

JETRO Invest Japan Report 2023



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Introduction



JETRO has compiled a comprehensive report on foreign direct investment (FDI) in Japan, "JETRO Invest Japan Report 2023" with the aim of providing information for foreign and foreign-affiliated companies considering doing business in Japan, as well as reference material to assist foreign companies in their investment in Japan. The key points of the report are as follows.

1. Inward FDI Trends in the World

- Chapter 1 provides an overview of inward FDI in the world and discusses the recent trends by region.
- It also provides an overview of the "global inward FDI flow" and "global greenfield investment" in 2022 and discusses "the responses of global companies" and "changes in investment destinations" in relation to geopolitical risks.

2. Trends in Inward FDI in Japan

- Chapter 2 introduces trends in the amount of inward FDI in Japan and major investment projects and describes the recent trends in investment in Japan and initiatives to promote inward FDI in Japan.

3. Recent Government Measures

- Chapter 3 outlines the "Basic Policies on Economic and Fiscal Management and Reform 2023 (Accelerating New Form of Capitalism: Expanding Investments for the Future and Realizing Structural Wage Increases)" announced in June 2023, and outlines the basic policies for accelerating the realization of the "New Form of Capitalism," at the turning point in times with changes and challenges facing Japan, both internal and external.
- It also discusses the measures mentioned in the "Action Plan for Attracting Human and Financial Resources from Overseas" in order to expand investment in Japan as a whole, improve innovation capabilities and lead to economic growth.

This report is based on information as of December 2023.

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Chapter 1 Inward FDI Trends in the World



Chapter 1 provides an overview of inward FDI in the world and discusses the recent trends by region.

Section 1. Global Inward FDI Flow in 2022



According to the United Nations Conference on Trade and Development (UNCTAD), global FDI in 2022 decreased by 12.4% from the previous year to 1,294.7 billion dollars (based on the directional principle). Although it recovered in 2021 to the level before the spread of COVID-19, the recovery trend did not stabilize or expand in 2022. As a special note by country and region, of developed economies, Europe experienced a significant decrease and turned into an outflow. On the other hand, it increased in Japan by 31.9% (Chart 1-1).

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

Country/Region	2020	2021	2022	2022 Growth rate (YoY)
World	961,983	1,478,137	1,294,738	-12.4
Developed Economies	315,461	597,243	378,320	-36.7
Japan	10,703	24,652	32,509	31.9
Korea	8,765	22,060	17,996	-18.4
Israel	23,109	21,486	27,760	29.2
Europe	132,537	50,711	-106,770	*
European Union	115,623	152,381	-124,948	*
Germany	56,204	46,468	11,053	-76.2
France	11,359	30,885	36,413	17.9
United Kingdom	58,237	-71,174	14,093	*
Russia	10,410	38,639	-18,681	*
North America	122,766	453,439	337,690	-25.5
United States	95,882	387,780	285,057	-26.5
Developing Economies	646,522	880,894	916,418	4.0
East Asia	284,850	333,522	323,561	-3.0
China	149,342	180,957	189,132	4.5
Hong Kong	134,710	140,186	117,725	-16.0
Singapore	72,903	131,151	141,211	7.7

Note: Figures for Japan in the chart are calculated by UNCTAD based on the directional principle. The data do not correspond to those in Chart 2-1. See "Measurement Principles." The marks of * in the chart show that one of the comparison data is negative and therefore growth rate is not applicable.

Source: UNCTAD data. Classification is also as defined by UNCTAD

[Column] Measurement Principles



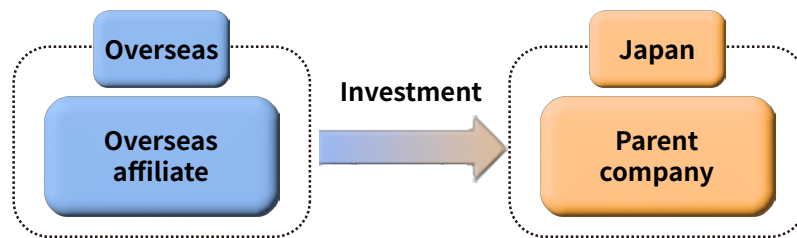
1. Asset and Liability Principle

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

2. Directional Principle

Investments of a Japanese parent company in an overseas affiliate are classified as "outward FDI," and investments of an overseas parent company in a Japanese affiliate are classified as "inward FDI."

In the chart below, "Investment" is not recorded as inward FDI but is regarded as a recovery of the Japanese parent company's investment (negative outward FDI).



Source: Bank of Japan (BOJ) website, JETRO Global Trade and Investment Report

Section 2. Global Greenfield Investment in 2022



Looking at the global greenfield investment on an announced basis, it is clear that investment orientation is expanding. According to United Nations Conference on Trade and Development (UNCTAD), the value of greenfield investment announced in 2022 increased by 64.2% over the previous year. In particular, investment in emerging countries and regions approximately doubled and performed well. A number of investment projects in Africa were announced, and South Asia also saw significant growth, driven by India. Among developed countries, investment in the U.S. was strong, and North America also saw growth. On the other hand, investment in East Asia (excluding Japan and Korea) decreased to about 60% of the previous year (Chart 1-2).

Chart 1-2: Trends in Global Greenfield Investment (announced basis) (Million US dollars, %)

Country/Region	2020	2021	2022	2022 Growth rate (YoY)
World	603,933	738,636	1,212,651	64.2
Developed economies	333,356	465,124	639,446	37.5
Europe	211,410	295,950	361,860	22.3
North America	86,657	118,863	184,722	55.4
Other developed economies	35,289	50,311	92,863	84.6
Developing economies	270,577	273,512	573,205	109.6
Asia	169,868	156,429	275,369	76.0
East Asia	39,143	40,560	23,801	-41.3
South-East Asia	68,584	64,085	86,570	35.1
South Asia	25,138	19,048	80,584	323.1
Latin America and the Caribbean	64,668	64,808	101,679	56.9
Africa	36,040	52,220	194,903	273.2

Note: Japan and Korea are classified as "Other developed economies," not as "East Asia,". Data refer to estimated value of capital investment. Data exclude financial centers in the Caribbean.

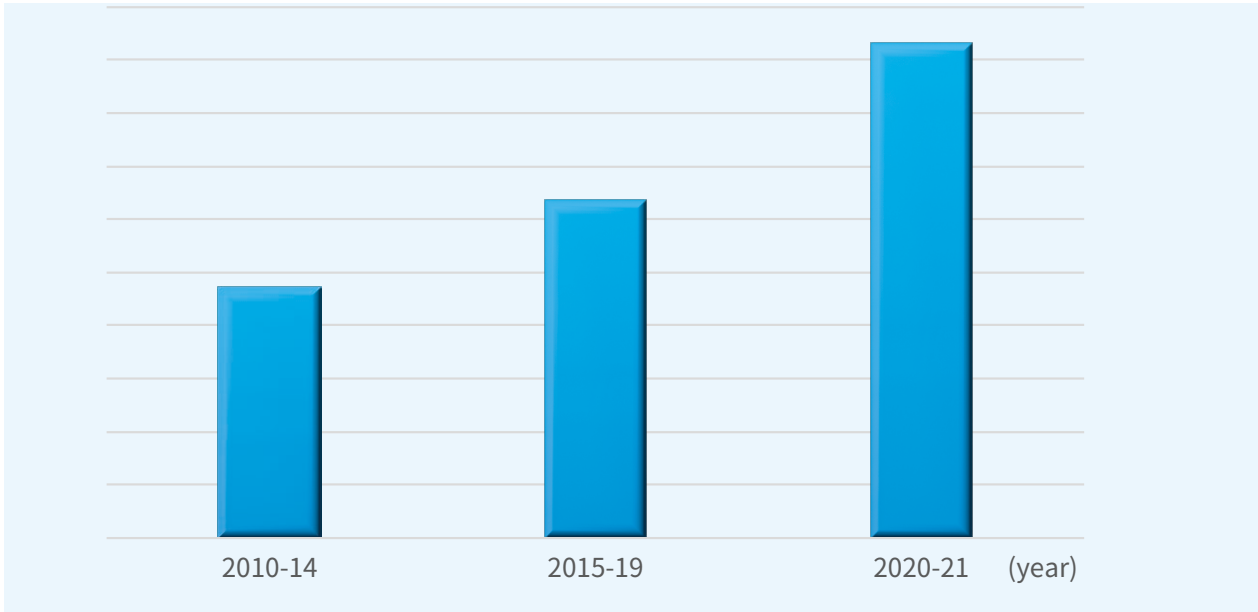
Source: UNCTAD data. Classification is also as defined by UNCTAD

Section 3. Responses of Global Companies to Geopolitical Risks



As international policy directions have been increasingly fragmented (Chart 1-3), geopolitical risks are rising and companies are getting more interested in reshoring. According to a survey by the International Monetary Fund (IMF), a rapid increase in interest in reshoring was particularly seen from 2019 to 2020 and from 2021 to 2022 (Chart 1-4). According to this survey, comparing companies that mention reshoring in their earnings calls with those that do not, statistically significant differences were found in profitability, percentage of intangible assets, sales, and number of employees, with particularly large differences in profitability and number of employees, showing that companies with higher productivity are more interested in reshoring.

