of suitable partners (companies, universities, etc.) with outstanding technology or products,” and “Stability of country and society” (Chart 4-5).

Japan has an established reputation as a huge sophisticated market. In addition, Japan’s macroeconomic situation is picking up steadily, as shown by the fact that in September 2017, it recorded the second longest period of economic recovery in the postwar era, a factor which may have helped the Japanese market gain a favorable rating. Furthermore, the results of the survey may reflect the fact that Japan has been reevaluated for its stability

4

[Survey on Japan’s Investment Climate: Overview]

Objective of the survey and summary of operation

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

Survey period: from May 15 to June 6, 2018

Target companies

About 1,700 foreign-affiliated companies supported by JETRO in their entry into the Japanese market and member companies of foreign chambers of commerce in Japan.

Response: valid response from 266 companies

Profile of the responding companies

Chart 4-1 Country/region of the parent companies

Country/region	No. of Companies	Country/region	No. of Companies
US	61	Spain	3
Germany	51	Vietnam	3
China	30	Belgium	3
Korea	15	UAE	2
France	13	Australia	2
India	10	Thailand	2
UK	10	Denmark	2
Taiwan	10	Philippines	2
Canada	9	Israel	1
Italy	8	Czech Republic	1
Netherlands	5	Finland	1
Switzerland	4	Malaysia	1
Hong Kong	4	Myanmar	1
Austria	3	Mexico	1
Singapore	3	Luxembourg	1
Sweden	3	Russia	1
		Total (Valid response)	266

in contrast to the uncertainty surrounding the political and economic situation in some Western countries.

In addition, looking at a breakdown of the “Japanese market,” which comes top in this survey every year, in regard to those areas of the Japanese economy that companies felt were especially attractive, a considerable number of companies, mainly in the communications, IT and software fields, answered “Mid- to long-term growth potential of our business field,” while a considerable number of companies, mainly in the life sciences field, answered “Opportunities for innovation due to Japan’s status as a frontrunner in addressing global challenges” (Chart 4-6).

These answers differ to the perception in which Japan is seen merely as a readily available huge sophisticated market, and are significant in the sense that these answers indicate that companies are forming their perceptions and appraisals of the Japanese market from a mid- to long-term perspective. Japan’s market scale is predicted to shrink in the future due to such factors as a population decrease resulting from its low birth rate and increasingly aging population. What is noteworthy here is that, despite this, a considerable number of foreign-affiliated companies are still seeing business opportunities in Japan, and are observing the potential for mid- to long-term growth, mainly in the communications, IT and software fields, which are deeply connected with the Fourth Industrial Revolution.

Furthermore, for the first time in this survey, companies were asked to evaluate the Japanese market from the perspective of profitability. The results show that over 70% of companies answered “Profitability is high” or “Profitability is somewhat high” (Chart 4-7). When looking at these figures

by industry, what stands out most is the fact that a considerable number of companies in the communications, IT and software fields answered “Profitability is high,” and that the opposite tendency was witnessed in the fields of trading, wholesale and retail.

According to “FDI in Figures” in an OECD report (April 2016), among 22 countries, Japan’s rates of return on inward FDI is 3rd overall and 1st in the service industry, thus demonstrating a high degree of profitability.

As to the reason for this, there is the perception that it is because highly profitable and resilient foreign-affiliated companies have long been making inroads into the Japanese market. On the other hand, the fact that many foreign-affiliated companies appraise Japan as a “lucrative market” sends out an important message to those foreign companies seeking to expand into the Japanese market in the future. (see p.7 Column, “Rate of return on inward FDI into Japan”)

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

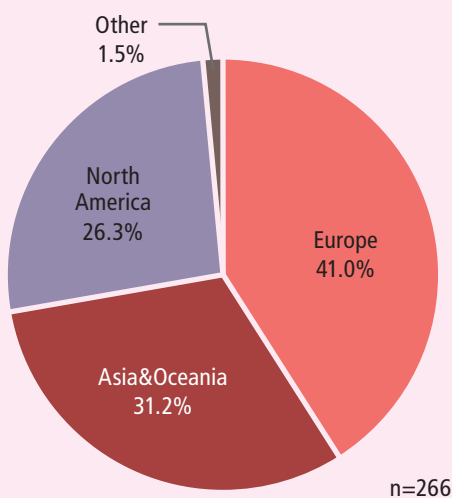


Chart 4-3 Number of years since establishment in Japan

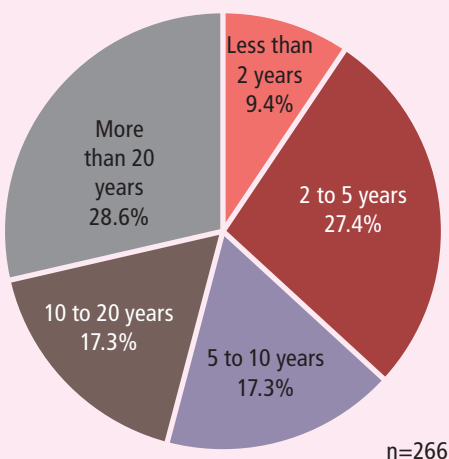


Chart 4-4 Type of industry

Type of industry	Rate
Communications/IT/software	14.7%
Life science (including pharmaceuticals, medical services, medical equipment, cosmetics)	11.7%
Electrical devices/electronics/precision machinery/ ICT equipment	10.9%
Trade/wholesale/retail	10.2%
Transport machinery/vehicles and parts	8.3%
Transportation/tourism (including hotel and entertainment services)	6.8%
Chemicals	5.6%
Professional services (consulting, legal, etc.)	5.6%
Finance/insurance	4.5%
Other services	4.5%
General machinery	3.4%
Energy and infrastructure (electricity, gas, water, petroleum, etc.)	2.6%
Textiles/apparel	2.3%
Other manufacturing (furniture, plastic supplies, printing, glass, etc.)	2.3%
Food and beverages	1.9%
Iron/nonferrous metals	1.5%
Construction	1.5%
Agriculture/forestry/fisheries	0.4%
Other	1.5%

n=266

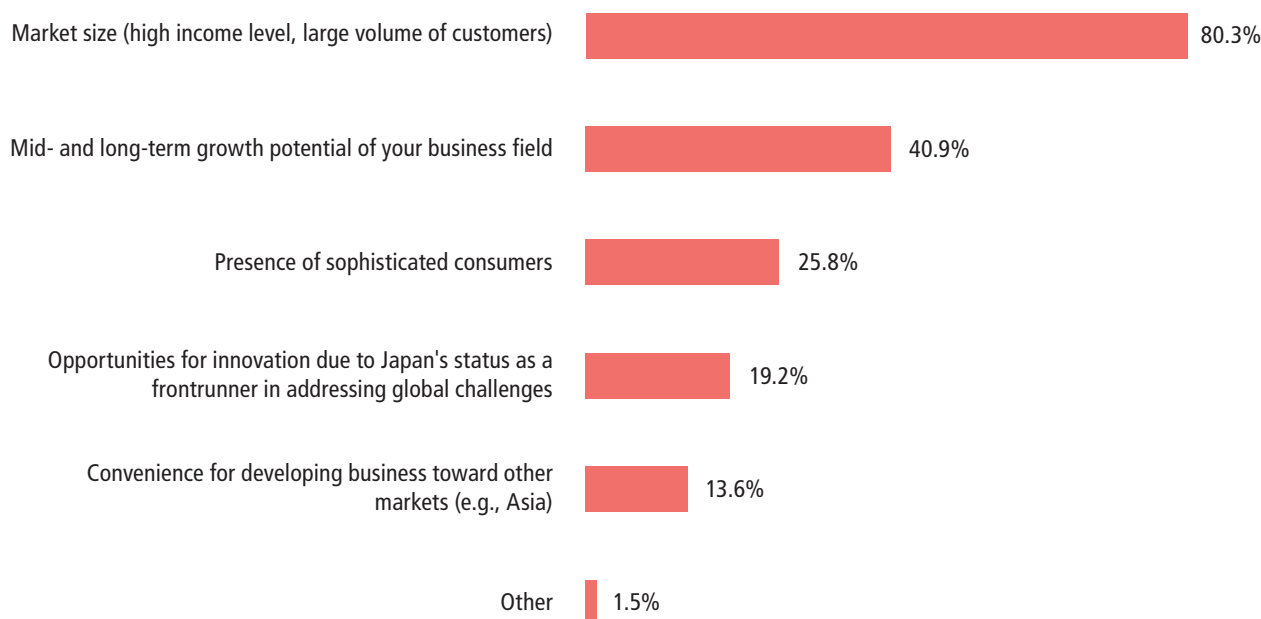
Chart 4-5 Attractiveness of doing business in Japan (select each from 1st to 3rd position)

Rank	Answer	Votes			Points
		1st	2nd	3rd	
1	Japanese market	158	20	20	534
2	Existence of suitable partners (companies, universities, etc.) with outstanding technology or products	25	50	29	204
3	Stability of country and society	16	43	60	194
4	High quality of R&D	19	38	15	148
4	Existence of renown global companies	24	26	24	148
6	Infrastructure (traffic, logistics, ICT, energy, etc.)	4	39	30	120
7	Potential for securing talented human resources	4	14	19	59
8	Well-maintained living environment	4	7	23	49
9	Japan's location (e.g. position as a gateway to Asia, advantage as a base for regional headquarters, etc.)	3	12	14	47
9	Expected increase in demand and sales toward the 2020 Tokyo Olympics	3	9	20	47
11	Well-structured legislation regarding intellectual property	2	6	5	23
	Other	4	2	7	23

[Note] In regard to the 1st, 2nd and 3rd place answer selected by respondents, each is awarded points as follows: 1st = 3 points, 2nd = 2 points, 3rd = 1 point, and are listed in order of answer with the highest points total.

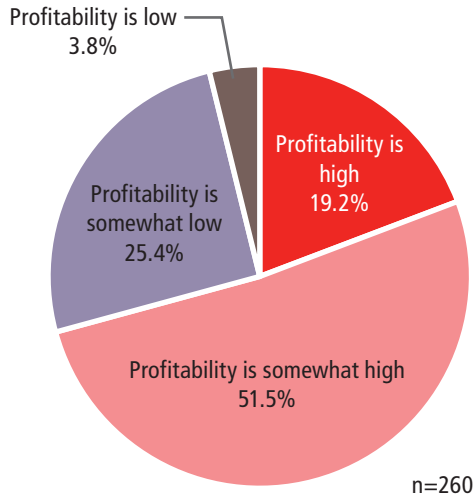
n=266

Chart 4-6 What is particularly appealing to you about the Japanese market? (top 2 options)



n=198

Chart 4-7 How do you evaluate the Japanese market in terms of profitability?



2. High level of business confidence among foreign-affiliated companies and a positive outlook on the future

Just under 50% of foreign-affiliated companies rated their current business conditions in Japan as “Improving,” which rose to over 60% in terms of their future outlook for the next 1 – 2 years (Charts 4-8 and 4-9). Compared to the previous year, this represents an increase of 5.1 points and 8.9 points, respectively. When looking at these figures by industry, many companies that answered “Improving” are connected with the communications, IT and software fields.

The Diffusion Index, the value obtained when subtracting the percentage of companies that answered “Declining” from the percentage of companies that answered “Improving,” is 39.2 for current business conditions and 61.0 for future outlook. These figures greatly exceed the value for the business outlook in the Bank of Japan’s Short-term Economic Survey of Enterprises in Japan (TANKAN) (in this survey in June 2018, the total for all industries and all sizes is 16 for “Recent” and 13 for “Future”). While it is important to bear in mind that TANKAN contains many SMEs, nevertheless business confidence among foreign-affiliated companies still remains high.

Chart 4-8 Current business conditions in Japan

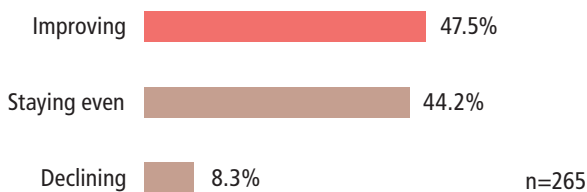
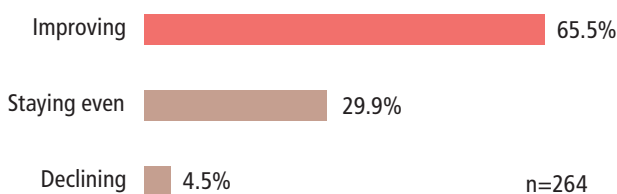


Chart 4-9 Outlook of the business conditions in Japan (over the next one or two year)



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

Regarding their investment plans within the next five years, around 70% of companies answered, “Expand business” (Chart 4-10). While this represents a drop in 2 points compared with the previous year, taking into consideration the comparatively high level of business confidence among foreign-affiliated companies as Japan’s macroeconomic situation continues to pick up steadily, coupled with their perception of Japan as a highly profitable market, the fact that such a high percentage of foreign-affiliated companies answered affirmatively suggests that they remain eager to expand their investments in the future. In terms of employment, more than 70% of companies answered, “The number of employees will increase” within the next five years, around the same level as the previous year (Chart 4-11).

Chart 4-10 Investment plans within the next 5 years

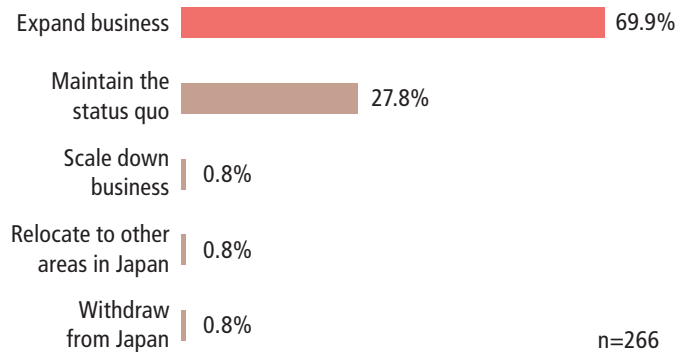


Chart 4-11 Projected number of employees in Japan (within the next 5 years)

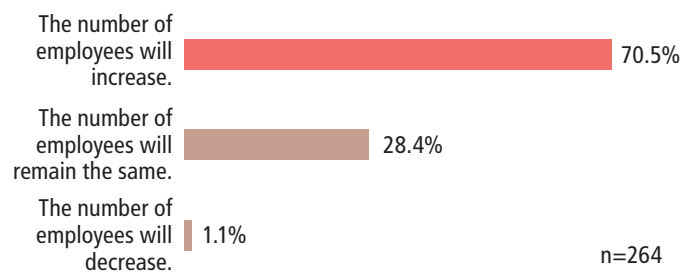
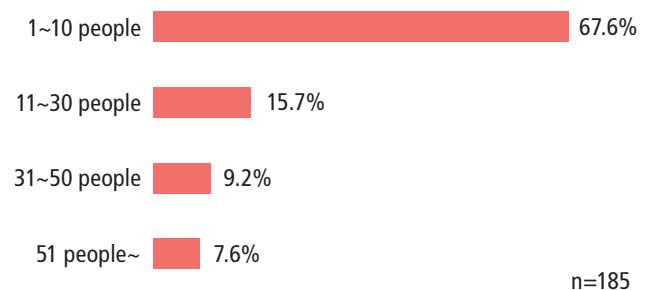


Chart 4-12 Number of increase



While M&A is one method of expanding business operations, in Japan the smooth succession of businesses is a major issue, given that many SME proprietors are reaching their senior years along with the fact that there is a lack of successors to take over their companies. Among those companies that are eager to expand their investments, over 50% expressed an interest in M&A deals with Japanese companies (Chart 4-13).