Chart 1-3: Foreign Policy Distance Index



Note: Index based on the difference in voting behavior of the United States and China at the UN General Assembly. The higher the number, the greater the difference in voting behavior.
 Source: IMF Global Financial Stability Report (April 2023), Häge (2011)

Chart 1-4: Growing Interest in Reshoring



Note: The geopolitical risk index shows interest in reshoring and is measured by the frequency of references to "reshoring," "friendshoring," and "nearshoring" in earnings calls.
 Source: IMF World Economic Outlook (April 2023), Hassan and others (2019), NL Analytics

Section 4. Changes in Global Investment Destinations due to Geopolitical Risks

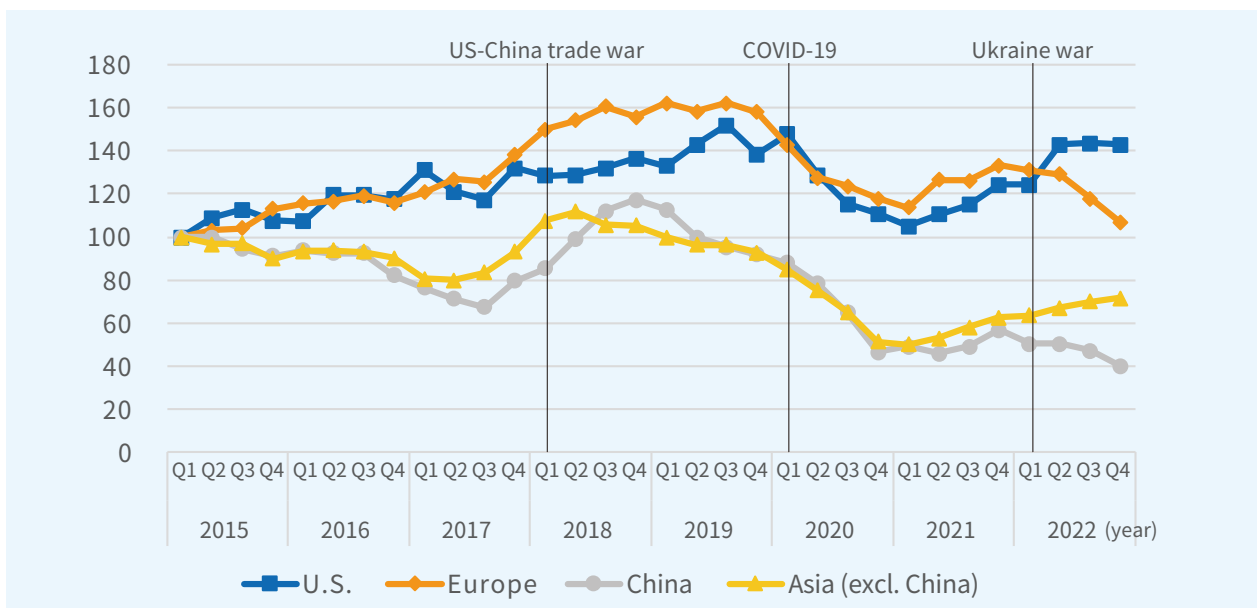


According to the survey by the International Monetary Fund (IMF), the number of investment destinations in strategic sectors (announced basis) has been on a downward trend since 2019, which is particularly significant in Asia. A slight recovery trend, however, is seen in Asia, with the exception of China (Chart 1-5).

An analysis by IMF of the investment sources and destinations by region based on the number of cases suggests that China is falling significantly both as an investor and as an investee. With the exception of Emerging Europe, the analysis suggests that the importance as an investment destination from all regions has decreased (Chart 1-6).

This situation may have a major impact on companies' investment strategies in Japan.

Chart 1-5: Investment in Strategic Sectors^{*1} in selected country^{*2}



Note *1: Chemicals, Pharmaceuticals, batteries, electronic devices and components, measuring instruments, automobiles, resources, etc.

Note *2: Based on the number of investments. Four-period moving averages with the 2015 Q1 as 100.

Source: IMF World Economic Outlook (April 2023), "fDi Markets" (Financial Times)

Chart 1-6: Changes in Investment Destinations by Region
(Comparison of Q2 2020 to Q4 2022 and Q1 2015 to Q1 2020)

		Destination Countries/Regions							(Unit: % point) <Legend>
		U.S.	Americas (excl. U.S.)	Advanced Europe	Emerging Europe	Asia (excl. China)	China	Rest of the world	
Source Countries/Regions	U.S.	—	9.2	0.6	19.4	2.3	-40.6	21.6	30 or over
	Americas (excl. U.S.)	18.6	27.3	14.9	34.0	5.9	-13.3	27.6	20~ less than 30
	Advanced Europe	7.5	-11.7	9.3	-0.9	-9.8	-19.7	8.6	10~ less than 20
	Emerging Europe	27.6	2.9	9.9	18.1	-22.3	13.9	-11.5	0~ less than 10
	Asia (excl. China)	-3.2	-8.7	-11.7	-2.4	-23.7	-49.2	-4.4	less than 0~-10
	China	-22.1	-6.9	-17.8	-31.3	-44.3	—	-31.9	less than -10~-20
	Rest of the world	26.4	7.1	5.3	11.4	-3.7	-24.7	18.6	less than -20

Note: Deviation from the change in the overall number of greenfield investments (aggregate change, -19.5%) between the two comparative periods. Note that Japan is not included here.

Source: IMF World Economic Outlook (April 2023), "fDi Markets" (Financial Times)

Chapter 2 Trends in Inward FDI in Japan



Chapter 2 introduces trends in the amount of inward FDI in Japan and major investment projects, and describes the recent trends in investment in Japan and initiatives to promote inward FDI in Japan.

Section 1. Trends in Inward FDI to Japan

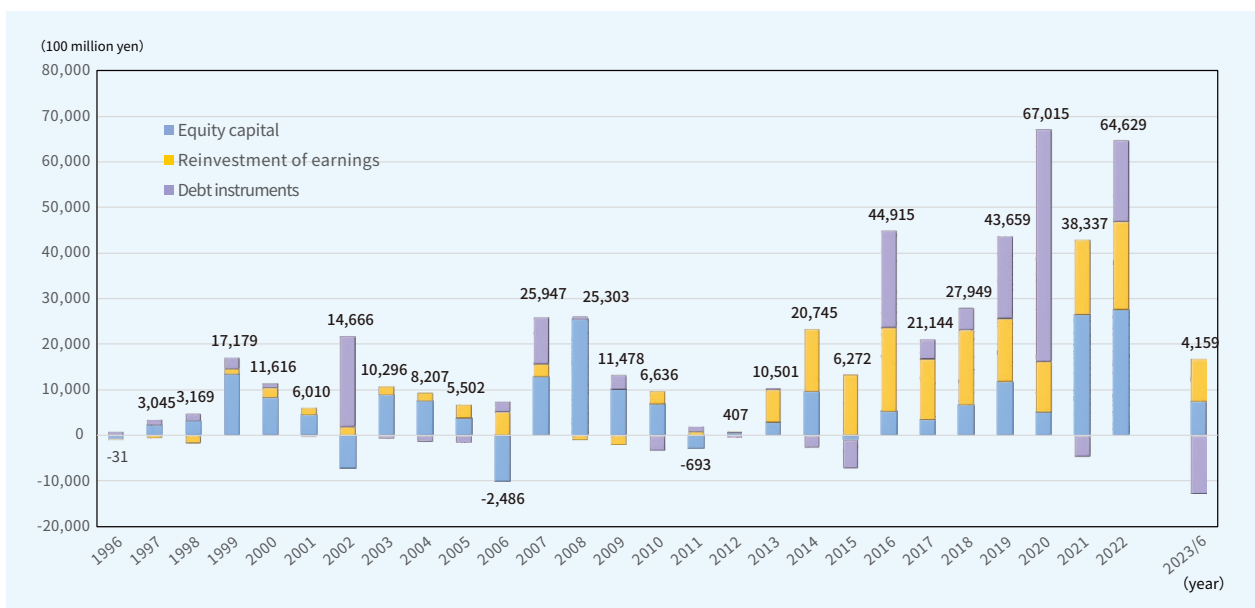


1. Flow



According to the "Balance of Payments" (asset and liability principle) of the Ministry of Finance (MOF) and Bank of Japan (BOJ), FDI flow to Japan in 2022 increased significantly by 68.6% year-on-year to 6.5 trillion yen (Chart 2-1). Looking at this by type of capital, equity capital increased 4.2% year-on-year to 2.7 trillion yen, reinvestment of earnings rose 18.3% year-on-year to 1.9 trillion yen, while debt instruments, which represent the lending and borrowing of funds between enterprises in capital ties, turned positive at 1.8 trillion yen from -0.4 trillion yen in the previous year. Equity capital, which reached a record high in 2021, continued to increase in 2022, and economic activities continue to develop for new investments and capital increases in Japan.

Chart 2-1: Trends in FDI Flow to Japan



Note: The figures before 2013 are calculated based upon a different principle.

Source: "Balance of Payments" (MOF, BOJ)

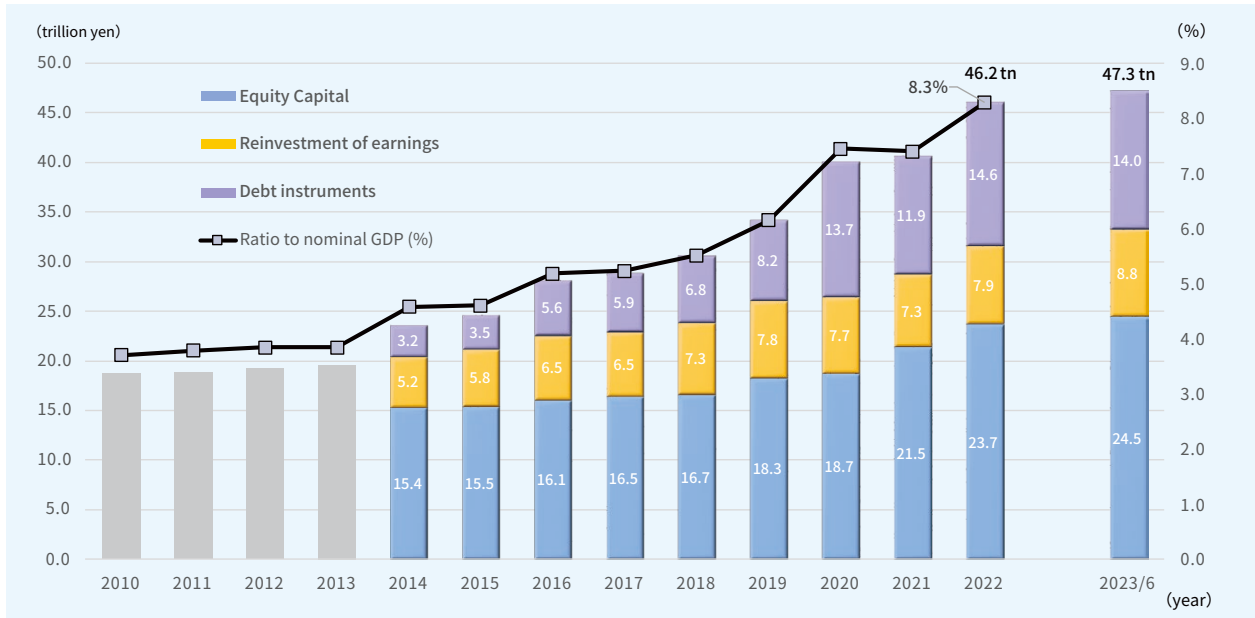
2. Stock



At the end of 2022, the FDI stock in Japan (asset and liability principle) was 46.2 trillion yen, up 13.5% from the previous year, and the ratio in relation to nominal GDP was 8.3%. As of the second quarter of 2023, the FDI stock had gradually increased to 47.3 trillion yen.

Looking at the FDI stock in Japan at the end of 2022 (asset and liability principle) by type of capital, equity capital increased 10.4% year-on-year to 23.7 trillion yen, reinvestment of earnings increased 8.0% year-on-year to 7.9 trillion yen, and debt instruments increased 22.4% year-on-year to 14.6 trillion yen. Reflecting the debt instruments turning positive as mentioned earlier, the share of debt instruments in the stock increased to 31.6% at the end of 2022 from 29.2% at the end of 2021 (Chart 2-2).

Chart 2-2: Trends in FDI Stock in Japan



Note: Breakdown of stock in 2013 and before is not disclosed.

Source: "International Investment Position of Japan" (MOF, BOJ), "National Accounts of Japan" (Japan Cabinet Office)

Section 2. Trends in Inward FDI to Japan by Country and Region

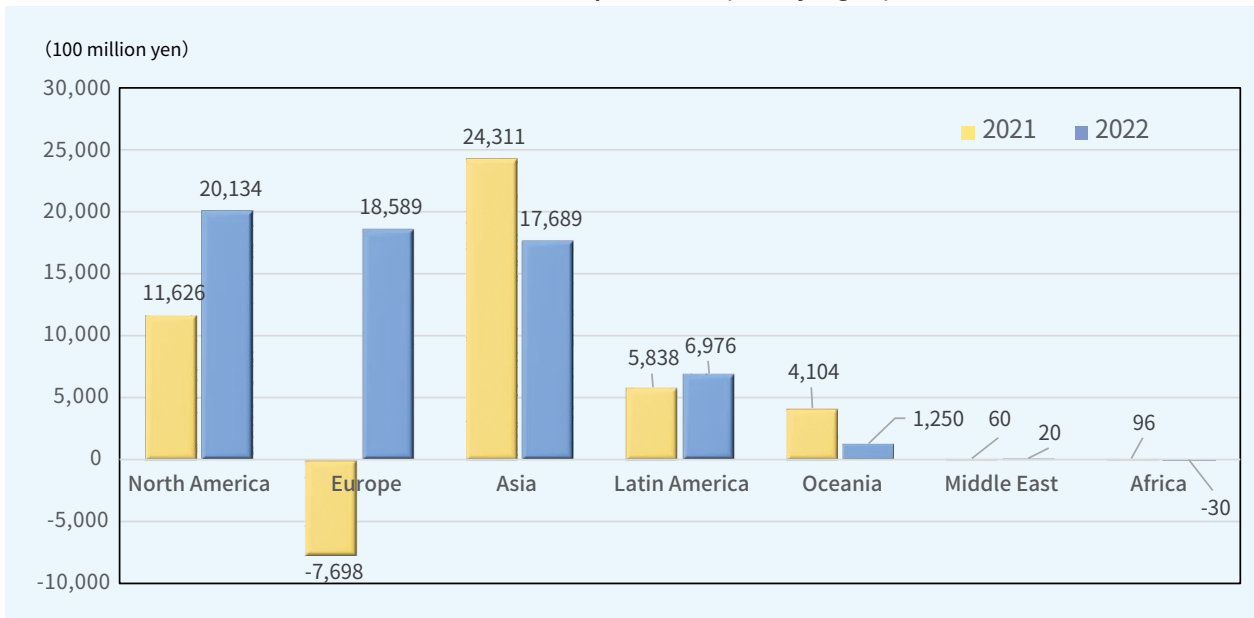


1. Flow



Breaking down FDI flow to Japan (asset and liability principle) in 2022 by region, North America accounted for the highest amount at 2.0 trillion yen, up 73.2% from the previous year, followed by Europe at 1.9 trillion yen, recovering from -0.8 trillion yen in 2021, and Asia at 1.8 trillion yen, down 27.2% from the previous year (Chart 2-3). In North America, which was the largest, the U.S. increased by 25.9% from the previous year to 1.4 trillion yen, making it the largest among all countries and regions in the world. Canada increased significantly to 0.6 trillion yen from 50 billion yen in 2021. In Europe, the second largest by country and region, negative net inflow in 2021 turned to be positive, as mentioned above, with the U.K. at 1.1 trillion yen, Switzerland at 0.4 trillion yen, and France at 0.2 trillion yen. In Asia, Singapore decreased -1.1% year-on-year to 0.8 trillion yen, Hong Kong saw a significant decrease to 0.4 trillion yen from 1.3 trillion yen in 2021, and Taiwan increased to 0.2 trillion yen from 25 billion yen in 2021 (Chart 2-4).

Chart 2-3: FDI to Japan in 2022 (flow by region)



Source: "Balance of Payments" (MOF, BOJ)

Chart 2-4: FDI Flow to Japan in 2022: Top 10 Countries and Regions (100 million Yen, %)

Ranking	Investor Country/ Region	2022	2022 Growth rate (YoY)	2022 Share
1	United States	14,000	25.9	21.7
2	United Kingdom	11,252	*	17.4
3	Singapore	8,434	-1.1	13.1
4	Cayman Islands	6,247	13.4	9.7
5	Canada	6,134	1,118.8	9.5
6	Switzerland	3,911	*	6.1
7	Hong Kong	3,523	-73.5	5.5
8	France	1,939	-24.9	3.0
9	Taiwan	1,835	638.4	2.8
10	Australia	1,723	-44.4	2.7
—	World	64,629	68.6	100.0

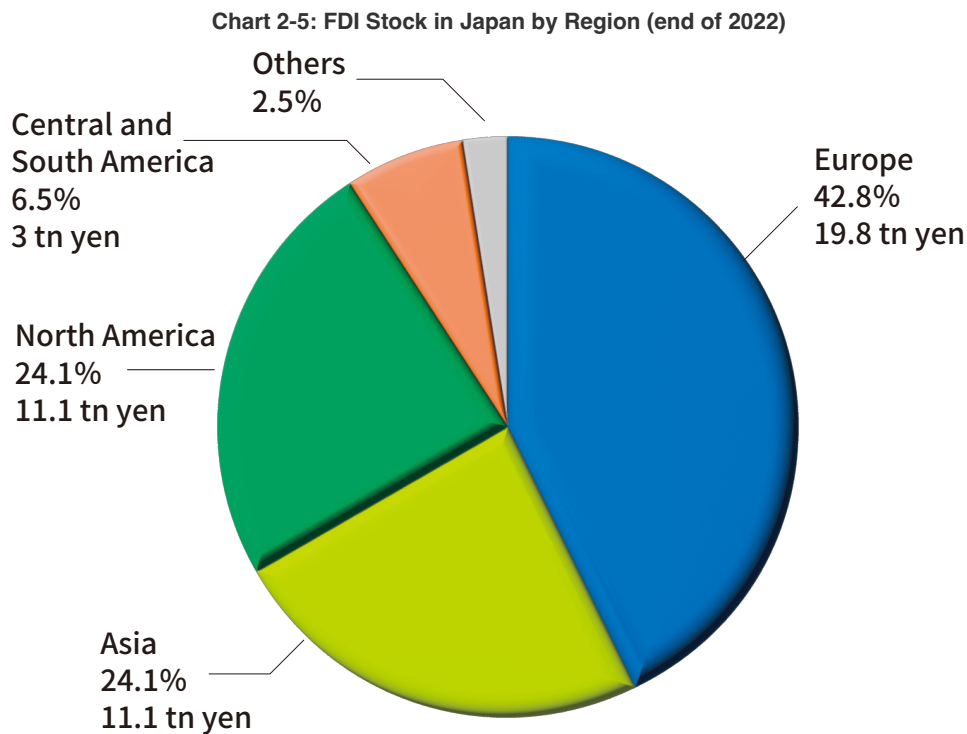
Note: The marks of * in the chart show that the investment in 2021 is negative due to net withdrawal and therefore growth rate is not applicable.