Chart 4-14 and Chart 4-15 set out specific locations (prefectures) for expanding investments, functions and reasons for selecting these locations. Over 60% of considered locations are outside of Tokyo, with the top locations being Osaka Prefecture, Kanagawa Prefecture, Aichi Prefecture, Fukuoka Prefecture, etc., largely the same as in previous years.

For the first time in this survey, foreign-affiliated companies were asked to state their reasons for selecting their locations. "Proximity to customers"

and the "Presence of relevant industrial clusters" were common answers for many regions. In addition, Tokyo and Kyoto Prefecture rose to the top positions for "Ease of securing human resources." This reflects a major need among foreign-affiliated companies for students who majored in sciences at universities or international students, as well as recent issues in expanding businesses in Japan (see p.30). In the case of Hyogo Prefecture, "Preferential treatment and services by local government" was seen in top three reasons.

Chart 4-13 Are you interested in secondary investment through M&A with a Japanese company?

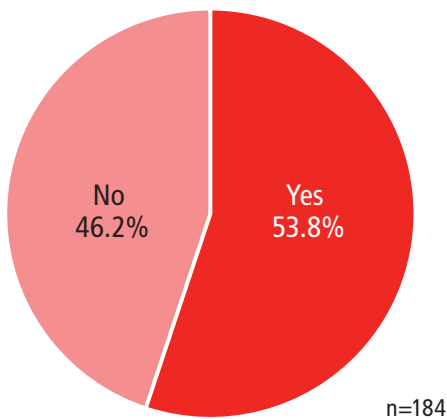


Chart 4-14 Where to make secondary investment (top 2 options)

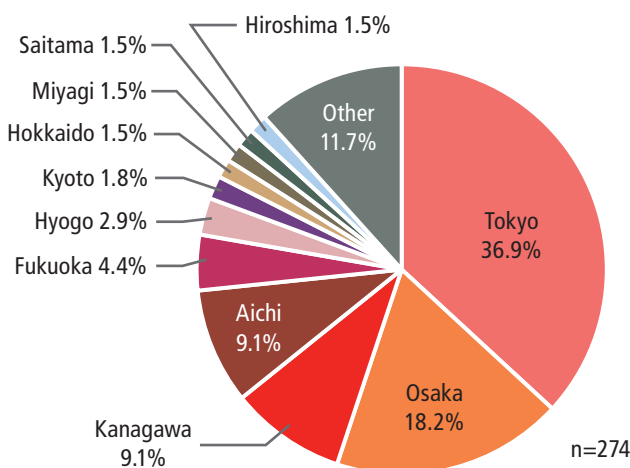


Chart 4-15 Where to make secondary investment (prefecture), the type of business and the reasons (top 3 options)

Rank	Prefecture	No. of projects	Type of business (top 3)	Reason (top3)
1	Tokyo	101	Sales/customer service	Proximity to customers
			R&D	Market size
			Manufacturing, Logistics	Development of infrastructure (transportation, logistics, information communication, energy, etc.), Ease of securing human resources
2	Osaka	50	Sales/customer service	Market size
			R&D	Proximity to customers
			Manufacturing, Logistics	Positioning compared to other bases in Japan
3	Kanagawa	25	Sales/customer service	Proximity to customers
			R&D	Positioning compared to other bases in Japan
			Manufacturing	Presence of relevant industrial clusters
3	Aichi	25	Sales/customer service	Proximity to customers
			R&D	Market size
			Manufacturing	Presence of relevant industrial clusters
5	Fukuoka	12	Sales/customer service	Market size
			Manufacturing, Logistics	Presence of relevant industrial clusters
			-	Proximity to customers
6	Hyogo	8	Sales/customer service	Proximity to customers
			R&D, Logistics	Presence of relevant industrial clusters
			-	Preferential treatment and services by local government
7	Kyoto	5	R&D	Ease of securing human resources
			Sales/customer service	Market size, Positioning compared to other bases in Japan
			-	-
	Other	48		

4. Focus on Japan's SMEs as partners for open innovation

This survey asked for the first time about the status of foreign-affiliated companies' initiatives concerning open innovation with Japanese companies, universities, etc. Around 70% of companies answered that "Efforts have already been implemented, and will continue/expand in the future" or "Efforts have not yet been implemented, but we are interested" (Chart 4-16). When looking at these figures by industry, interest tended to be high in the field of life sciences.

As global competition surrounding innovation continues to intensify, throughout the world, great importance is increasingly being attached on open innovation rather than closed innovation. In addition, Japan enjoys a largely high rating overseas as a center of research and development, and in recent years an increasing number of foreign-affiliated companies have been making moves to incorporate Japan's outstanding technologies and know-how into their own business operations. The current situation, therefore, suggests that foreign-affiliated companies are interested in open innovation with Japanese companies.

In regard to specific partners for open innovation, interest in "Small and medium-sized Japanese enterprises" came out highest along with "Universities/research institutes" (Chart 4-17). Also, as mentioned previously, the "Existence of suitable partners (companies, universities, etc.) with outstanding technology or products" was the second most popular answer concerning the perceived attractiveness of doing business in Japan among foreign-affiliated companies. These results suggest that "suitable Japanese companies" in this case does not necessarily indicate major companies. Rather than Japan's major companies, foreign-affiliated companies are more interested in Japan's SMEs, who possess outstanding technologies etc., as candidate partners for the creation of innovation.

In addition, foreign-affiliated companies were asked a new question related to the creation of innovation in Japan, concerning the "Regulatory Sandbox" system (see p.8). Here, over 60% of companies expressed an interest, mainly in the field of life sciences (Chart 4-18). Therefore, it is conceivable that foreign-affiliated companies are most interested in this system, which could be described as the Japan's government's centerpiece set of measures designed to boost the creation of innovation in Japan.

Chart 4-17 Please select the kinds of partners you are interested in (multiple answers)

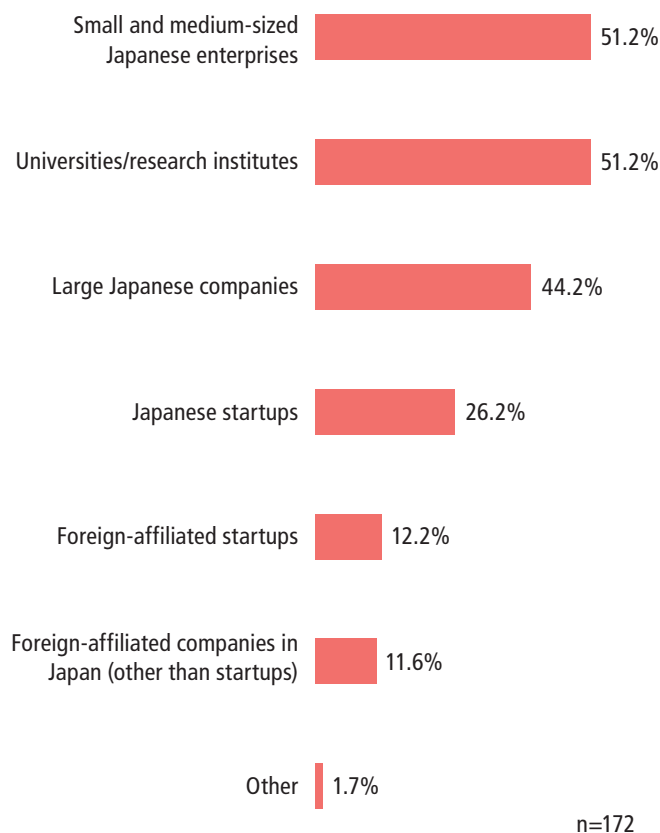


Chart 4-16 Please tell us about your efforts regarding open innovation with Japanese companies/universities, etc.

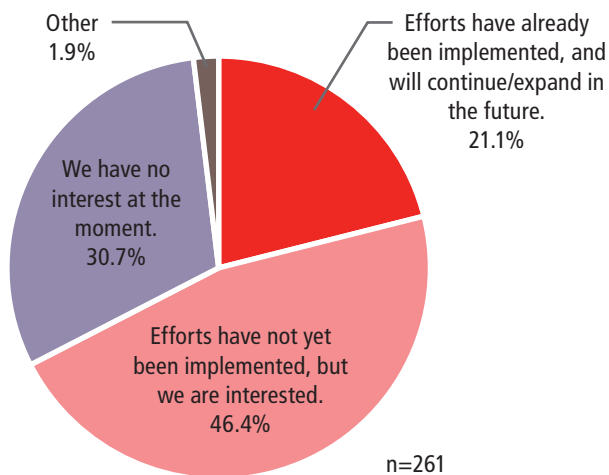
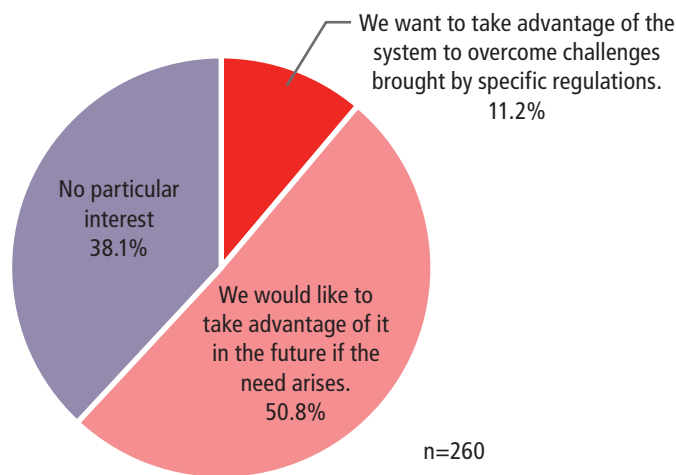


Chart 4-18 Please tell us about your interest in the "Regulatory Sandbox" system



5. The biggest obstacle to doing business in Japan is difficulty in finding human resources

The results of this survey show that the biggest obstacle to doing business in Japan is “Difficulty in finding human resources,” something that represents a serious business challenge (Chart 4-19). Over 30% of companies cited difficulty in finding human resources as the top obstacle to doing business in Japan, and around 60% of companies cited this as one of the top three obstacles.

When asked about particularly troublesome issues in connection with “Difficulty in finding human resources,” a majority answered “Lack of human resources with foreign language ability” followed by “Difficulty in finding experts” (Chart 4-20). When looking at these figures by category of job, the most difficult to fill is “Engineering” (Chart 4-21). These results are the same as in the previous year. Looking at the categories of industry of companies that answered “Engineering,” it is apparent that many are in the fields of “Chemistry” and “Electrical devices, electronics, precision machinery, and ICT equipment”

It is possible that the Japanese government’s current policy of accepting more highly skilled foreign professionals into the country will have a certain effect in improving this situation. In this survey, around 40% of foreign-

affiliated companies expressed high hopes that the “Japanese Green Card for Highly-Skilled Foreign Professionals” (established in April 2017) would prove effective (Chart 4-22).

In addition, the Japanese government is currently preparing to introduce a new status of residence for working in Japan, aimed at foreign professionals who already possess a certain level of expertise or technical skills and are ready to become immediate assets in the workplace (see p.11). If this measure comes to fruition, it has the potential to bring about a certain level of improvement. In light of the fact that around 60% of foreign-affiliated companies stated in last year’s survey that they would be interested in hiring international students (mainly in the sciences), JETRO has been taking steps to help solve such issues being experienced by foreign-affiliated companies, such as by holding networking events to connect international students and foreign-affiliated companies (see p.44).

In regard to “Complicated administrative procedures,” one of the top obstacles to doing business in Japan, many companies pointed to the “Excessive amount of required documents,” “Lack of English translation” and “Excessive amount of time required to complete procedures,” especially with “Tax matters,” “Labor matters” and “Matters related to status of residence (visas)” (Chart 4-23). As to why foreign-affiliated companies have given their relatively low appraisal of administrative procedures in Japan,

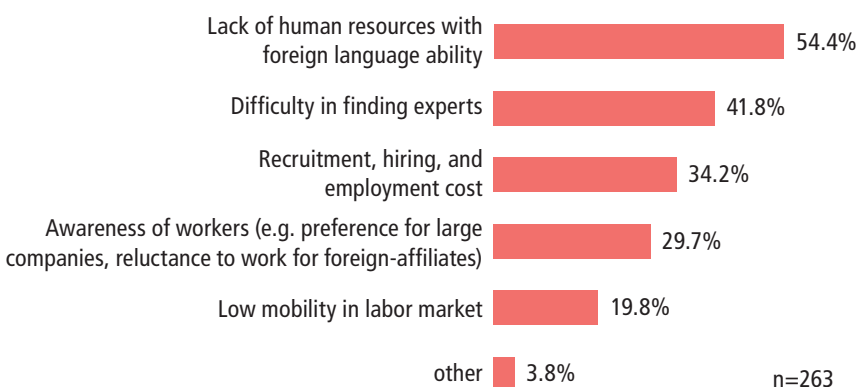
Chart 4-19 Obstacles to doing business in Japan (select each from 1st to 3rd position)

Rank	Answer	Votes			Points
		1st	2nd	3rd	
1	Difficulty in finding human resources	87	35	37	368
2	Difficulty in communicating in non-Japanese languages	54	69	31	331
3	High business costs	41	45	63	276
4	Complicated administrative procedures	36	40	39	227
5	Rigid regulations	24	32	31	167
6	Difficulty in finding business partners	11	25	15	98
7	Immigration control system	7	6	9	42
8	Difficulty in financing	0	7	12	26
9	Difficulty in living conditions for foreigners	0	2	11	15
	other	6	5	18	46

[Note] In regard to the 1st, 2nd and 3rd place answer selected by respondents, each is awarded points as follows: 1st = 3 points, 2nd = 2 points, 3rd = 1 point, and are listed in order of answer with the highest points total.