Source: "Balance of Payments" (MOF, BOJ)

2. Stock



Looking at the FDI stock at the end of 2022 (asset and liability principle), Europe was the largest at 19.8 trillion yen and accounted for 42.8% of the total, followed Asia and North America at 11.1 trillion yen (24.1% of the total) (Chart 2-5). In Europe, the overall composition ratio fell slightly from the previous year's ratio of 44.0% due to the decline in stock in the Netherlands (down 14.7% year-on-year) and sluggish growth in France (up 2.0% year-on-year). By country and region, the U.S. was the largest at 10.3 trillion yen (22.3% of the total), followed by the U.K. at 7.7 trillion yen (16.7% of the total) (Chart 2-6). The top 10 countries/regions accounted for 84.9% of the total FDI stock in Japan and were mainly taken up by Europe and Asia other than the U.S.



Source: "International Investment Position of Japan" (MOF,BOJ)

Chart 2-6: FDI Stock in Japan by Country and Region (end of 2022)(100 million yen, %)

Ranking	Country/ Region	Stock	Growth rate (YoY)	Ratio
1	United States	102,789	12.2	22.3
2	United Kingdom	76,966	36.3	16.7
3	Singapore	48,232	28.4	10.4
4	Netherlands	33,894	-14.7	7.3
5	France	32,309	2.0	7.0
6	Hong Kong	26,187	-5.4	5.7
7	Cayman Islands	24,990	43.0	5.4
8	Switzerland	21,744	11.2	4.7
9	Germany	13,940	13.9	3.0
10	Taiwan	10,733	19.6	2.3
—	Others	69,896	9.4	15.1
—	Total	461,680	13.5	100.0

Source: "International Investment Position of Japan" (MOF, BOJ)

Section 3. Trends in Inward FDI to Japan by Industry

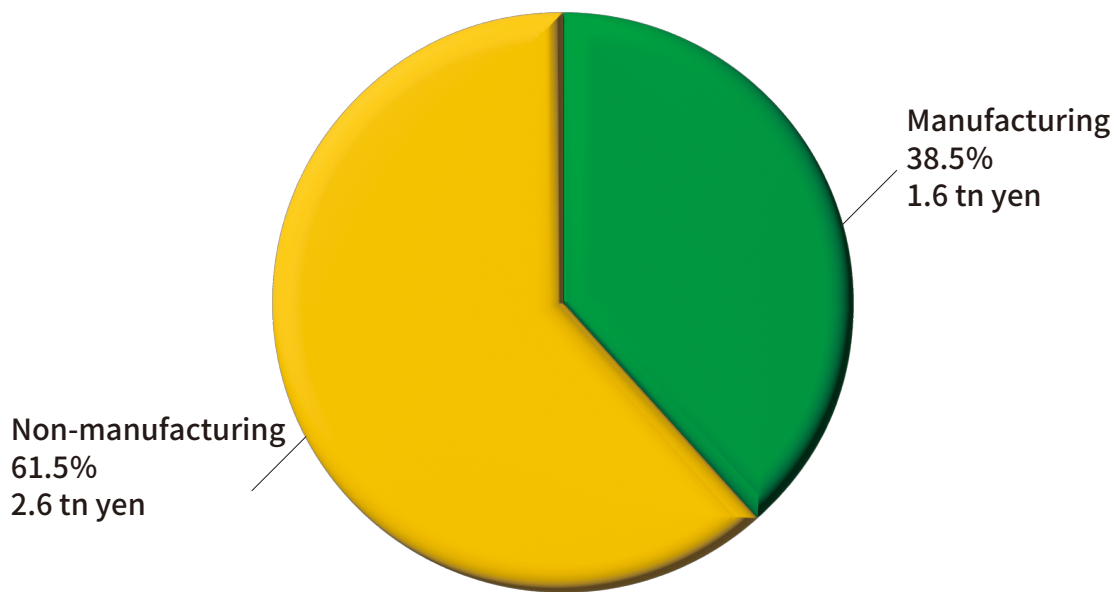


1. Flow



According to the statistics for FDI in Japan by industry based on the directional principle in 2022, FDI flow to Japan in total increased by 14.8% from the previous year to 4.3 trillion yen and marked a record high. In the manufacturing sector, the growth slowed slightly to 1.6 trillion yen (down 8.7% from 2021, or 38.5% of the total) due to the reversal of the sharp increase in 2021 (up 597.4% from 2020), while the non-manufacturing sector showed remarkable growth, reaching 2.6 trillion yen (up 36.8% from 2021, or 61.5% of the total) (Chart 2-7). Looking at the detailed industry sectors, the finance and insurance sector was the largest at 1.2 trillion yen despite a 2.2% decrease from the previous year, followed by the transportation sector at 0.7 trillion yen, up 232.0% from the previous year. Also, in the electrical machinery and equipment sector (up 80.9% from the previous year), which ranked third, there was a project to establish a Japanese subsidiary of a Korean EV battery material manufacturer (Chart 2-8).

Chart 2-7: FDI to Japan in 2022(Flow, by industry)



Note: This is based on the directional principle and different from that of the statistics by country/region(asset and liability principle).

Source: "Balance of Payments" (MOF, BOJ)

Chart 2-8: FDI to Japan in 2022: Top 10 sectors (100 million Yen, %)

Ranking	Sector	2022	2022 Growth rate (YoY)
1	Finance and insurance	11,649	-2.2
2	Transportation	7,305	232.0
3	Electric machinery	5,049	80.9
4	Iron, non-ferrous, and metals	3,699	4,592.7
5	Chemicals and pharmaceuticals	3,533	-77.7
6	Communications	3,193	2.5
7	Transportation equipment	3,100	*
8	Services	1,675	118.1
9	General machinery	734	*
10	Wholesale and retail	624	*
—	Construction	-52	—
—	Petroleum	-186	—

Note: (1) Directional principle (2) Negative amount indicates net withdrawal.

The marks of * in the chart show that the investment in 2021 is negative due to net withdrawal and therefore growth rate is not applicable.

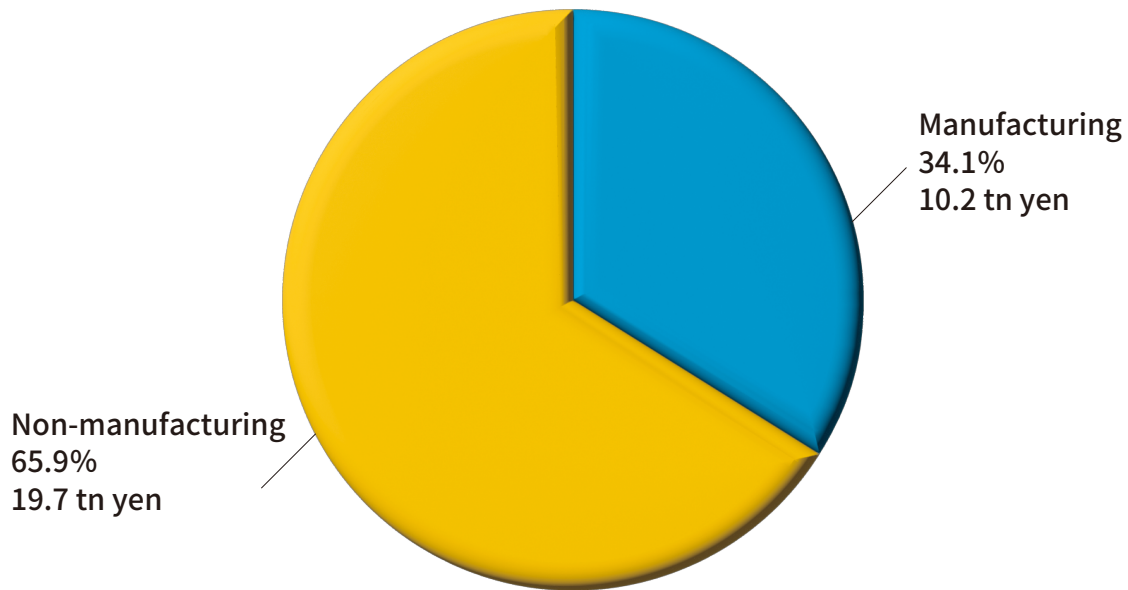
Source: "Balance of Payments" (MOF, BOJ)

2. Stock



At the end of 2022, the FDI stock in Japan by industry (directional principle) was 29.9 trillion yen in total, up 8.6% from the previous year. Looking at the stock by Industry, the manufacturing industry accounted for 10.2 trillion yen (up 9.2% year-on-year, 34.1% of the total), while the non-manufacturing industry accounted for 19.7 trillion yen (up 8.2% year-on-year, 65.9% of the total) (Chart 2-9). As for the detailed industry sectors, the finance and insurance sector was the largest, increasing 7.0% from the previous year to 11.8 trillion yen (39.4% of the total). This was followed by transportation equipment at 3.1 trillion yen (10.3% of the total), up 8.5% from the previous year. Notable year-on-year growth rates were 358.2% for Iron, non-ferrous and metals, with a value of 0.5trillion yen and 1.2 trillion yen for transportation (up 148.7% year-on-year) (Chart 2-10). On the other hand, the wholesale trade/retail trade fell 76.3% year-on-year to 0.1 trillion yen (0.4% of the total).