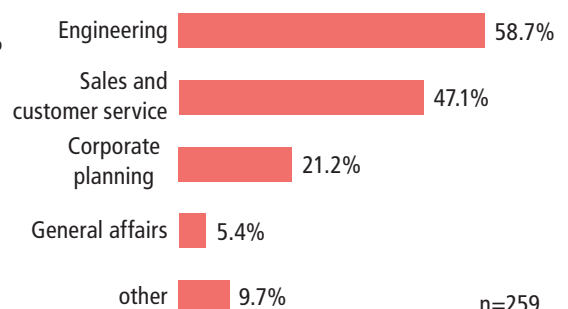
n=266

Chart 4-20 Regarding securing human resources, what difficulties in particular have you encountered? (top 2 options)



n=263

Chart 4-21 Regarding securing human resources, which categories of jobs are most difficult to fill? (multiple answers)



n=259

it is possible that they tend to base their perspective on comparisons with their own countries' systems and procedures, along with the fact that, in the 2000s, countries in Europe and North America carried out an extensive reduction in costs associated with administrative procedures along with the burden of paperwork.

In order to rectify this situation, the Japanese government set a KPI (key performance indicator) in its growth strategy to cut costs associated with administrative procedures by 20% or more in key fields by March 2020, and it is currently taking a range of measures to this end (see p.10). At any rate, moves to simplify a range of procedures and promote digital government can be expected to have a positive effect in simplifying accompanying documents during procedures and reducing the amount of time taken for procedures.

In terms of providing English language versions of documents, this continues to be a pressing concern for foreign-affiliated companies, which includes administrative procedures, and is an area in which ongoing efforts need to be made to bring about improvements. For instance, "Difficulty in communicating in non-Japanese languages" occupies the top position in the list of obstacles to doing business in Japan, and "Lack of English translation" has also risen to the top as the biggest difficulty relating to regulations in Japan (Chart 4-24).

Chart 4-22 From the perspective of securing human resources, what do you expect regarding the effectiveness of the "Japanese Green Card for Highly-Skilled Foreign Professionals"?

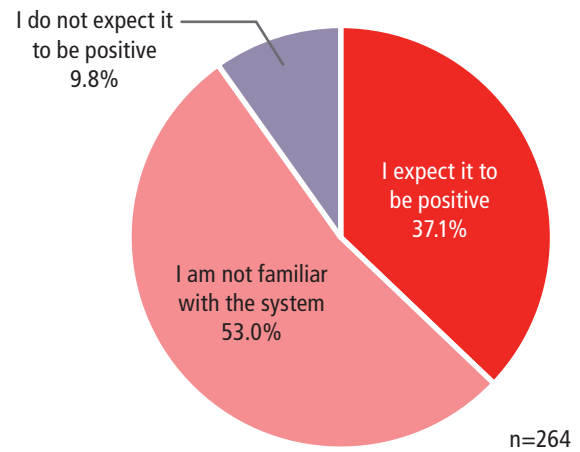


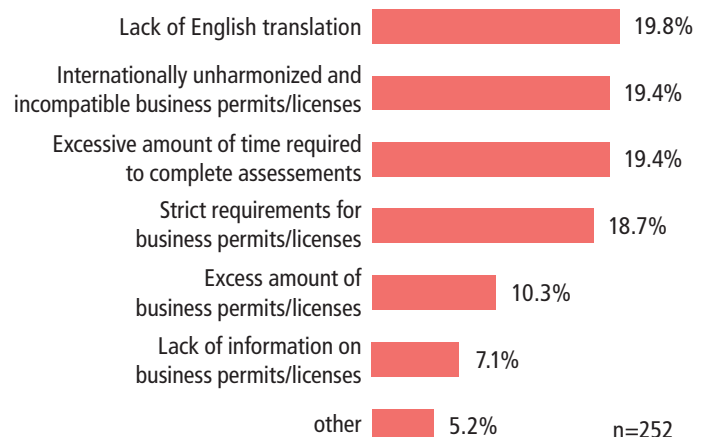
Chart 4-23 Administrative procedures felt to be in need of most improvement and specific issues currently experienced by companies

Administrative procedures that need improvement the most	Issues necessary to be improved the most								
	Excessive points of contact(lack of consolidation)	Excessive amount of required documents	Inconvenience caused by the lack of online procedures	Lack of English translation	Excessive amount of time required to complete procedures	High cost of applications and procedures	Other	Unselected	Total
Company registration	3	5	0	8	5	1	1	2	25
Tax matters	6	15	6	19	6	5	0	0	57
Social insurance	1	5	6	6	5	2	1	0	26
Labor matters	6	14	3	7	14	1	7	0	52
Matters related to status of residence (visas)	0	6	8	6	23	1	2	0	46
Intellectual property	0	1	2	3	0	0	0	0	6
Trade	1	4	0	2	4	2	0	1	14
Other	1	2	2	5	4	0	14	1	29
Unselected	0	0	0	2	1	0	0	8	11
Total	18	52	27	58	62	12	25	12	266

From the perspective of promoting inward foreign direct investment in Japan, the Japanese government has taken a number of measures, including the promise to "overcome language barriers at retailers and restaurants" along with efforts to translate Japanese laws into foreign languages, but some foreign-affiliated companies have pointed out that they face a major burden having to translate large volumes of information relating to individual regulations, and that there is no set interpretation of the content because no official English translations exist, making it difficult to report back to parent companies back in their home countries.

The provision of English language versions of documents requires time along with the development of suitable human resources, making it difficult to come up with measures that will take immediate effect. Having said this, the continuation of steady uninterrupted efforts to make improvements will be an important factor in further improving Japan's "business friendliness" in the future.

Chart 4-24 Regarding regulations in Japan, what is the most significant challenge for you?

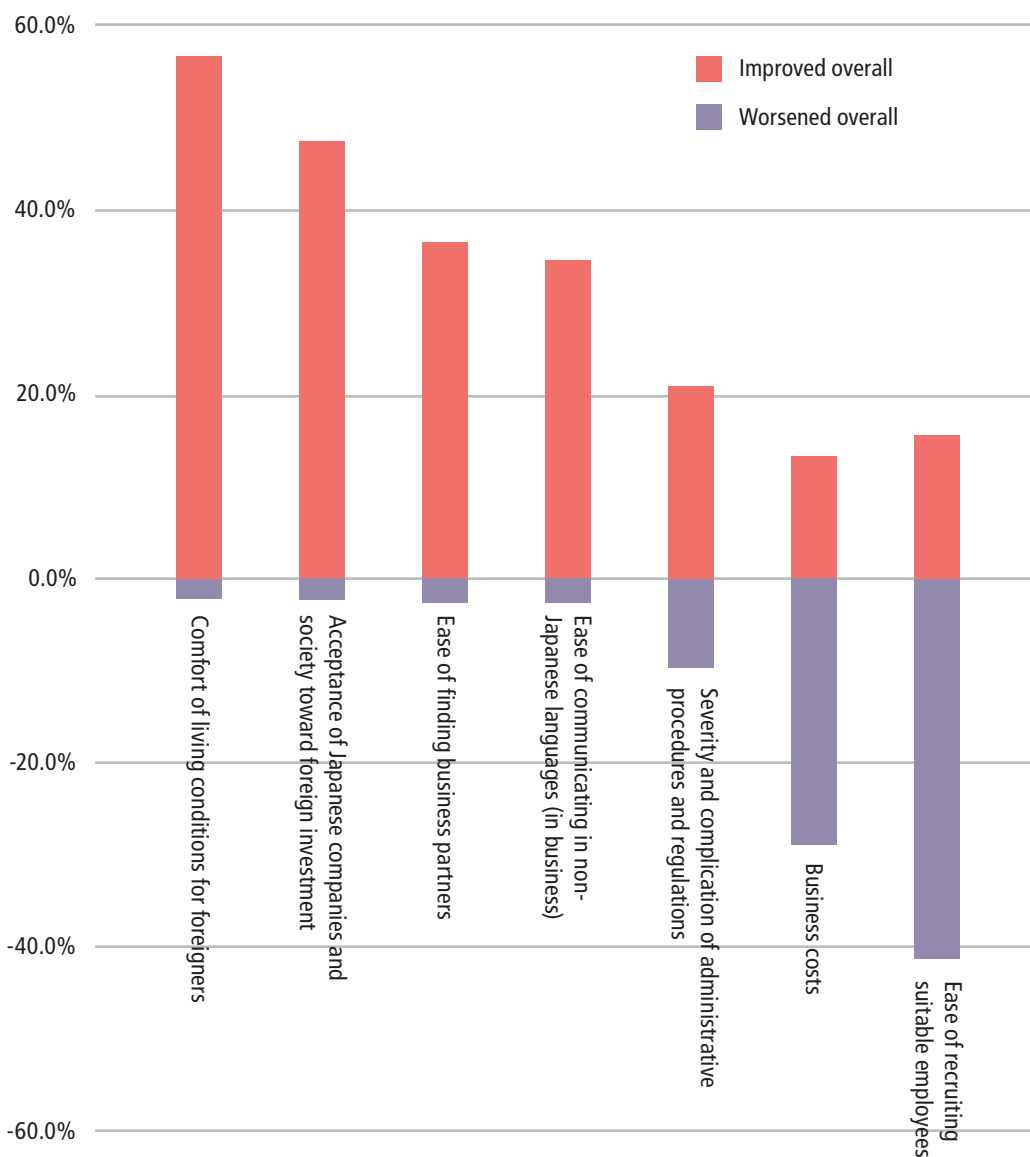


6. Japan's improving business environment

While issues still remain, foreign-affiliated companies are positive in many ways about the changes which have taken place in Japan's business environment over the past 1 – 2 years. Among the 7 items included in the survey, such as "Comfort of living conditions for foreigners," as with last year many companies felt that things are improving in 5 of the items, with the exception of "Ease of recruiting suitable employees" and "Business costs" (Chart 4-25).

In particular, in the case of "Comfort of living conditions for foreigners" and "Acceptance of Japanese companies and society toward foreign investment," a large proportion of companies feel that things are improving. With the increasing number of foreign tourists visiting Japan (28.69 million in 2017) and increasing number of foreign workers in Japan (1.28 million as of October 2017, the highest ever level) in recent years, it is possible that changes have taken place in the awareness of people in Japan as the accepting country.

Chart 4-25 Business environment in Japan - changes in comparison with past one or two years



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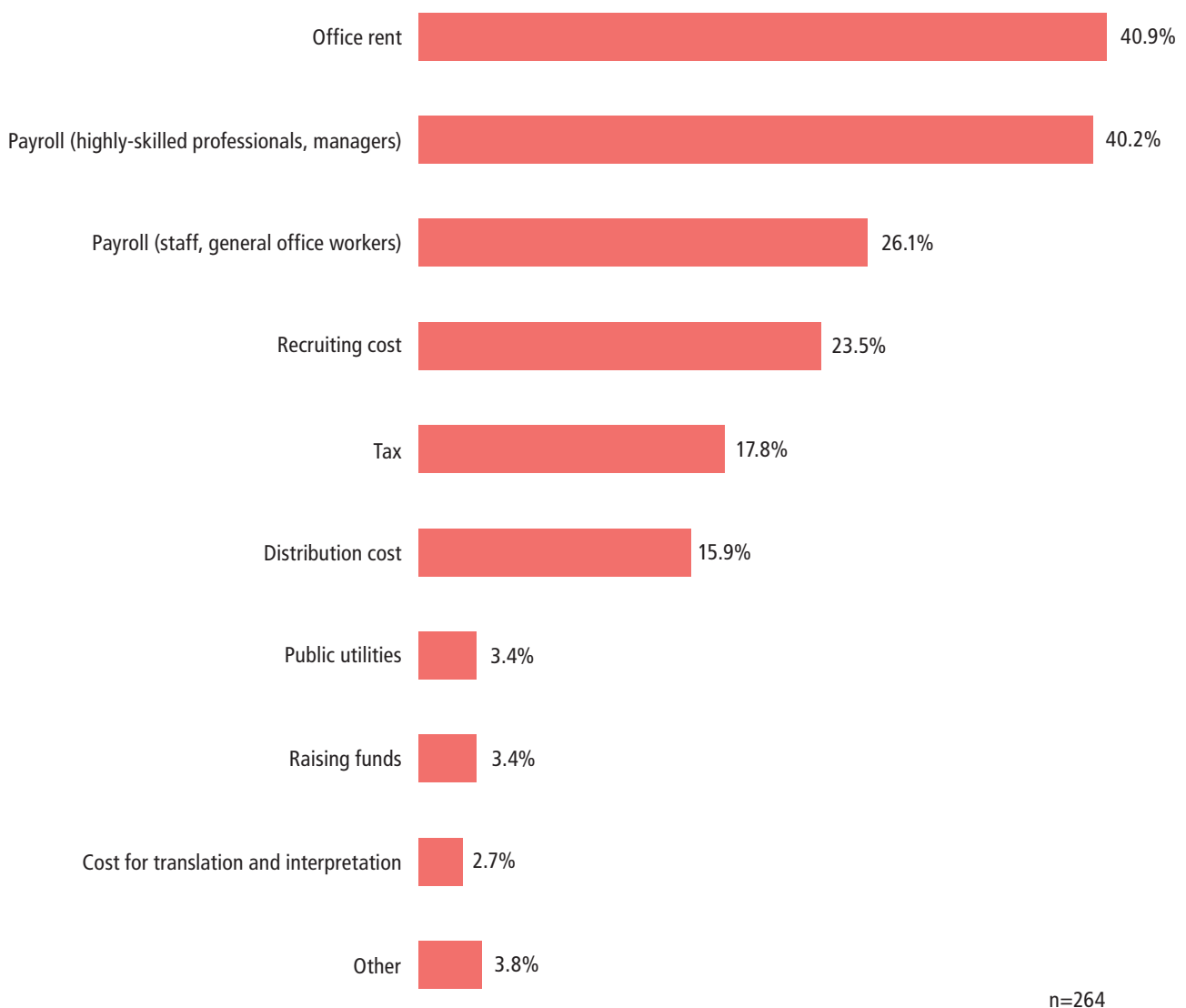
[Note] Ratio of companies answering "Improved overall" is shown as positive, while that of answering "Worsened overall" is shown as negative. Ratio of answers "Unchanged" is not shown in the chart.

In regard to “Ease of communicating in non-Japanese languages (in business),” too, while this occupies the top position as an obstacle to doing business in Japan, the results show that companies believe things are improving in this area.

A major factor behind the conspicuous number of companies answering that the “Ease of recruiting suitable employees” has worsened is an increasingly severe labor shortage. In addition, in the case of “Business costs,” many companies feel that office rent and payroll are high (Chart 4-26), with rising wages due to recent labor shortages and rising office rents as a result of rising land prices accounting for this.

Since the start of the current administration, the Japanese government has sought to position Japan as “the most business friendly country in the world,” and as stated in Chapter 2, has worked out various policies from the perspective of businesses to achieve this. As this flow of initiatives continues to take root, Japan’s business environment is expected to improve step-by-step into the future. JETRO will continue to deliver feedback from foreign and foreign-affiliated companies to the Japanese government based on the results of its surveys, etc., and will work to help further improve Japan’s investment environment.