Chart 2-9: FDI Stock in Japan by Industry



Source: "International Investment Position of Japan"(MOF, BOJ)

Chart 2-10: FDI Stock in Japan: Top 10 sectors (at the end of 2022) (100 million yen, %)

Ranking	Sector	Stock	Growth rate (YoY)	Ratio
1	Finance and insurance	117,784	7.0	39.4
2	Transportation equipment	30,730	8.5	10.3
3	Chemicals and pharmaceuticals	29,020	-10.2	9.7
4	Communications	22,816	-2.7	7.6
5	Electric machinery	22,305	34.3	7.5
6	Services	16,366	17.0	5.5
7	Transportation	12,391	148.7	4.1
8	General machinery	5,849	-1.9	2.0
9	Real estate	4,752	4.0	1.6
10	Iron, non-ferrous and metals	4,623	358.2	1.5
—	Others	32,312	-5.3	10.8
—	Total	298,950	8.6	100.0

Source: "International Investment Position of Japan" (MOF, BOJ)

Section 4. Trends in Greenfield Investment in Japan



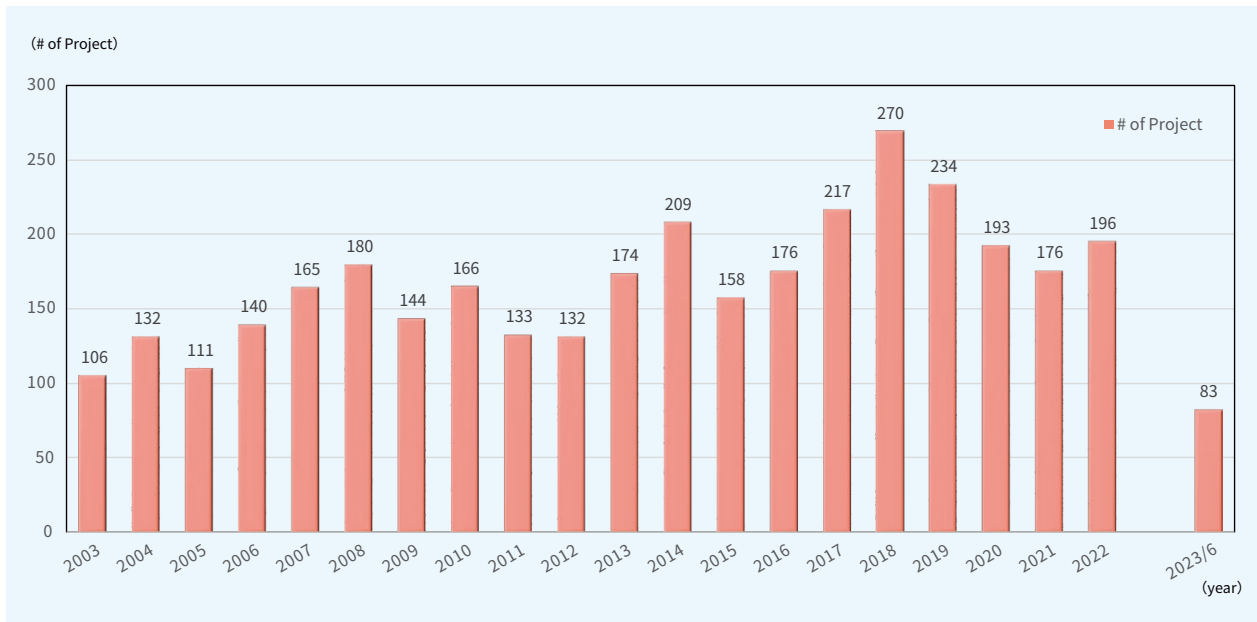
1. Number of projects



The number of greenfield investments in Japan in 2022 (based on date of publication) increased 11.4% from the previous year to 196, the first increase in four years.

Through the second quarter of 2023, the number of cases is 83, maintaining the same pace as in the previous year (Chart 2-11).

Chart 2-11: Trends in Number of Greenfield Investments in Japan



Source: "fDi Markets" (Financial Times) (as of Oct. 20, 2023)

2. Top 5 Countries and Regions / Top 5 Sectors



Looking at greenfield investments in Japan in 2022 by investor country/region, the U.S. was the largest with 57 investments, up 5.6% from the previous year. France, which was the second largest, saw a significant increase in the number of investments with 17 cases, up 240.0% compared to five cases in the previous year. The U.K., the third largest, maintained the same ranking as the previous year, despite an 11.1% decrease year-on-year. Germany, on the other hand, had 11 cases, down 45.0% from the previous year (Chart 2-12).

By sector, Software & IT services accounted for the largest number of cases at 70, up 32.1% year-on-year. This was followed by business services with 30 cases, up 76.5% year-on-year, and these sectors accounted for the majority of the total. In addition, the number of cases for communication was 14, down 30.0% year-on-year (Chart 2-13).

Chart 2-12: Number of Greenfield Investments in Japan in 2022 by Investor Country and Region (# of Projects, %)

Ranking	Country/ Region	# of Projects	Growth rate(YoY)	Share
1	United States	57	5.6	29.1
2	France	17	240.0	8.7
3	United Kingdom	16	-11.1	8.2
4	Germany	11	-45.0	5.6
5	Singapore	10	-23.1	5.1
5	Australia	10	150.0	5.1
—	Total	196	11.4	100.0

Source: "fDi Markets" (Financial Times) (as of Oct. 20, 2023)

Chart2-13: Number of Greenfield Investments in Japan in 2022 by Sector (# of Projects, %)

Ranking	Country/ Region	# of Projects	Growth rate(YoY)	Share
1	Software & IT services	70	32.1	35.7
2	Business services	30	76.5	15.3
3	Financial services	14	40.0	7.1
4	Communications	14	-30.0	7.1
5	Industrial equipment	13	0.0	6.6
—	Total	196	11.4	100.0

Source: "fDi Markets" (Financial Times) (as of Oct. 20, 2023)

3. Major Greenfield Investment Projects from January 2022 to June 2023



Looking at greenfield investment projects in Japan during the above period, there were cases such as an investment by U.S. semiconductor manufacturer Micron to upgrade production facilities and an investment in a fulfillment center (logistics base) by Amazon Japan, a subsidiary of U.S. Amazon. By sector, investment projects in the renewable energy field continued to show a presence (Chart 2-14).

Chart 2-14: Major Investments in Greenfield in Japan from January 2022 to June 2023

Company	Country/ Region	Sector	Destination (Prefecture)	Outline	Date (Based on announcement/ press release)
Micron Technology	U.S.	Semiconductors	Hiroshima	Micron Technology, a leading U.S. semiconductor memory company announced plans to invest up to 500 billion yen over the next several years in 1γ (gamma) generation technology at its Hiroshima Plant (Higashi-Hiroshima City, Hiroshima Prefecture) .	May 2023
Octopus Energy Group	U.K.	Renewable energy	Tokyo, Others	Octopus Energy is developing its renewable energy business in partnership with Tokyo Gas and currently has approximately 200,000 retail customers. In addition to a £600 million investment in solar and wind power, the company also announced plans to invest another £300 million to advance technological innovation and position Tokyo as a retail hub.	May 2023
Fidelity Investments	U.S.	Real estate	Chiba	Fidelity Investments announced that its subsidiary, Colt Data Centre Services, a global provider of hyperscale data center solutions for large enterprises, has begun construction of its fourth major data center in Inzai City, Chiba Prefecture, in a joint venture with Mitsui & Co.	April 2023
Amazon Japan	U.S.	Consumer goods	Hyogo	In March 2022, it announced the opening of the Amazon Amagasaki Fulfillment Center (FC) in Amagasaki City, Hyogo Prefecture. It is the largest FC of the company in western Japan, expecting to create more than 2,000 jobs in Amagasaki and surrounding areas.	March 2022
Total Energies	France	Renewable energy	Tokyo	The French leading energy company established a joint venture with ENEOS (50% stake each) in June 2022, which will implement a project to support self-consumption of solar power generation for corporations in Japan, India, Thailand, Viet Nam, and other Asian countries. In Japan, the company proposes introduction of solar power generation facilities, and implements the management of the facilities, aiming to develop more than 300MW of power generation capacity over the next five years.	April 2022
Mitsubishi Estate · Simon	U.S.	Real estate	Saitama	The company, a joint venture of the U.S. real estate developer Simon Property Group and Mitsubishi Estate, developed an outlet mall in Fukaya City, Saitama Prefecture, opening in October 2022.	October 2022