Chart 4-26 Regarding business costs in Japan, which is the greatest cost? (top 2 options)



5 JETRO Efforts to Promote Investment in Japan

1. Achievements of JETRO: More than 190 success stories!

Chart 5-1 shows the number of foreign investment projects in Japan supported by JETRO. It also shows the number, among said investment projects, that succeeded in establishing new or expanding existing operations in Japan. In 2003, since JETRO established its Invest Japan Business Support Center (IBSC), and these have successfully attracted about 1,800 investments to this date.

Charts 5-2 to 5-5 provide breakdowns (by region, investor country/region, industry, and investment target region) for successful projects, comparing FY 2017 with the 15-year cumulative total. Results show an increasingly high ratio of investments from Asia in recent years, with China in particular taking on a major role. The ICT/telecommunications industry accounts for the largest percentage of investments, although investment numbers are also growing in the pharmaceuticals and medical field and tourism field. A

disproportionate number of investments still go to Tokyo, but this bias is gradually decreasing as investment in other parts of the country is relatively expanding.

Chart 5-1 Investment projects supported and successfully attracted by JETRO

	FY2017	FY2003-17 (cumulative)
Investments successfully attracted (operations newly established and businesses expanded)	193	1,772
Projects supported	1,741	17,713

Chart 5-2 Comparison of JETRO-attracted investments by region

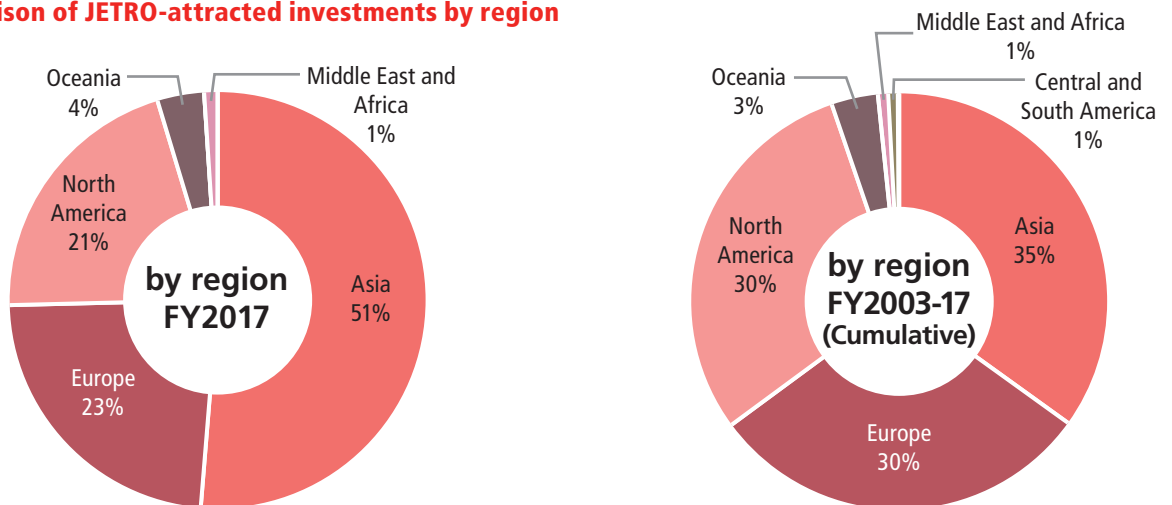


Chart 5-3 Comparison of JETRO-attracted investments by investor country/region

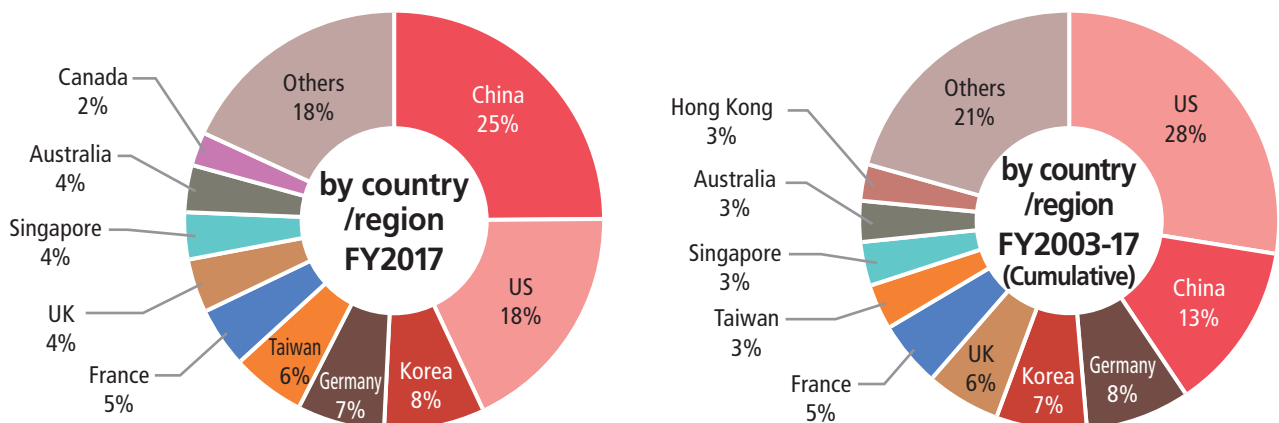
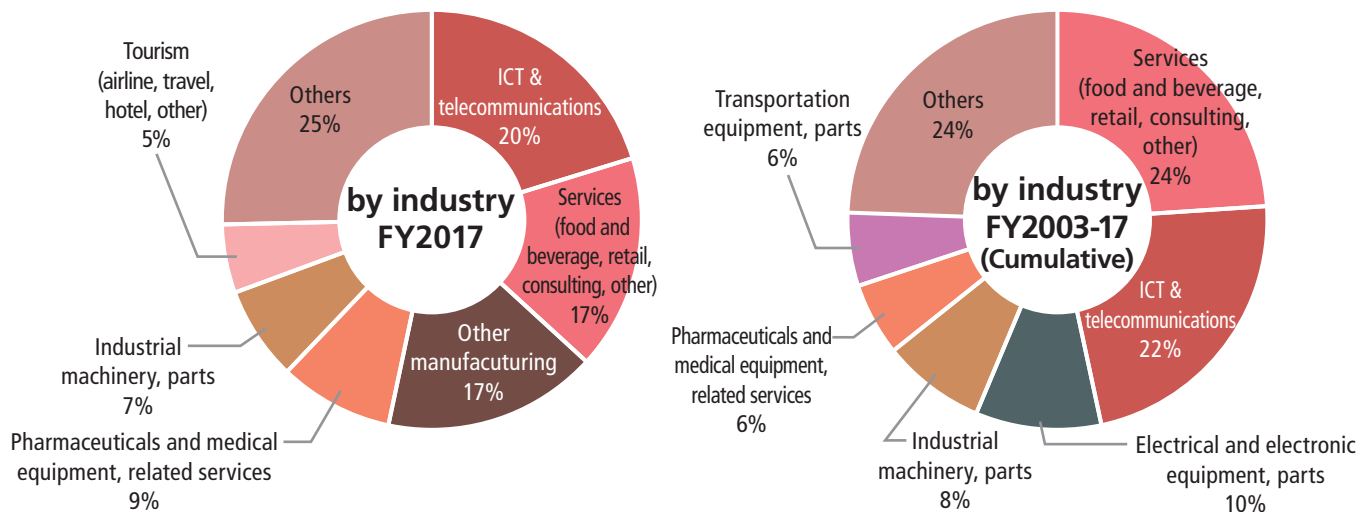
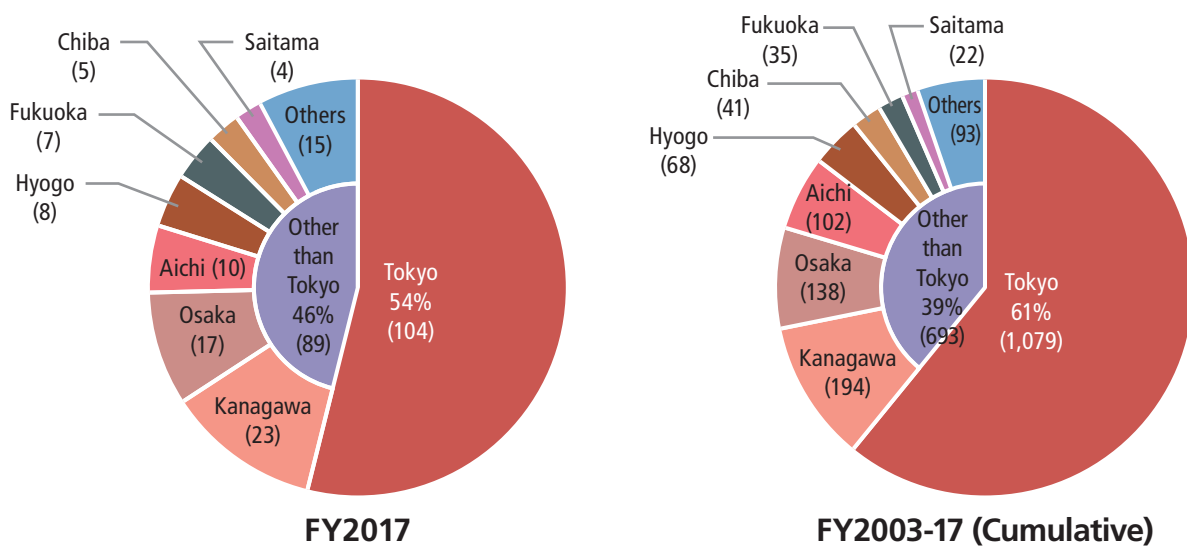


Chart 5-4 Comparison of JETRO-attracted investments by industry



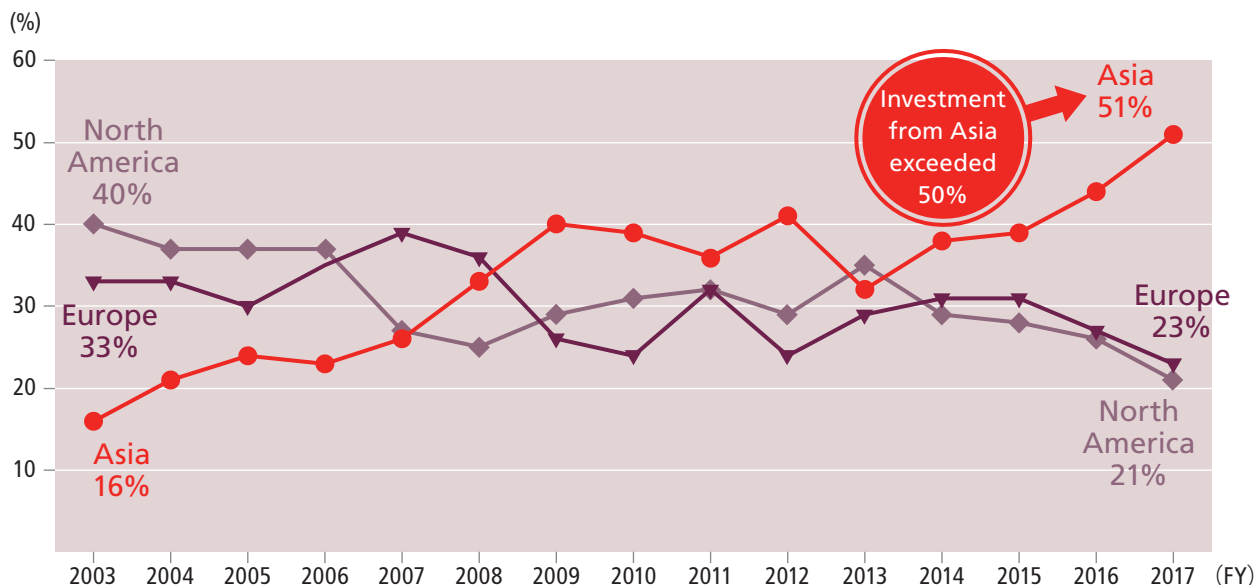
[Note] Classification is partly changed from that of "Invest Japan Report 2017." "ICT & telecommunications" includes software.

Chart 5-5 Comparison of JETRO-attracted investments by investment target prefecture



[Note] Number of projects in ().

Chart 5-6 Changes in ratio of JETRO-attracted investments by region



2. Growing investment in Japan: A focus on Asia, high added value, and innovation

JETRO provides comprehensive, integrated support to encourage greater foreign investment in Japan (see Chart 5-7). These efforts include information provision and promotional activities, discovery of companies interested in investing in Japan and supplying of market information, individualized support for companies establishing new operations in Japan, and business expansion support for foreign-affiliated companies operating in Japan, among others. JETRO also offers wide-ranging support to local governments throughout the nation.

The types of support projects and measures undertaken, as well as industries and fields targeted for support, have changed with the times. In recent years, much effort has been focused on encouraging the establishment of R&D centers and other facilities in pursuit of further innovation, attracting investments in regions outside of Tokyo and other

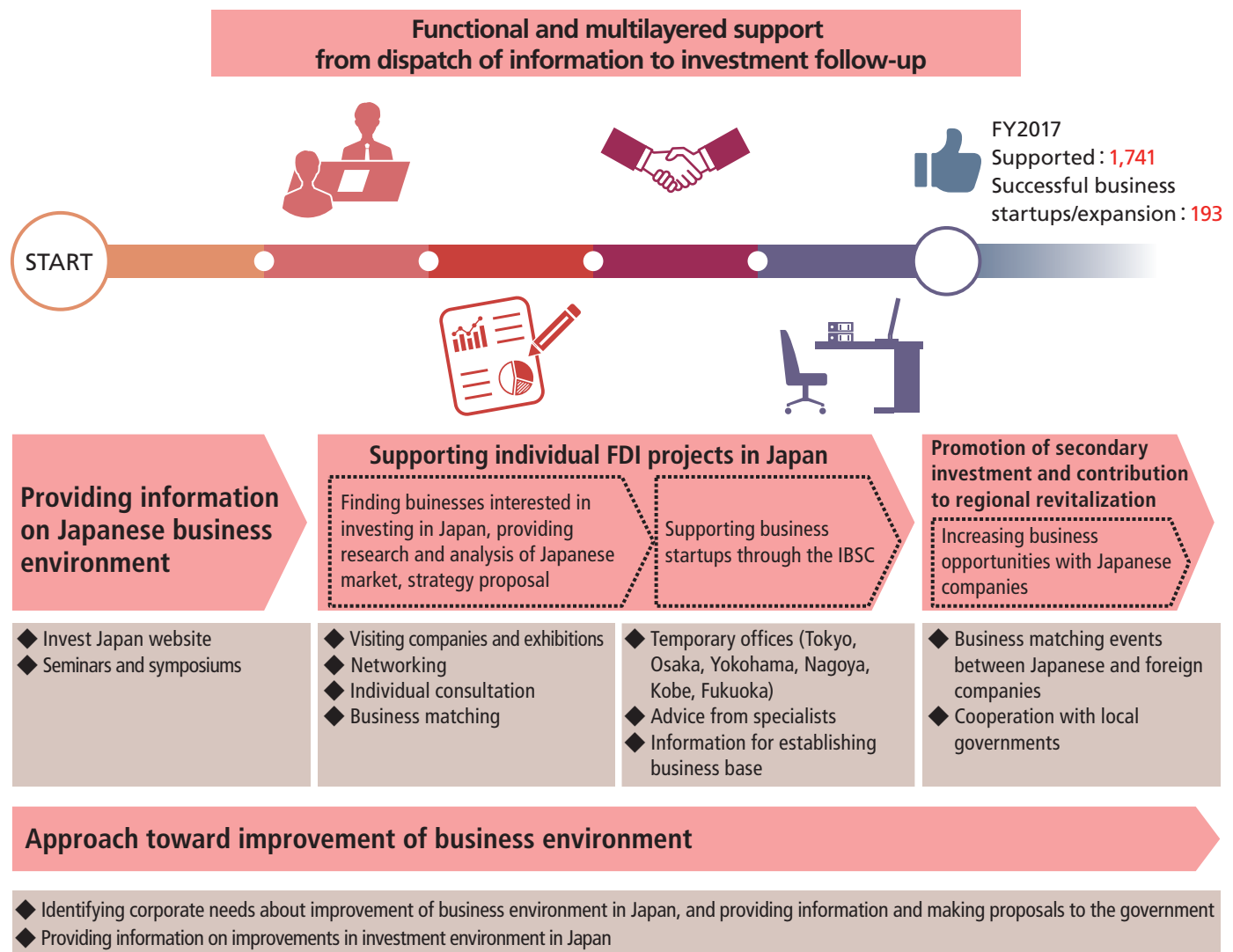
major urban centers, bolstering activities to attract companies from the emerging nations of Asia and elsewhere, and providing corporate matching support services for joint business endeavors with Japanese companies.