GLP	Singapore	Renewable Energy	Tokyo and the Kansai region	In February 2022, the Japanese subsidiary of Singapore-based logistics facility developer GLP announced its full-scale entry into the data-center business. In the Tokyo metropolitan area and the Kansai region, the company acquired suitable land totaling approximately 600MW, with construction starting sequentially in 2023 and completing sequentially in 2024. The company plans to invest 1 trillion yen or more in the future, aiming for supply capacity of 900 MW by around 2027-2028 at the latest.	February 2022
Google	U.S.	Communications	Chiba	In October 2022, the company announced a plan to invest a total of 100 billion yen in Japan's network infrastructure through 2024, and said that the initiative was launched in 2021, and it would open Google's first data center in Japan in Inzai City, Chiba Prefecture. The opening ceremony was held in April 2023.	October 2022
Advanced Nano Products	Korea	Electronic components	Aichi	The Korean EV battery material manufacturer established a Japanese subsidiary in July. Its production is implemented in Tahara-cho, Aichi Prefecture.	July 2022
Pattern Energy Group	U.S.	Renewable energy	Hokkaido	In September 2022, Green Power Investment (GPI), a Japanese subsidiary of Pattern Energy, an American renewable energy equipment developer, announced the conclusion of a financing contract for its constructing Ishikari Bay offshore wind power generation project with a capacity of 112MW, accelerating the construction. Subsequently, in May 2023, NTT Anode Energy and JERA announced that they would acquire GPI by the end of 2023.	September 2022
Copenhagen Infrastructure Partners	Denmark	Renewable energy	Aomori	The Danish green energy investment company announced in July 2022 that it had established a joint venture with Tokyuu Land for offshore wind power generation project in the Sea of Japan off the coast of Aomori Prefecture (the south side).	July 2022
Gestamp Hot Stamping Japan	Spain	Transportation equipment	Mie	In May 2022, Gestamp Hot Stamping Japan, a Japanese subsidiary of a Spanish automotive stamping components manufacturer, announced the expansion of its new plant building to meet growing demand for components, with operations scheduled to commence in June 2023.	May 2022
Equinix	U.S.	Communications	Tokyo	In November 2022, the U.S. data center company announced the establishment of a new data center, its 15th location in Tokyo. The initial investment is 115 million dollars, and the opening is scheduled to be in the second half of 2024.	November 2022

Note: In order of investment amount based on an announcement or on a press basis

Source: Prepared from "fDi Markets" (Financial Times) and announcements by each company.

Section 5. Trends in Inbound M&A in Japan



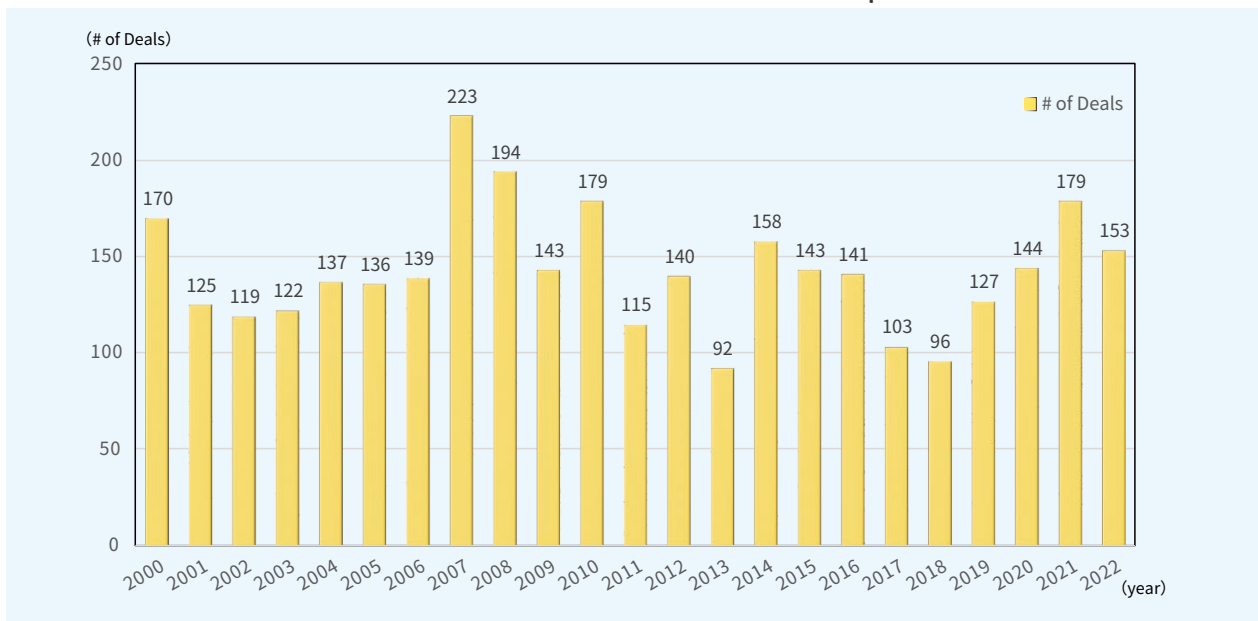
1. Number of M&A Deals : Top 5 Countries and Regions



In 2022, the number of cross-border M&A deals in Japan (hereafter, inbound M&A deals) was 153 (on a completion date basis), down 14.5% from the previous year (Chart 2-15). The number of inbound M&A deals increased by double digits for three consecutive years from 2019 to 2021, but turned downward in 2022.

Looking at the number of inbound M&A deals in 2022 by investor country and region, the U.S. was the largest with 52 deals (34.0% of the total), followed by Hong Kong (19 deals, 12.4% of the total) and China (16 deals, 10.5% of the total). Singapore, which ranked second with 20 deals in 2021, had 8 deals (60.0% decrease year-on-year) (Chart 2-16).

Chart 2-15: Trends in Inbound M&A Deals in Japan



Source: "Workspace" (Refinitiv) (as of Oct. 20, 2023)

Chart 2-16: Inbound M&A Deals in Japan in 2022 by Investor Country and Region (# of Projects, %)

Ranking	Country/ Region	# of Projects	# of Projects Growth rate(YoY)	# of Projects Share
1	United States	52	-11.9	34.0
2	Hong Kong	19	137.5	12.4
3	China	16	0.0	10.5
4	South Korea	13	-35.0	8.5
5	Singapore	8	-60.0	5.2
—	Total	153	-14.5	100.0

Source: "Workspace" (Refinitiv) (as of Oct.20, 2023)

2. Major Inbound M&A Deals in Japan from January 2022 to June 2023



Major inbound M&A deals in the above period include the tender offer for Hitachi Transport System by HTSK (a special purpose company of the U.S. investment fund KKR), tender offer for Hitachi Metals by BCJ-52 (a special purpose company led by U.S. investment fund Bain Capital), tender offer for NIPPO Co. by Roadmap Holdings (a special purpose company established by Goldman Sachs and ENEOS) (Chart 2-17).

Chart 2-17: Major Inbound M&A Deals in Japan from January 2022 to June 2023

Completion	Target Company	Target Company :Sector	Acquiring Company	Acquiring Company: Country / Region	Acquiring Company:Sector	Outline	Value (Million US\$)
February 2023	Hitachi Transport System	Transportation, logistics, and infrastructure	HTSK(KKR)	U.S.	Other finance	U.S. investment firm KKR acquired Hitachi Transport System for about 670 billion yen through a special-purpose company HTSK and others (March 2023). Hitachi Transport System changed its name to LOGISTEED. (April 1, 2023) and formed a strategic partnership with Hitachi, formerly the parent company of Hitachi Transport System, to promote the bulk logistics contracting business.	5,985
December 2022	Hitachi Metals	Metals and mining	BCJ-52(Bain Capital)	U.S.	Other finance	BCJ-52, led by investment fund Bain Capital, purchased Hitachi Metals' shares. The company is no longer Hitachi's consolidated subsidiary, and aims to strengthen its competitiveness and recover profitability under Bain Capital and others.	4,000
April 2023	Evident	Health/medical equipment and materials	BCJ-66(Bain Capital)	U.S.	Other finance	Olympus transferred all shares of its wholly owned subsidiary Evident, which is involved in the scientific business such as biological microscopes and industrial endoscopes, to a BCJ-66 led by investment fund Bain Capital. Evident will take over the scientific business, which has different business characteristics from the medical field, and the two companies each will establish a management structure suited to their respective characteristics.	3,110
April 2022	Mitsubishi-UBS Realty	Asset management and investment advisory	76(KKR)	U.S.	Asset Management and investment advisory	In March 2022, U.S. investment firm KKR agreed to acquire, through its subsidiary, all outstanding shares of Mitsubishi-UBS Realty, held by Mitsubishi and UBS Asset Management for 230 billion yen. Mitsubishi-UBS Realty is a real estate management company with assets under management of approximately 1.7 trillion yen (US\$15 billion).	1,937

March 2022	NIPPO	Transportation, logistics and infrastructure	Roadmap Holdings (Goldman Sachs, ENEOS)	U.S.	Other finance	A tender offer by Roadmap Holdings, a special-purpose company formed by Goldman Sachs Group and ENEOS, NIPPO's parent company. ENEOS has been reviewing the ideal form of NIPPO, a listed subsidiary, from the perspective of improving the corporate value of the entire group and capital efficiency, and has decided to dissolve the parent-subsi-dary listing and aim to optimize NIPPO management.	1,865
March 2023	Prince Hotel	Real estate	Reco Pine	Singapore	Other finance	As part of efforts to strengthen the financial and business structure of the Seibu Holdings Group, Prince Hotel, a consolidated company of the Group, transferred 26 assets including hotels it owns, to Singaporean corporation Reco Pine. The transfer price of the asset is 123.7 billion yen.	906
August 2022	Toshiba Carrier	Machinery	Global Comfort Solutions	U.S.	Other finance	U.S. air-conditioning equipment manufacturer Carrier acquired, through its subsidiary, Toshiba's 55% stake in Toshiba Carrier, a joint venture with Toshiba, which is also in the air-conditioning business, for approximately 100 billion yen. Toshiba's shareholding ratio became 5%.	901
September 2022	Huis Ten Bosch	Leisure and entertainment	PAG HTB Holdings	Hong Kong	Other finance	PAG, one of the largest asset-management companies in Asia, acquired all shares of Huis Ten Bosch owned by HIS for 66.66 billion yen, and it also acquired shares held by Kyushu Electric Power and others, making Huis Ten Bosch a wholly owned subsidiary of PAG. The total purchase price is about 100 billion yen.	481
January 2023	KITO	Machinery	Lifting Holdings BidCo (KKR)	U.S.	Professional services	A tender offer by a company established by U.S. investment firm KKR and others. It enhances corporate value through synergies from the management integration of KITO, a leading manufacturer of material handling equipment (hoists and cranes), and Crosby Group (U.S.), a leading provider of lifting and rigging solutions. The planned purchase price based on the data of announcement is 56.5 billion yen.	479
August 2022	Trend Micro	Software & Internet services	Valueact Capital Partners	U.S.	Alternative financial investment	U.S. investment firm Valueact Capital invested about 83.4 billion yen to acquire a stake in Trend Micro, taking its ownership to 8.73%. One of its objectives is to provide advice to the management team.	431