(1) Providing information on Japanese business environment

① Overseas hosting of the Japan Investment Seminars and Symposiums 69 times in FY2017

In order to convey, in a comprehensive manner, the advantages and appeal of the Japanese market to potential investors, JETRO is focusing its efforts on providing related information on a global scale, and emphasizing advantages such as the Japanese market's predominance in the region, efforts underway toward easing of regulations, and other factors that help foster a healthy environment for innovation, as well as support services offered by JETRO.

Chart 5-7 JETRO's activities to promote inward FDI



Toward these ends, JETRO hosted a total of 69 seminars and symposiums in FY 2017 (see Chart 5-8). In September 2017, when Prime Minister Abe visited the United States to attend a session of the United Nations General Assembly, JETRO hosted a roundtable conference in New York City where Prime Minister met and talked with the world-renowned investors and business leaders. Prime Minister emphasized improvements in the Japanese investment environment achieved through corporate governance reforms and other such efforts, and also engaged in frank and open discussions about measures the Japanese government should pursue to facilitate increased foreign investment in Japan. Local government heads from Japan also took part in the seminars and symposiums, expressing the attractive qualities and incentives offered by their regions and municipalities. These “top-level sales” by national and local government leaders taking an active part in the promotion of investment in Japan make major contributions to express their sincere effort for attracting more investments from abroad.

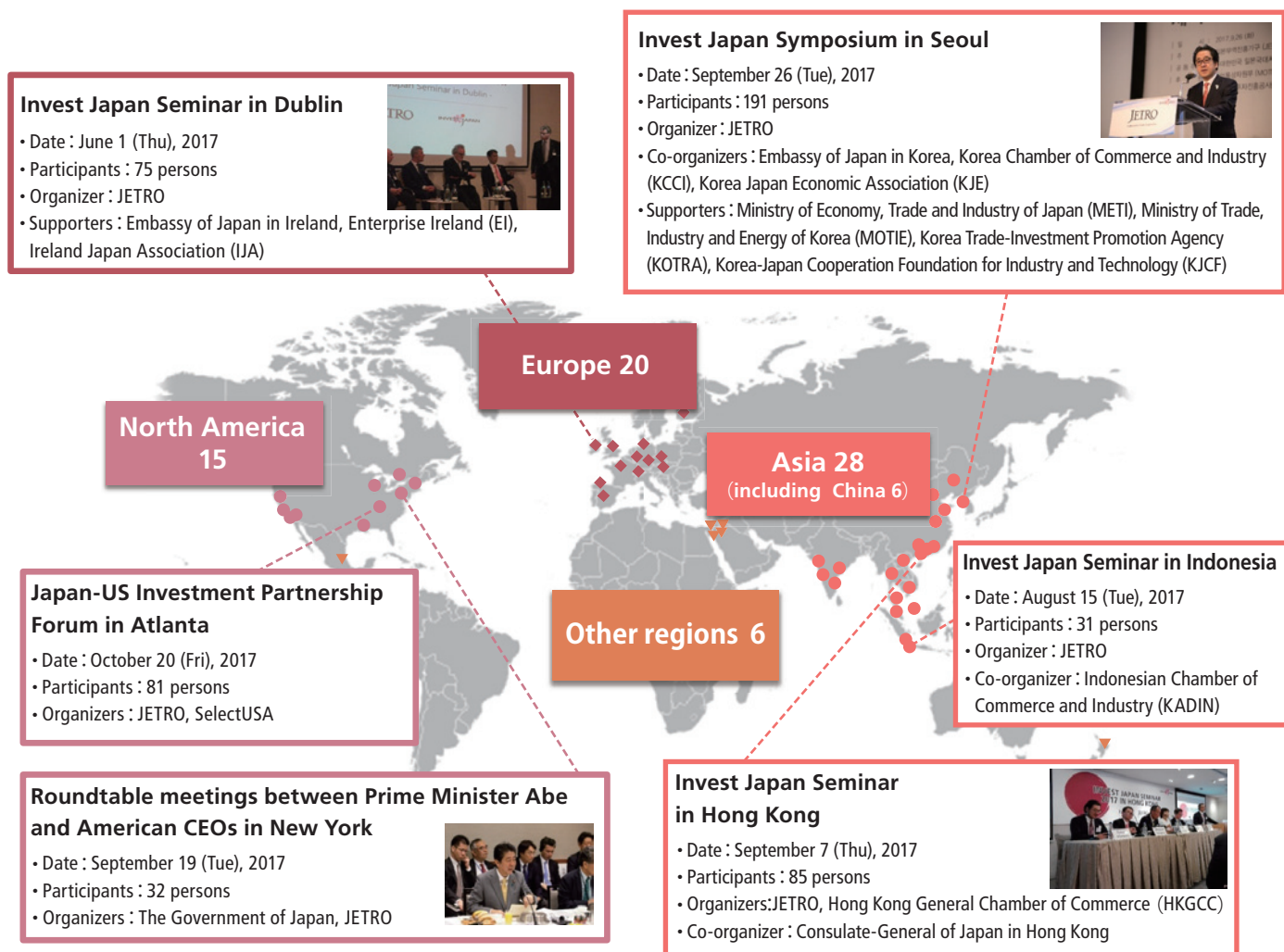
In FY 2017, JETRO held seminars and symposiums carefully planned to focus on prominent industries in each country/region and specifically target companies with interest in investing in Japan. In Taiwan, for example, JETRO hosted a Japan investment seminar targeting startups in areas such

as IoT and Industry 4.0, and in Germany held Japan Economic Forum in order to promote increased German–Japanese corporate collaboration and expansion of German business operations in the automotive industry in Japan. In India, JETRO focused on the IoT field with India–Japan Business Partnership Seminar. In these ways, JETRO conveyed a message that to build more win-win relationships through international corporate collaboration with Japan will lead to greater mutual innovation. JETRO also called on to the government officials and leading business executives in Vietnam, a country whose prospects for future investment in Japan are promising that business growth and experience in the Japanese market has the potential to provide Vietnamese companies with a good launching pad for global-scale expansion.

Many of the seminars and symposiums featured promotional booths hosted by local Japanese governments, intended to provide information to investors on local market advantages, incentives and the like. From FY 2018, JETRO is holding seminars and symposiums targeting exceptional startups offering innovative technologies and services in order to help promote new innovation in Japan, overcome societal problems and respond to other contemporary needs.

▶ Highlights P.42-43 1 2 3 4

Chart 5-8 Seminars and symposiums on investment in Japan held in FY 2017

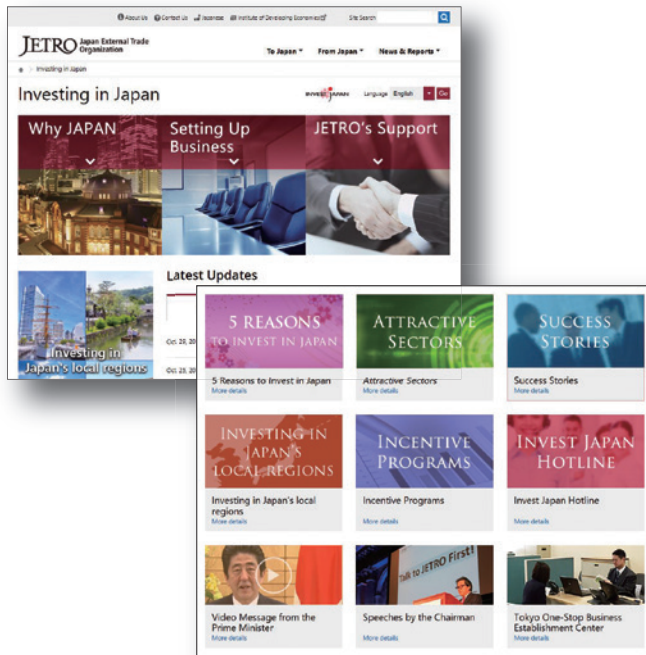


② The Investing in Japan website: a comprehensive online source of important information on entering/investing in the Japanese market

JETRO has designed the website (see Chart 5-9) to serve as a comprehensive portal site for parties interested in investing in Japan, and toward this end the organization distributes information in seven languages via the site. The most visited page on the site is "How to Set Up Business in Japan," which offers an overview of information on incorporating a business, visas, taxes, human resource management, and trademarks and design protection systems, among other topics. This section of the site also offers downloadable PDF pamphlets. The "Investing in Japan's local regions" page has information on local business environments throughout Japan, incentives, and more. Visitors can search by prefecture, preferred investment industry/field and other such criteria, and can also compare various data for each municipality/region.

Moreover, in response to a report (April 2017) from the Working Group for Revising Regulations and Administrative Procedures (administered by the Council for Promotion of Foreign Direct Investment in Japan), and also to the policies established under Growth Strategy 2017, JETRO is working to provide more English-language versions of government policies regarding investment in Japan, market reports and similar.

Chart 5-9 Investing in Japan website:
<https://www.jetro.go.jp/en/invest/>



JETRO Investing in Japan



(2) Supporting individual FDI projects in Japan

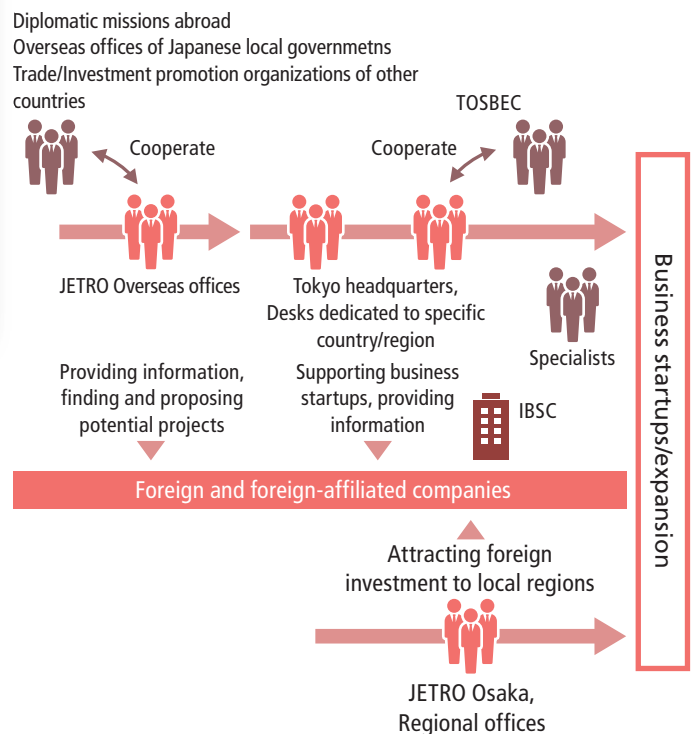
① Provision of individualized support in collaboration with overseas offices, domestic offices, and the Tokyo and Osaka Head Offices

Approximately 200 staff members at JETRO's offices, which include overseas and domestic offices as well as the Tokyo Head Office and Osaka Head Office, coordinate their efforts closely to attract promising overseas companies to Japan and provide support tailored to each company's individual needs (see Chart 5-10).

The overseas offices work together with overseas diplomatic agencies, overseas offices of Japanese local governments, and the trade and investment promotion organizations of various countries and regions to host seminars, arrange mutual visits among industry organizations, and in other ways provide information on the Japanese investment/business environment and find promising potential investors. Within Japan, JETRO provides support for procedures to set up new companies domestically, supplies industry-specific market information, offers information on obtaining permits and certifications, introduces regional and local incentives as well as potential regions for doing business, and provides other such support. Six foreign-national staff members (from North America, China, Taiwan, South Korea, the ASEAN region and India) capable of providing assistance in their native languages for each region and country are assigned in the Tokyo Head Office. JETRO also works in coordination with Tokyo One-Stop Business Establishment Center (TOSBEC), a one-stop center for consultations on necessary procedures for establishing an incorporated entity (established in April 2015, operated by the national and Tokyo municipal governments).

JETRO has established Invest Japan Business Support Centers (IBSCs) in six municipalities throughout Japan: Tokyo, Yokohama, Nagoya, Osaka, Kobe and Fukuoka. The IBSCs provide temporary offices that can be used free of charge for 50 business days by people preparing to set up offices in Japan; offer free consulting services related to legal-, labor- and tax-related systems and procedures; and even provide support services in areas such as staffing and office-hunting.

Chart 5-10 JETRO's platform to support foreign/foreign-affiliated companies



② Target fields in FDI: R&D hubs and similar offering high added value and benefits for Japan's economy

With a central focus on environment and energy, life science, tourism, service, ICT, manufacturing and infrastructure fields, JETRO centers its foreign-company investment promotion efforts on projects that help foster innovation in Japan, boost productivity, promote accumulation of research know-how, and otherwise make contributions toward the Japanese economy. Some of JETRO's more recent support projects include additional investments by the US company **BorgWarner** (a manufacturer of high-performance automotive electric components) toward strengthened productivity and R&D functions of its factory in Mie Prefecture, the establishment of branches in Tokyo and Osaka by the South Korean low-cost carrier **Air Seoul**, the establishment of a company for marketing and R&D by Taiwanese IoT solutions developer **NextDrive**, and the establishment of a company in Japan by the Singaporean FinTech company **Coolpay**.

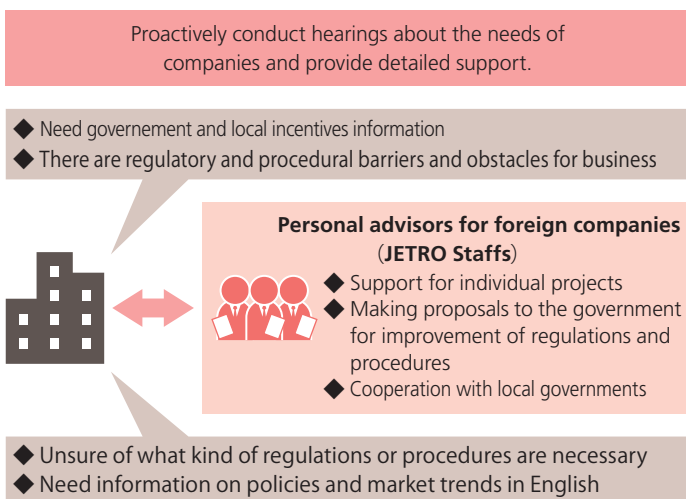
JETRO is also making efforts to attract companies that provide support for both Japanese and overseas startups—these efforts include helping the US startup accelerator **Plug and Play Tech Center** establish a new Japanese location. Under the "J-Startup" program launched in FY 2018 by the Ministry of Economy, Trade and Industry (METI), which offers focused support specifically for startups, JETRO is participating in mutually assistive efforts between accelerators and other such organizations in 12 cities around the world.

▶ Highlights P.43 5

③ Close company partners: Introduction of the Personal Advisors System for Foreign Companies

In FY 2017, JETRO established the Personal Advisors System for Foreign Companies (see Chart 5-11). Under this system, whose support efforts target roughly 1,000 companies, JETRO representatives work as close partners with each company offering comprehensive consulting services and striving to help overcome individual problems and challenges. Through attentive, fine-tuned support activities, the program also provides a means for JETRO to listen to the opinions of companies regarding Japanese regulations, procedures and other factors that interfere with smooth business establishment and operation, and then convey these requests and ideas to the national government.

Chart 5-11 Overview of the Personal Advisors System for Foreign Companies



Example Cases: Responses to Requests and Consultations from Foreign Companies

European tool manufacturer

Opening a bank account

Despite a pressing deadline for sending payments via bank transfer, this company was turned down by multiple banks when trying to open a corporate bank account, the reason for refusal being that they are a foreign firm. The personal advisor contacted other banks and, after explaining the operations and future potential of the company in question, was able to help them open an account one week later.

Asian cosmetics manufacturer

Life support

The company came in to talk regarding school enrollment procedures of expatriate's children. The personal advisor (a foreign staff dedicated to specific country/region), based on personal experience, offered some useful advice. The advisor asked the local ward office and got information on numbers of foreign students at various schools in the district and on the formation of local school districts, making the company to recognize that the final school choice is linked to the choice of a place to live.

Asian robotics-field company

Staffing

The company was unable to understand the Japanese resumes received in response to hiring ads. The personal advisor worked closely together with the company's staff to review applicant resumes and assist with the screening process.

European translation and interpretation company

Linguistic support

When the representative of a company in Japan attempted to set up a rental contract with a real estate company, it was turned down, being told that contracts with foreign nationals were impossible. Even when the representative attempted to go through a guarantor agency, they reported that the agency was unable to help because they didn't speak English. The personal advisor introduced a guarantor company capable of serving customers in English, and the representative in question was finally able to conclude a rental contract.

European parts manufacturer

Staffing

This company had been searching for high-quality engineers to hire but did not have any luck. The personal advisor introduced them to a university professor (a personal acquaintance), and through this connection the company was able to find suitable personnel. The company also met with local government representatives—a meeting arranged by the personal advisor—who introduced potential candidates for hire. Thanks to this support, the company was able to find the engineers and office staff it needed.

5

Newly Established Business Endeavors in Japan through JETRO Support (FY 2017)

MER MEC JAPAN (Italy) successful trial implementation with JR West



MER MEC is a railroad infrastructure inspection and diagnostic systems developer that boasts 14 locations worldwide and does business in about 50 different countries/regions. Although they originally started business in Japan through a trading company as a go-between, it had to reconsider working with them in 2016, at which time JETRO proposed that MERMEC instead establish an office in Japan. MER MEC decided to found a Japanese corporation with the aim of offering after-sales services, expanding their market, and pursuing joint development projects with Japanese firms.

JETRO provided the company with a temporary office space to use at the outset, offered consulting services related to employment contracts and other labor-related procedures and details, introduced specialists including an administrative scrivener and certified accountant, and in other ways provided thoroughgoing support for the new Japan-based subsidiary. In February 2017, the group established MER MEC JAPAN in Tokyo.

MER MEC has made use of JETRO's company matching support services and is now pursuing talks with corporate partners regarding future joint projects abroad.

Furthermore, in March 2017 West Japan Railway Company (JR West) began trial implementation of a rail diagnostic system provided by MER MEC JAPAN on the JR Sanyo Shinkansen Line. Japan's railway industry is known for being extremely difficult to break into, and MER MEC's success in this endeavor speaks to their technological prowess.

MER MEC also has an office in China, but they now position their Japanese office as the regional headquarters for Asia. The company aims to strengthen business in South Korea, Taiwan and Singapore with operations centered in Japan.

Plug and Play (US) America's biggest startup accelerator



Headquartered in Silicon Valley, Plug and Play Tech Center (often known simply as Plug and Play) is one of the US biggest startup accelerators / venture capital firms. They have 26 locations in 12 countries around the world and boast a startup network comprising tens of thousands of companies.

Following their founding in 2006, Plug and Play began establishing locations around Europe and Asia, and in July 2017 they decided to establish their Japanese arm in order to explore the potential of Japan, the world's third largest economy by GDP. Working with Tokyu Land Corporation, Plug and Play launched an incubator to host an acceleration program in Tokyo's Shibuya district, which is considered by many to be the nation's startup mecca.

JETRO set up meetings between the company and local government organizations, supplied information on financial assistance and subsidy programs, and provided consulting services related to employment contracts and other labor-related matters. Making use of the wide-reaching network of contacts and partners, JETRO worked with Plug and Play to arrange co-hosted events in Silicon Valley, thus helping the company expand their network as well. These endeavors enabled the company make contact with startups, major corporations and other organizations in Japan with the potential to serve as partners and provide additional support in the future.

Plug and Play devote themselves to cultivating startups around the world. Moving forward, they plan to help Japan-based startups gain momentum in efforts to break into overseas markets and expand their businesses. By 2020, the accelerator aims to invest in a total of 50 Japanese companies, secure support in joint efforts from 50 major companies, and establish additional business bases outside of Tokyo.

NTQ Solution (Vietnam) new partnership model for Vietnamese-Japanese companies



NTQ Solution is an IT development startup based out of Hanoi that handles work contracted by outside organizations. In January 2017, they established an office in the Yokohama World Business Support Center (WBC), which is managed by the City of Yokohama, and began offering product development support services for Japanese firms. The Hanoi-based R&D team actively pursues practical implementations for cutting edge ICT technologies, including AI, IoT, robotics, e-learning and image recognition.

When NTQ Solution was initially searching for an office to rent in Tokyo's suburbs, JETRO introduced Yokohama's WBC as an option, and helped the company connect with Yokohama and other local governments as well as corporations and industry organizations. Additionally, JETRO provided attentive, in-depth support for tax withholding procedures; visa-related paperwork for Japan-based employees, which changes greatly depending on family makeup and other such factors; and other procedures that often prove difficult or confusing.

In August 2017, NTQ Solution worked with A.C.T., a Japanese company involved in systems development, on a joint development project for a computer security system that enables automated logging on and off without the need to confirm specific user IDs. Together, both parties successfully completed this system: A.C.T. devised the system specifications to meet the needs of the Japanese market, and NTQ Solution carried out system development and product design.

Even though it is now commonplace for Japanese corporations to outsource certain operations to Vietnamese companies, this latest example of joint system development, with both the Japanese and Vietnamese companies serving as equal partners, serves as a new type of partnership model for future Vietnamese-Japanese companies.

PChome Online / Ruten (Taiwan) working to connect Japanese companies with Taiwanese consumers



E-commerce

PChome Online is an e-commerce company that operates Taiwan's biggest online shopping website. They established a locally based Japanese company in Tokyo in August 2015, and in November 2017 opened a branch office in Osaka. JETRO assisted with the Osaka branch establishment by introducing the company to real estate agents and other such service providers to help set up the new facilities, assisting with hiring and other human resources efforts, and providing labor-related consulting services relating to insurance and pension plans.

PChome Online had been looking for ways to bring Japanese products to Taiwan's consumers, and toward this end took part in a business matching event held by JETRO to encourage partnerships with Japanese firms. Despite high demand for Japanese products and services abroad, they realized that many Japanese companies had a hard time breaking into overseas markets due to the difficulties of communicating and providing of after-sales services, financial barriers related to payment systems and customs duties, and other such obstacles.


Taking these factors into consideration, PChome Online decided to offer "substitute purchase" service system in order to connect Japanese companies with Taiwanese consumers, and at the end of May 2018 the company began offering such services. By employing an automated translation system, payment system and other such methods developed in-house, PChome Online now makes it possible for Taiwanese shoppers to directly browse Japanese e-commerce websites and even place orders and complete payments online. Japan's e-commerce operators simply make their shopping sites available to Taiwanese shoppers and carry out transactions as usual (as if dealing with a domestic customer), with purchased products being shipped not to the Taiwanese customer but to a PChome Online warehouse in Japan.

Traditionally, the three biggest barriers to international e-commerce have been language, logistics and payment processing; PChome Online provides convenient solutions to all of these in one place.

(3) Promoting secondary investments and contributing to regional revitalization

① Invest Japan Networking Event: networking opportunities for companies

With the aim of promoting collaborations between foreign-affiliated companies entering the Japanese market and Japanese companies, as well as increased opportunities for investment in Japan, JETRO organizes corporate exchange events and networking opportunities. In December 2017, the 2nd JETRO Invest Japan Networking Event was held, which brought in numerous participants from foreign-affiliated companies operating in Japan, and even members of national and local Japanese government organizations. In addition to providing a venue for exchanges, the event served to help foreign-affiliated companies better understand JETRO's efforts toward promoting foreign investment in Japan. In recent years, JETRO has hosted networking events with a focus on startups and other such companies.

▶ Highlights P.43 

② Support for staffing efforts at foreign-affiliated companies

JETRO provides support for exchanges and networking opportunities between foreign-affiliated companies and foreign exchange students in Japan. Today, labor shortages are increasingly severe throughout the nation, and according to the JETRO survey of foreign-affiliated companies, the most common problem among them when doing business in Japan is difficulty in finding and hiring human resources. At the same time, international students studying in Japan on exchange programs face low domestic employment rates, in response to which the national government has set the goal of boosting the exchange-student employment rate to 50% by the year 2020. In October 2017, JETRO held the first "Exchange Students/Global Talent & Foreign-affiliated Company Networking Event." JETRO then hosted it for the second year in 2018 at the University of Tokyo and Tohoku University. Numerous students and foreign-affiliated companies attended the events, deepening mutual exchanges through presentations and networking time.

▶ Highlights P.44  

③ Joint endeavors with local governments to attract foreign investment to local regions

Even though foreign investments in Japan is on the rise, most of these are concentrated in large urban centers. In order to facilitate more foreign investments through the use of resources and advantages offered by Japan's local regions, JETRO is working with local governments by providing advice on establishing strategies and implementing practical training projects. Toward these ends, JETRO dispatches "Foreign Investment Attraction Coordinators" throughout the country, assigning each to broad regions—Tohoku, Kanto, Chubu, Kinki–Hokuriku, Chugoku–Shikoku, and Kyushu—to provide wide-reaching support for companies that wish to invest in these areas and fostering networking efforts, while also coordinating with Regional Support Team in the head office.

Thanks to continual provision of such support along with sustained efforts by local government organizations, numbers of investments in areas outside of Tokyo are gradually rising. Recent developments include the establishment of the first domestic location by Chinese IT firm **3DNest** (a developer of 3D image creation software) in Tsukuba City, Ibaraki Prefecture; the opening in Sendai City, Miyagi Prefecture of the first Japan-based office for the US company **Alorica** (a business process outsourcing firm offering call center operations among other services); and the establishment of Spanish company **Gestamp Automoción's** first Japanese factory in Matsusaka City, Mie Prefecture (for the manufacturing of automotive pressed parts).

In FY 2018, JETRO newly launched the Support Program for Regional Foreign Direct Investment in Japan to boost support further. This includes assistance in local-government establishment of strategies to attract foreign investments, relevant utilization advice, and other assistive efforts. In anticipation of the upcoming 2020

Tokyo Olympic and Paralympic Games, JETRO plans to hold Regional Business Conference (RBC) events that entail measures such as inviting foreign companies to Japan and encouraging partnerships with regional corporations. Additionally, JETRO and local governments are working together to attract companies through "Challenge Programs" aimed at achieving practical skill improvements among members of local government organizations.


▶ Highlights P.44-45  

④ Joint investment with Japanese companies: organizing the first joint foreign–domestic corporate investment project


In addition to bringing in more foreign investment, JETRO helps to connect the needs of foreign companies and forge relationships with the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (hereinafter referred to as SME Support, JAPAN) and other related organizations to facilitate more joint investments with Japanese companies. Under the Promotion of Global Alliances for Japanese Mid-ranking Companies and SMEs, a framework put forth by the Ministry of Economy, Trade and Industry (METI) in the hopes of expanding overseas market opportunities for and promoting open innovation among Japanese companies via foreign-company participation in investment projects and management, JETRO is encouraging utilization of the SME Growth Support Fund which SME Support, JAPAN participates. In April 2018, Taiwan's TWI Pharmaceuticals and the US Bristol-Myers Squibb—which receive support from JETRO—reached an agreement to invest together with SME Support, JAPAN in a joint venture-capital fund (totaling 4 billion yen) formed as the first project to be used for investing in unlisted startup companies, primarily those operating in the fields of medical equipment, regenerative medicine, pharmaceuticals and others within the bio-healthcare industry.