February 2022	SNK	Software	Electronic Gaming Development	Saudi Arabia	Other finance	MISK Foundation, a Saudi youth development support organization established by Saudi Arabia's Deputy Crown Prince Mohammed bin Salman, acquired Japanese game developer SNK, through its subsidiary, for about 51.2 billion yen, raising its stake from 33.3% to 96.18%. It aims to strengthen the entertainment sector.	415
March 2022	Blackstone's property portfolios	Housing	M&G Asia Property Fund	U.K.	Other finance	It acquired 30 residential properties or 1,575 units in Tokyo, Osaka, and Nagoya for 49.2 billion yen.	415
March 2022	SENQCIA	Machinery	Lone Star Funds	U.S.	Alternative financial investment	U.S. investment firm Carlyle transferred all of its shares in building materials manufacturer SENQCIA to Lone Star Funds, another U.S. investment fund.	411
December 2022	ALBERT	IT consulting	Accenture	Ireland	Professional services	Consulting firm Accenture acquired ALBERT, a big data analytics company, and made it a wholly owned subsidiary, strengthening services utilizing data and artificial intelligence (AI).	272

Note: Major transactions are listed. The nationality of the acquisition company is the location of the ultimate parent company.

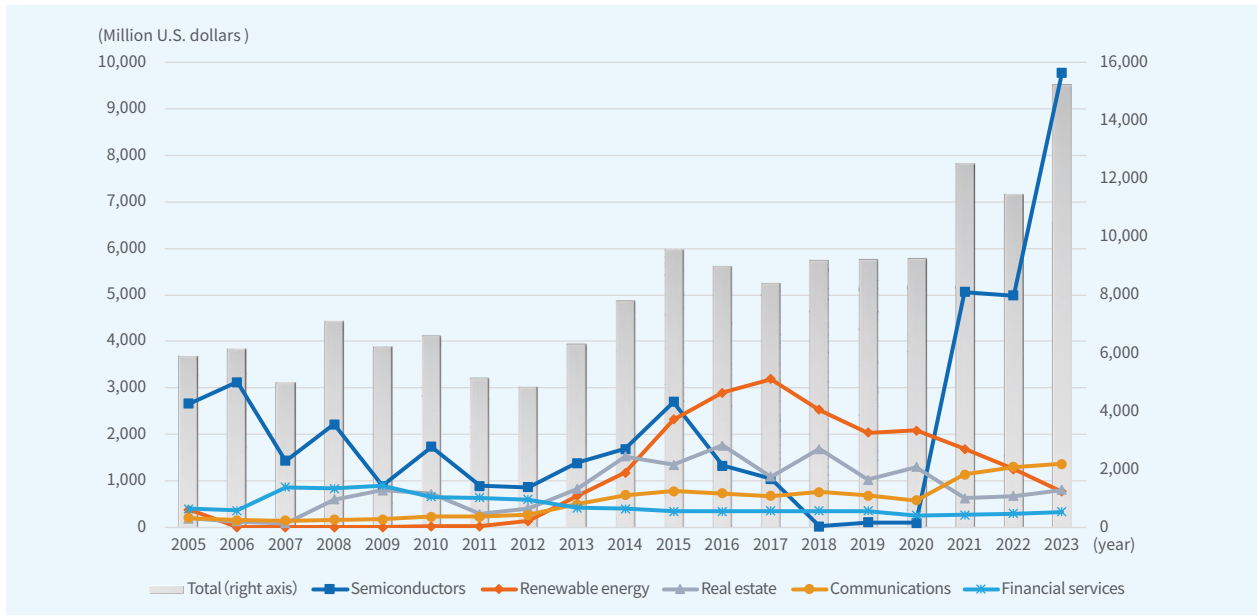
Source: Compiled from "Workspace" (Refinitiv) (as of October 20, 2023)

Section 6. Long-Term Trends in Greenfield Investment Projects in Japan



Looking at the trends in greenfield investment in Japan (announced basis) over the long term, it shows that semiconductor-related projects have been driving the overall trend in recent years (Chart 2-18).

Chart 2-18: Trends in Greenfield Investment in Japan by Sector (top 5 industries)
(3-year moving average of investment value, on an announced basis)



Note: For 2023, data through August announcements is shown.

Source: "fDi Markets" (Financial Times)

Looking at inward FDI projects announced since 2003 in order of scale, the top investments are in semiconductors, which is particularly concentrated in recent years (Chart 2-19). In addition, as for the trends in greenfield projects in major detailed sectors other than semiconductors, we can see that the accommodation industry has stagnated due to the spread of Covid-19. On the other hand, data processing, hosting & related services, including data centers, have seen rapid growth in recent years, which can be inferred to be affected by the emergence of geopolitical risks (Chart 2-20).

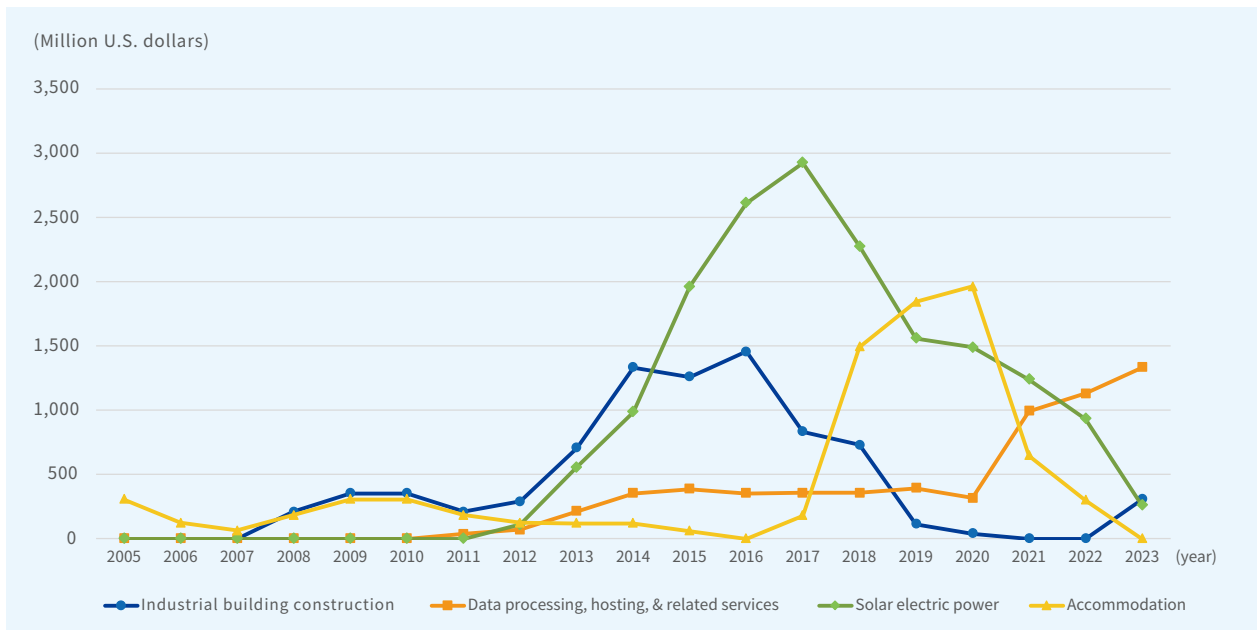
Chart 2-19: Major Greenfield Investments in Japan
(Projects announced from 2003 to August 2023, on an announced basis)

Detailed Industry	Company	Country/Region	Date of Announcement
Semiconductors & other electronic components	Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)	Taiwan	Jul 2021
	Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)	Taiwan	Jul 2023
	Micron Technology	U.S.	Oct 2021
	SanDisk	U.S.	Aug 2013
	Micron Technology	U.S.	May 2023
	Powerchip Semiconductor Manufacturing Corporation (PSMC)	Taiwan	Jul 2023
	Skyworks Solutions	U.S.	Aug 2015
	SanDisk	U.S.	Apr 2006
	SanDisk	U.S.	Dec 2003
	Entegris	U.S.	Feb 2004
	Cabot Microelectronics	U.S.	Jul 2004
	Advanced Semiconductor Engineering (ASE)	Taiwan	Aug 2008
	Intel	U.S.	Nov 2010
Spansion (now Infineon Technologies)	U.S.	Jun 2006	
Other petroleum & coal products	Hydrodec Group	U.K.	Jul 2011
Petroleum refineries	Petrobras	Brazil	Apr 2008
Nuclear electric power generation	Orano (New AREVA Holding)	France	Jan 2009
Industrial building construction	GLP Japan Development Venture	Singapore	Dec 2016
Pharmaceutical preparations	Chugai Pharmaceutical (Roche Group)	Switzerland	May 2019
Data processing, hosting & related services	Princeton Digital Group (PDG)	Singapore	Jun 2021

Note: Top 20 deals in fDi Markets since 2003 in terms of investment value (announced or press released basis) are listed. Projects in the same detailed industry are listed in descending order of investment values.