(4) Approach toward improvement of the business environment

JETRO communicates company needs to the national government in response to requests from foreign and foreign-affiliated companies for regulatory and administrative reforms. The Personal Advisors System for Foreign Companies fosters better daily communication with these companies while also promoting greater understanding of their needs, while the Invest Japan Hotline along with the annual "Survey on Japan's Investment Climate" sent to foreign-affiliated companies provide companies with ways to consult with and make requests to JETRO, who then provides wide-reaching support through efforts such as talking and coordinating with relevant government bodies and participating in necessary meetings/sessions. In one recent example of JETRO's success in easing regulations by such means, the government has passed a special measure permitting the obtainment of the status of residence (working visa) "Business Manager" in Japan by those operating in coworking spaces—rather than permanent offices—as long as they meet specified conditions (to be effective as of November 2018).

▶ Highlights P.46 

In addition, the government launched the "Investment Advisor Assignment System" in 2016, which has vice-ministers serve as consulting partners to foreign companies that make major, important investments in Japan. JETRO takes part in such consulting sessions and follows up, together with the Ministry of Economy, Trade and Industry (METI), on matters discussed and decided upon in those sessions. In regard to the "Regulatory Sandbox" system launched by the national government in June 2018 (details are covered in Chapter 2), JETRO coordinates with a government's single window, GoJ's Regulatory Sandbox Team, organized within the Cabinet Secretariat to provide consultation services for foreign companies.

▶ Highlights P.46 

3. Highlights: JETRO's 2017–18 foreign investment promotion efforts

1 First Japan Investment Seminar in Taiwan Targeting Startups

Seminar in Taiwan

In November 2017, JETRO hosted its first seminar in Taiwan, which targeted local startups and was designed to attract more investors to Japan. Taiwan has centered many of its efforts on business expansion in foreign countries and regions via collaborations with overseas companies and Taiwanese startups. Through this event JETRO emphasized the necessity of stronger joint business efforts with Japanese firms, who are focusing their efforts on open innovation to bring in revolutionary new ideas from both domestic and foreign startups with the aim of further expansion on the global market.

The managing director of Deloitte Tohmatsu Venture Support who supports development of startups made an appearance at the event and explained how leading Japanese companies are searching for new technologies and ideas, and how this poses a major opportunity for Taiwanese startup companies, while also going over some important tips for Taiwanese startups hoping to achieve business success in Japan. Among examples discussed regarding successful collaborations between Taiwanese and Japanese companies, the case of the smart electric-power equipment manufacturer using IoT, NextDrive, who engaged in a collaboration with a leading Japanese IT firm was brought up.



Presentation by Golface through Skype

2 India–Japan Business Partnership Seminar Focused on the Indian IoT Field

Seminar in India

In March 2018, with the aims of expanding partnerships between Indian and Japanese companies and encouraging Indian entry into the Japanese market, JETRO hosted the India–Japan Business Partnership Seminar in the cities of Hyderabad, which boasts numerous IT firms and pharmaceutical companies, and Bengaluru, which is also known as the "Silicon Valley of India." The seminar advocated the potential of global-scale business expansion



Q&A session in Bengaluru

through coordination of the innovative products and services of Indian IT firms, which boast leading-edge IT technologies, with the outstanding manufacturing capabilities, products and technologies of Japanese companies.

These events featured talks by an Indian IT company who had established a local subsidiary in Japan and worked with a Japanese company to jointly develop a remote monitoring system for railway traffic signal equipment. Persons from both countries involved in the venture capital field took part in a networking event at the Bengaluru seminar. Furthermore, the director of the Japan Venture Capital Association piqued interest among India-based startups in entering the Japanese market through a presentation describing how VC investment amounts and IPO numbers in Japan are on the rise every year.

3 Japan–Canada Innovation Partnership Forum: Updating the Memorandum of Cooperation to Promote Mutual Investment in Both Countries

Forum in Canada

In May 2018, in commemoration of the 90th anniversary of diplomatic relations between Canada and Japan, JETRO held the Japan–Canada Innovation Partnership Forum in Toronto, Canada. The main themes of the event were collaboration between companies from both countries in the innovation field, and subsequent expansion of business in the Japanese market. The Forum served the dual purposes of promoting investment in Japan and facilitating innovation-related exchanges and networking.

JETRO promoted international corporate collaboration, emphasizing the importance of joint efforts between Canadian companies, which have garnered widespread praise for their efforts in the fields of artificial intelligence (AI), deep learning and self-driving systems for automobiles, and Japanese companies, which offer sophisticated product development capabilities and experience. Three Canadian companies who had already taken their operations to the Japanese market gave presentations on the advantages of doing business in Japan.

A signing ceremony for the re-conclusion of an MoC between the Global Affairs Canada and JETRO was also held during the forum. The new MoC includes a section on the innovation field added for the purpose of facilitating two-way investment.



Conclusion of MoC

HIGHLIGHTS

4 Italian Innovation Day 2018

Business Matching Event in Tokyo



Pitches by Italian startups

In May 2018, JETRO collaborated with the Embassy of Italy in Tokyo to host their first corporate matching event for Italian startups and Japanese companies, including Japanese venture capital firms.

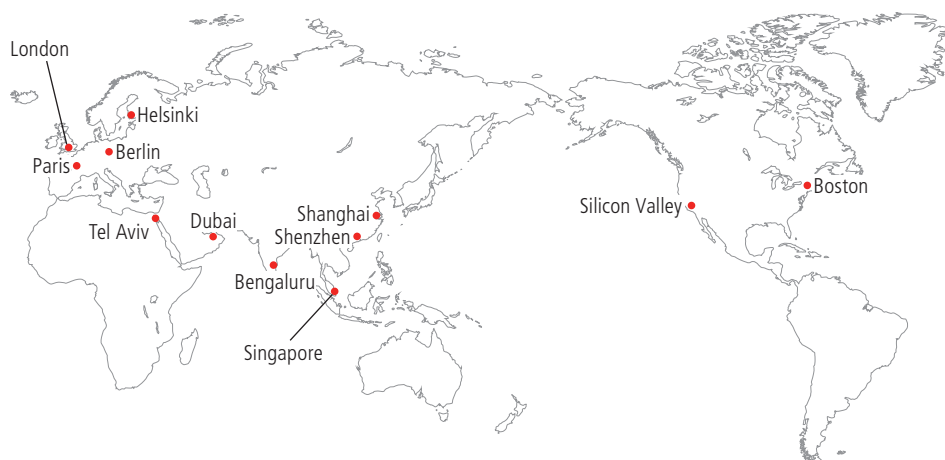
JETRO worked together with NTT DATA, a Japanese private-sector company with wide-reaching knowledge on overseas startups, to screen and select startup companies with high potential for future establishment in Japan. After the pitches by about 10 innovative Italian startups from fields such as biomedical engineering, health management, and AI for drone applications, networking sessions and individual meetings with Japanese participants were held. A total of 162 persons took part, including representatives from Japanese companies, local governments and venture capital firms.

5 Launch of the JETRO Global Acceleration Hub

New Program to Support Startups

As the attention to startups as players of innovation is increasing worldwide, the Japanese government has launched the startup-focused support program "J-Startup," a private-public sector collaboration headed up by the Ministry of Economy, Trade and Industry (METI) in June 2018. As part of the program, JETRO kicked off the JETRO Global Acceleration Hub, to facilitate mutual support with startups in 12 locations around the world. By utilizing overseas JETRO offices to work in cooperation with local accelerators and other such organizations, JETRO aims to (1) provide support for establishment of overseas subsidiaries by, and corporate matching efforts for, Japan-based startups (outbound) and (2) find promising foreign startups interested in entering the Japanese market (inbound).

Chart 5-12 JETRO Global Acceleration Hub locations



6 2nd JETRO Invest Japan Networking Event

Networking Event in Tokyo

JETRO hosted their 2nd JETRO Invest Japan Networking Event in December 2017 with the goal of promoting mutual networking and exchanges between foreign-affiliated companies and the Japanese national and local governments as well as JETRO itself, while also promoting new business development in Japan. Additionally, by introducing the JETRO Invest Japan Report 2017, it facilitated a better understanding of JETRO's efforts to promote increased investment in Japan among foreign-affiliated companies.



Networking sessions

A total of 208 persons attended the event, including 131 members of 105 foreign-affiliated companies, and 77 members from embassies and other foreign-government organizations in Japan as well as Japanese ministries and local governments. All present took part in active sharing of information and ideas.

Attendees provided a range of positive feedback, with comments including "I was able to talk with various companies and expand my network of contacts here in Japan," "I was happy for the opportunity to speak with members of local governments and JETRO," and "When I asked the JETRO staff for assistance, they readily introduced me to representatives from the companies I had been hoping to meet."

7 First Exchange Student/Global Talent and Foreign-affiliated Company Networking Event

Corporate–Student Networking Event in Tokyo

In October 2017, JETRO held their first networking and exchange event for foreign-affiliated companies and foreign exchange students in Japan. Foreign-affiliated companies operating in Japan often cite hiring of personnel as one of their greatest challenges in the Japanese business environment; in response, JETRO co-organized this event together with the Japanese organization International Students Support Network in order to connect foreign-affiliated companies with international students.

A total of 239 students (including 109 foreign students in Japan) took part in the event, while 117 representatives from 66 foreign-affiliated companies participated on the corporate side. The companies offered short presentations/pitches and hosted informational booths afterward, fostering greater mutual understanding on both the student and corporate sides.



Poster session

8 Network Events between Foreign-affiliated Companies and Students in Collaboration with Universities

Corporate–Student Networking Events in Tokyo and Tohoku

In June 2018, JETRO held network events at the University of Tokyo and Tohoku University in order to facilitate exchange between international students and foreign-affiliated companies in Japan. (JETRO and Tohoku University has signed a comprehensive partnership agreement toward the development of the Japanese economy and fostering of internationally-active human resources).

These latest exchange events focused mainly on students majoring in science and engineering fields, for which demand among foreign-affiliated companies is particularly high. At the University of Tokyo, 34 such companies and 234 students took part, and at Tohoku University 13 companies and 106 students attended.

Participating companies praised the event highly, saying they were able to meet some outstanding students of engineering majors, explain their company's technologies while engaging in open and candid discussions with students, and cultivate better understanding on both sides.



Event held at the University of Tokyo



Event held at Tohoku University

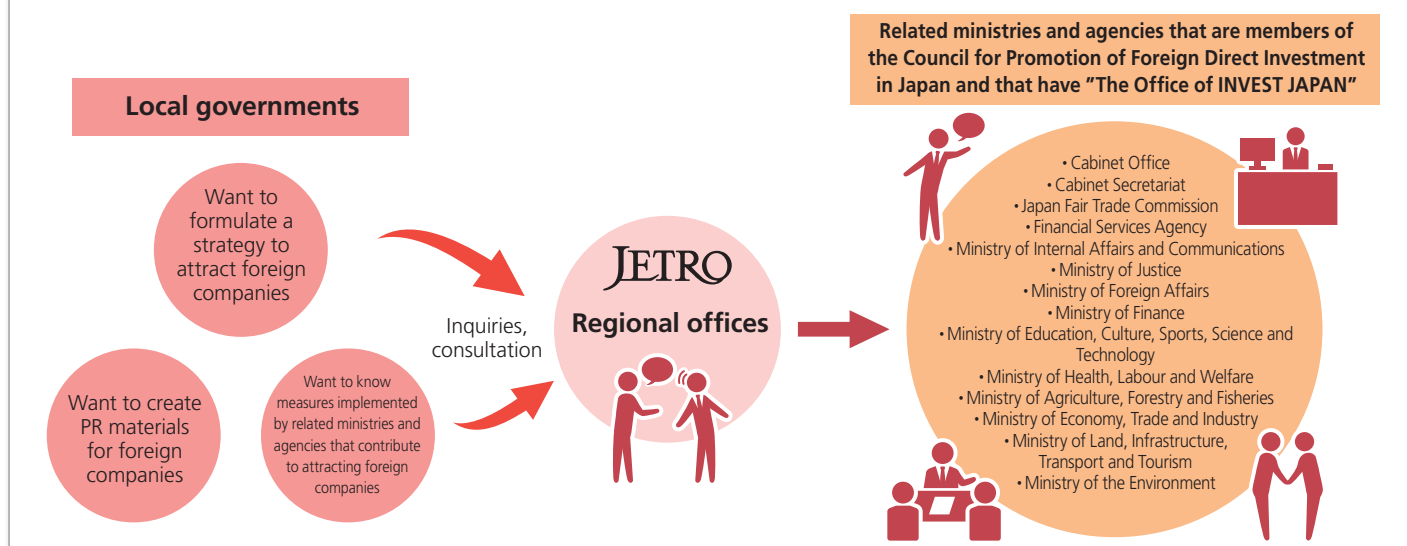
9 Launching the Support Program for Regional Foreign Direct Investment in Japan

Attracting Regional Investment

JETRO launched the Support Program for Regional Foreign Direct Investment in Japan in May 2018, aiming to provide a one-stop comprehensive range of support via collaboration with relevant government ministries. The program aims to facilitate local governments to make full and effective use of various measures to attract foreign investment by relying on the strengths of each region.

In response to local-government requests for support, JETRO provides assistance from investor-appeal planning to formulation of concrete measures, and offers consulting services and introductions of foreign companies suited to the region. As of October 2018, JETRO supports 24 local governments.

Chart 5-13 Support Program for Regional Foreign Direct Investment in Japan

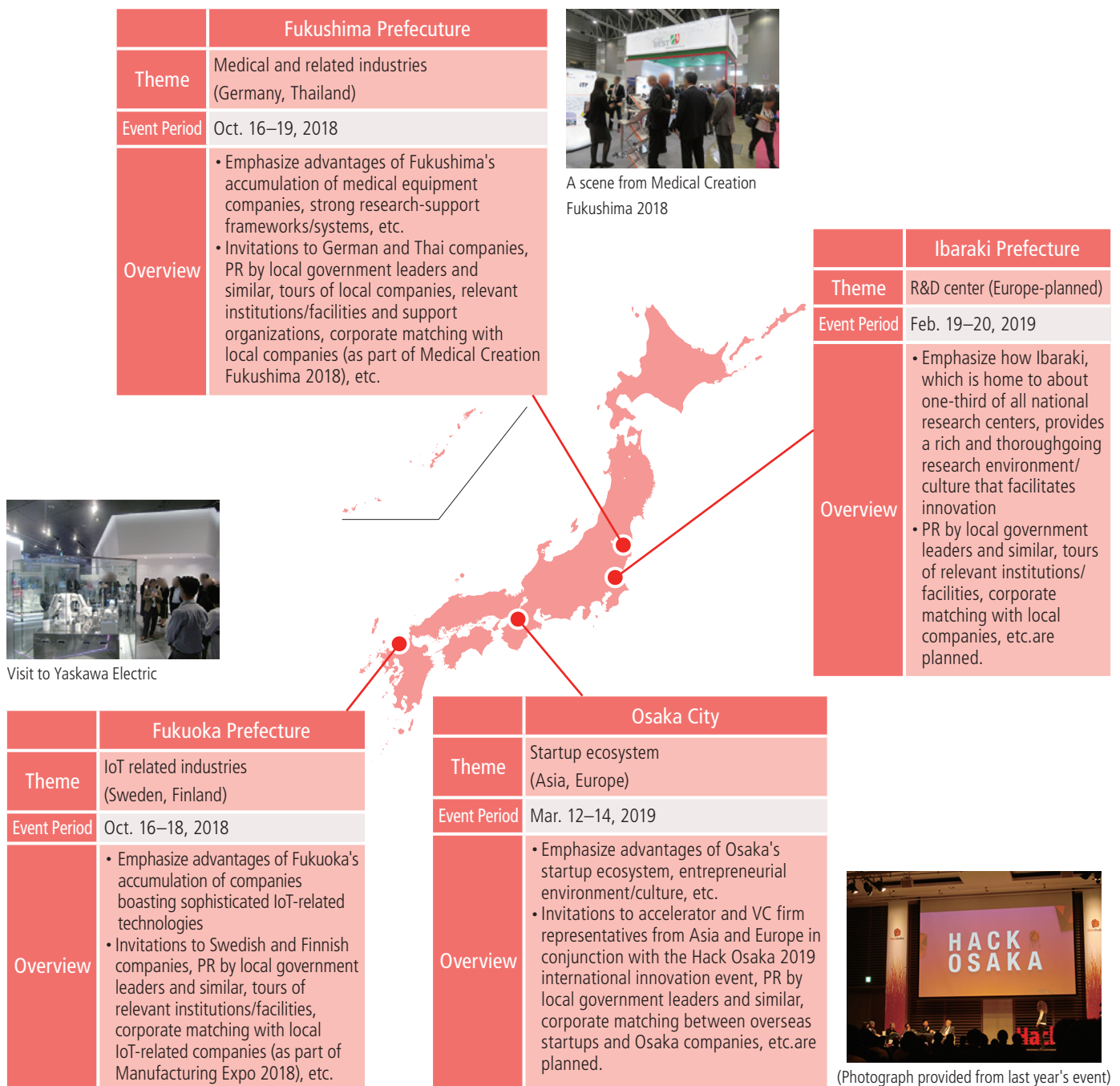


HIGHLIGHTS

10 Regional Business Conference (RBC): Four Hosts for the First Round Attracting Regional Investment

With upcoming international events such as the 2019 G20 Summit in Osaka, the 2019 Rugby World Cup and the 2020 Tokyo Olympic and Paralympic Games, Japan has drawn the interest of numerous potential investors around the world. In response, JETRO has planned Regional Business Conference (RBC) events from 2018 to 2020. With support from JETRO and the Ministry of Economy, Trade and Industry (METI), local governments invite foreign companies to attend RBCs, organize site visits, have government leaders carry out local PR, arrange for local corporate matching, and communicate the advantages of their local business environments to the world. After considering all applicants, METI and JETRO have selected Fukushima Prefecture, Ibaraki Prefecture, Fukuoka Prefecture and Osaka City as hosts for the first round of RBCs in FY 2018.

Chart 5-14 FY 2018 RBC Sites



5

11 Visas for Coworking Space Users: Special Government Measure in Response to JETRO Requests

Regulatory Easing

Up until recently, foreign nationals hoping to obtain a "Business Manager" working visa (status of residence) in Japan were not able to do so if operating in a coworking space, shared office or similar, as these did not fulfill the visa's requirement of securing an exclusive office space. However, in response to changing work styles and the emergence of more flexible and diverse office environments, many foreign companies have put in requests for the national government to relax this office-space requirement.

Under the Personal Advisors System for Foreign Companies, JETRO responded to these requests by proposing the government to make said changes. As a result, the government passed a special measure to relax the "Business Manager" visa requirements for JETRO-supported companies using coworking space as long as certain conditions are met (to be effective as of November 2018).



12 Foreign-company Consultation Point Established as Part of Project-based "Regulatory Sandbox" System

Regulatory Easing

JETRO has become a consultation point for foreign companies and foreign-affiliated companies as part of the national government's new project-based "Regulatory Sandbox" system launched in June 2018. Through "Regulatory Sandbox", the potential of practical implementations for innovative technologies, business models and similar is considered on a project-by-project basis for participating companies, and the information and results attained therein are utilized toward revision of relevant regulations. JETRO coordinates with the GoJ's Regulatory Sandbox Team (within the Cabinet Secretariat) to encourage utilization of the "Regulatory Sandbox" system by foreign companies and foreign-affiliated companies, with the ultimate aim of achieving new innovation.

Chart 5-15 Consultation Point for Project-based "Regulatory Sandbox" system

Project-based "Regulatory Sandbox" system

- ▶ In consideration of the Fourth Industrial Revolution changes, this system is used to assess the potential of practical implementations for innovative technologies and business models utilizing AI, IoT, blockchain technologies, etc. The data and results attained through demonstrations will be utilized in deliberation for regulatory reform.



The Government's Efforts and JETRO's Inward FDI Promotion Activities in 16 Years

2003	Jan	The government decided on the target to "double the inward FDI stock compared to the value as of the end of 2001, in 5 years."
	May	The government held up "Invest Japan" as a slogan and set up "Invest Japan Offices" in the relevant ministries. The "Invest Japan Business Support Center (IBSC), " a one-stop center for information about investing in Japan, was set up in JETRO.
2006	Mar	The government set up a new goal to "double the ratio of inward FDI stock to its GDP (to about 5%) by the end of 2010."
2007	May	The regulation on "flexible merger consideration (triangular merger)" in the Companies Act was enforced.
2010	Jun	The "New Growth Strategy" was approved by the Cabinet (aiming to "double the flow of people, things and money into Japan.")
2011	Jan	"Subsidy Program for Projects Promoting Asian Site Location in Japan" was created (the secretariat was placed in JETRO).
	Aug	The "Comprehensive Special Zone Law" was enforced (creating industrial clusters in regions through taking preferential measures such as tax and regulation reforms).
	Dec	The "Great East Japan Earthquake Reconstruction Special Zone Law" was enforced (providing incentives such as tax / regulatory reforms for investment in the affected areas). "Program for Promoting Japan as an Asian Business Center and Direct Investment into Japan" was approved. Goals were set to increase the numbers of high added-value business bases and to double the number of employees at foreign-affiliated companies.
2012	Apr	Effective corporate tax rate was lowered (40.69% → 38.01%).
	May	The Points-based Preferential Immigration Treatment for Highly Skilled Foreign Professionals was started.
2013	Jun	The "Japan Revitalization Strategy" was approved by the Cabinet (setting up a clear goal to increase the inward FDI stock to 35 trillion yen by 2020, and indicating the strengthening of industrial specialist program and Invest Japan Hotline in JETRO).
2014	Mar	The special corporate tax for reconstruction was abolished (effective corporate tax: 38.01% → 35.64%).
	Apr	The Council for Promotion of FDI in Japan was founded.
	Jun	The "Japan Revitalization Strategy (Revised in 2014)" approved by the Cabinet (clarifying the role of JETRO to cooperate with Japanese embassies and local governments to attract FDI into Japan).
2015	Mar	The second meeting of the Council for Promotion of FDI in Japan was held. Prime Minister Abe announced the "Five Promises for Attracting Foreign Businesses to Japan."
	Apr	The "Tokyo One-Stop Business Establishment Center (TOSBEC)" was opened in the Tokyo Area of the National Strategic Special Zones (in JETRO Tokyo HQ).
	Jun	The "Japan Revitalization Strategy (Revised in 2015)" was approved by the Cabinet (clarifying the role of JETRO to enhance PR & dispatch of information and to work on promotion of target fields by cooperating with Japanese embassies and local governments).
	Sep	The "New Three Arrows" of Abenomics was announced, aiming to create a strong economy, more support for childcare and social security.
2016	Feb	The Subsidy Program for Global Innovation Centers was established (JETRO served as the secretariat).
	Apr	Effective corporate tax rate was lowered (32.11% → 29.97%).
		The third meeting of the Council for Promotion of FDI in Japan was held. The "Investment Advisor Assignment System" was established. In the system, State Ministers act as advisors to companies that have made significant investments in Japan.
	May	The fourth meeting of the Council for Promotion of FDI in Japan was held. The "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub" and establishment of the "Working Group for Revising Regulations and Administrative Procedures" were approved by the Council.
Jun	The "Japan Revitalization Strategy 2016" was approved by the Cabinet (increasing the promotion activities and support for individual companies through the strengthening of JETRO's structure).	
2017	Apr	The Working Group for Revising Regulations and Administrative Procedures adopted the "Final Report." The "Japanese Green Card for Highly-Skilled Foreign Professionals" system was established.
	May	The fifth meeting of the Council for Promotion of FDI in Japan was held.
	Jun	The "Growth Strategy 2017" was approved by the Cabinet (introducing the "Personal Advisors System for Foreign Companies" to JETRO).
2018	Apr	Effective corporate tax rate was lowered (29.97% → 29.74%).
	May	The sixth meeting of the Council for Promotion of FDI in Japan was held. The "Support Program for Regional Foreign Direct Investment in Japan" was approved by the Council.
	Jun	The project-based "Regulatory Sandbox" system was established. The "Growth Strategy 2018" was approved by the Cabinet (clarifying the role of JETRO and related ministries to cooperate with local governments to attract foreign companies into Japan).



Foreign-affiliated Companies Contributing to Japanese Economies

Productivity enhancement contributing to address social challenges

Utilizing IoT and big data, contributing to address social challenges in Japan



GE Healthcare (US)

Equipping beacon sensors on workers and in equipment and analyzing the acquired data in the plant. Reducing man-hours and eliminating waste in manufacturing processes.

ANALOG DEVICES, Inc. (US)

Installed sensors that automatically measure environmental data in greenhouses, enabled remote monitoring of the data, which contributed to smart farming solution.

Promoting diverse work styles

Through new business models and improved productivity



Salesforce.com (US)

Established base in Shirahama, Wakayama as a part of its initiative for work-style reform.

The number of deals and total value of contracts exceeded that of the Tokyo office, demonstrating improved productivity.

Contribution to expansion of tourists visiting Japan

Expansion of overseas airline services and online travel companies contributing to increase in foreign visitors



Ctrip International Japan (China)

Through its various operations, the company deals with about half of the 7,350,000 Chinese who visit Japan in 2017.

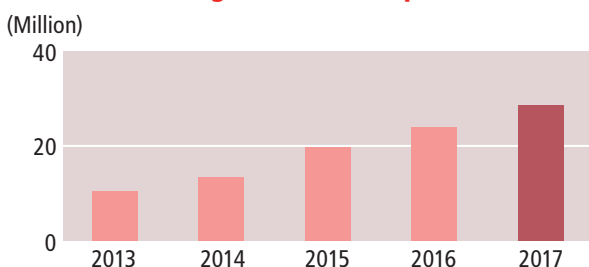
SCOOT (Singapore)

Started airline services to Narita, Kansai, New Chitose.

SPRING JAPAN (China)

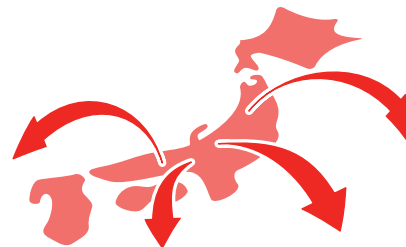
Started airline services to Haneda, Kansai, Nagoya, etc.

Foreign visitors to Japan



Contributing to export promotion of local products

Overseas e-commerce (EC) companies contributing to expansion of overseas market for Japanese companies



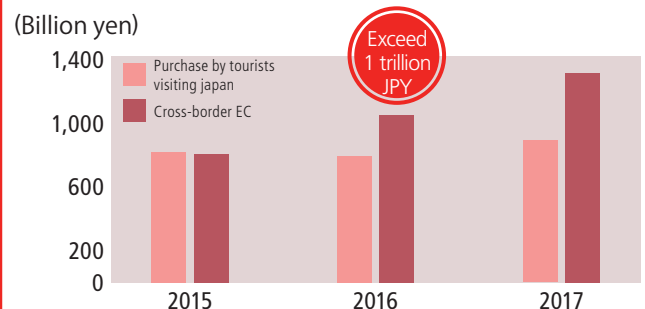
VIPSHOP (China)

Established a procurement base and distribution center, contributing to regional vitalization in Japan by selling in China "hidden treasures" rooted in local Japanese communities.

JD.com (China)

Established a Japanese corporation in Tokyo in order to strengthen sourcing of Japanese products and direct transactions with Japanese companies. Starting sales of fresh Japanese food to China.

Comparison of total purchase amount of Chinese tourists visiting Japan and that of China's cross-border EC from Japan



Creating a global innovation platform

Contributing to the creation of innovation in Japan through supporting startups



Plug and Play Japan (US)

Providing support programs for startups. Aiming to become a base to attract overseas startups to Japan and enable Japanese startups to go overseas.

Revitalization of local economies

Setting up manufacturing/R&D bases and supporting local employment



Micron Technology (US)

Hiroshima is home to Micron's largest facility in Japan and includes technology development, manufacturing, and test and probe capabilities.

TERADYNE (US)

Although the Kumamoto earthquake in 2016 wrecked their manufacturing and development bases in Kumamoto, they continued to operate outside the plant premises. A new plant was completed in January 2018.

Reduction in CO2 emissions, promotion of renewable energy

Contributing to improvement of Japan's power electricity situation and reduction of CO2 emissions



Ciel Terre Japan (France)

Provided the floating structure and anchor technology for Japan's first floating mega-solar power plant in Okegawa, Saitama. Developing a total of 90 locations (as of August 2018).

Hergo Sun Japan (Italy)

The company completed its construction of a 1MW class solar power plant in Chichibu, Saitama and began operation. The company became the first foreign-affiliated company to have won a public bid by a local government.

Creating innovation through collaboration with Japanese companies and universities

Complementing one another's strengths, and developing new technologies/products



NTQ Solution (Vietnam)

The company successfully completed development of PC security Product in collaboration with a Japanese company, A.C.T. The product allows users to log on/off their PC screen automatically without any conscious action from their part.

Siemens Healthcare KK (Germany)

Conducted joint research combining a new monitoring system utilizing the latest imaging technology of Siemens in the clinical study of iPS cell therapy at Kyoto University for Parkinson's Disease patients.

[Source] "Foreign-affiliated Companies Contributing to Japanese Economies",
"Foreign-affiliated Companies Contributing to Local Economies" (JETRO)

For details see → <https://www.jetro.go.jp/en/invest/pamphlets.html>



[JETRO's Global Network]



JETRO

Invest Japan Department
Japan External Trade Organization (JETRO)
 1-12-32, Akasaka, Minato-ku, Tokyo
 107-6006 Japan

Tel. +81 3 3582 5234, Fax. +81 3 3505 1990
www.investjapan.org

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