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

**Chart 2-20: Trends in Greenfield Investment in Japan by Detailed Sector
(3-year moving average of investment value, on an announced basis)**



[Column 1] JETRO's initiatives for the entry of semiconductor-related companies into Japan



Following the entry of Taiwan Semiconductor Manufacturing Company (TSMC) into Kumamoto, related foreign companies are increasingly interested in expanding into Kumamoto Prefecture and surrounding areas. For this reason, the Japan External Trade Organization (JETRO) established the "Invest Kumamoto Semiconductor Business Support Desk" at JETRO Kumamoto in September 2023. The "Support Desk for Foreign Businesses," which supports foreign companies business expansion, is set up when the interests of foreign enterprises and affiliates increase. "Invest Kumamoto Semiconductor Business Support Desk" is the first case of such Support Desk establishment.

Invest Kumamoto Semiconductor Business Support Desk

Establishment: Friday, September 22, 2023

Activities:

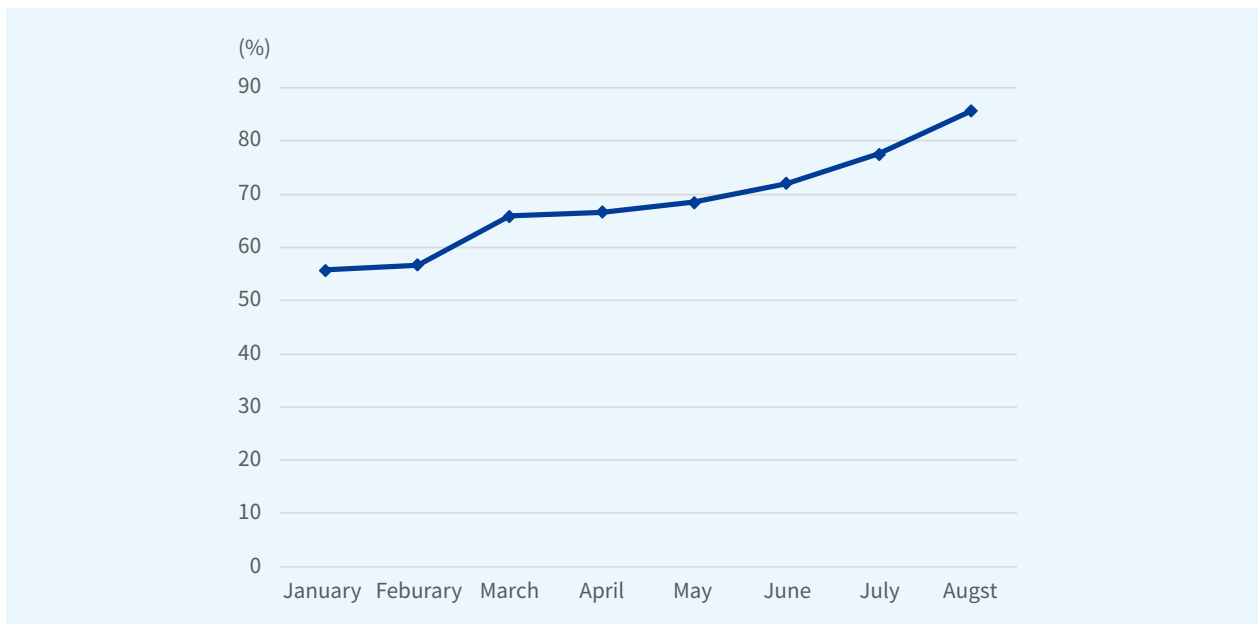
1. Assign dedicated staff to respond to inquiries/consultations for domestic and overseas companies regarding expansion into Kumamoto Prefecture.
2. Provide temporary office space and incubation facilities service to foreign companies during preparation of incorporation registration or business expansion.
3. Support business establishment by dispatching experts from JETRO Head Office (Tokyo) for a certain period of time, and implement corporate support through strengthened cooperation with JETRO Fukuoka's coordinators.
4. Invite foreign companies/startups to Kyushu region including Kumamoto Prefecture.
5. Share knowledge gained from attracting foreign companies with local governments, universities and research institutions, industrial communities, local companies, and financial institutions in Kyushu region including Kumamoto Prefecture.

[Column 2] With the recovery of inbound tourism, Japanese tourism assets is once again in the spotlight



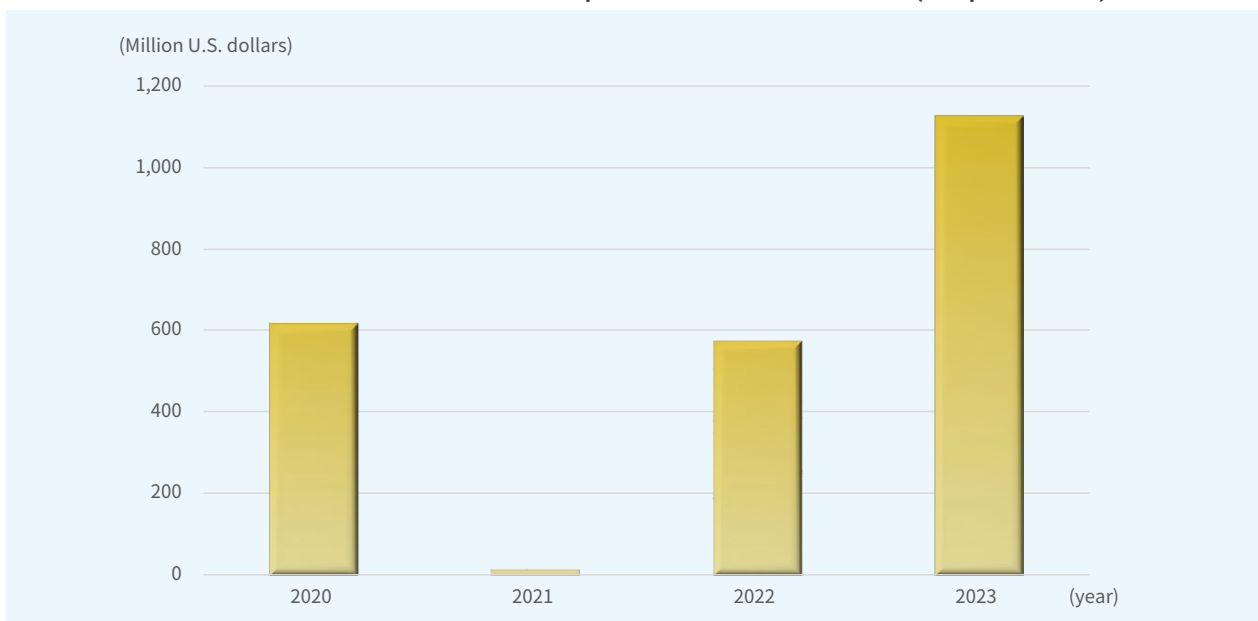
As shown in Section 6, greenfield investment in the tourism sector, which had been expanding steadily, saw a slowdown following the spread of COVID-19. On the other hand, foreign visitors to Japan began to recover in February 2022, accelerated significantly from the beginning of 2023, and recovered to around 85% of the level before the COVID-19 crisis as of August 2023 (Chart 2-21). In addition, looking at the trends in tourism-related M&A deals by foreign companies, we see a similar trend, bottoming out in 2021 and recovering from 2022 onward (Chart 2-22). Large-scale projects such as the case of Daiwa House Industry (Daiwa Resort) are emerging, and Japanese tourism assets are once again attracting attention (Chart 2-23).

Chart 2-21: Number of foreign visitors to Japan in 2023 compared to 2019 (before COVID-19 pandemic) (compared to the same month)



Source: The Japan National Tourism Organization (JNTO)

Chart 2-22: Amount of M&A deals in Japan in tourism-related sectors (completed basis)



Source: "Workspace" (Refinitiv)

Chart 2-23: Large-scale acquisitions in tourism-related industries from 2022

Acquisition Completion Date	Acquired Company: Company Name	Acquired Company: Business	Acquiring Company: Company Name	Acquiring Company: Ultimate Parent Company Location	Acquiring Company: Industry	Acquisition Amount
September 2022	Huis Ten Bosch	Leisure/ Entertainment	PAG HTB Holdings	Hong Kong	Finance	100 billion yen
July 2023	Daiwa House Industry (Daiwa Resort)	Hotel	Investor Group (Japan Hotel REIT Advisors)	Singapore	Finance	55.617 billion yen
July 2022	KKDAY JAPAN	Travel portal	TGVest capital	Taiwan	Finance	20 million dollars (95 million dollars, total from 2020)
March 2023	Royal Hotel	Hotel	Blossoms Holding HK	Canada	Finance	Undisclosed
September 2023	WD Holdings	Entertainment ticket arrangements	Vivid Seats	U.S.	Wholesale, Services	8.7 billion yen
August 2023	Bespoke Hotel Shinsaibashi	Hotel	City Developments	Singapore	Media, Entertainment	8.5 billion yen

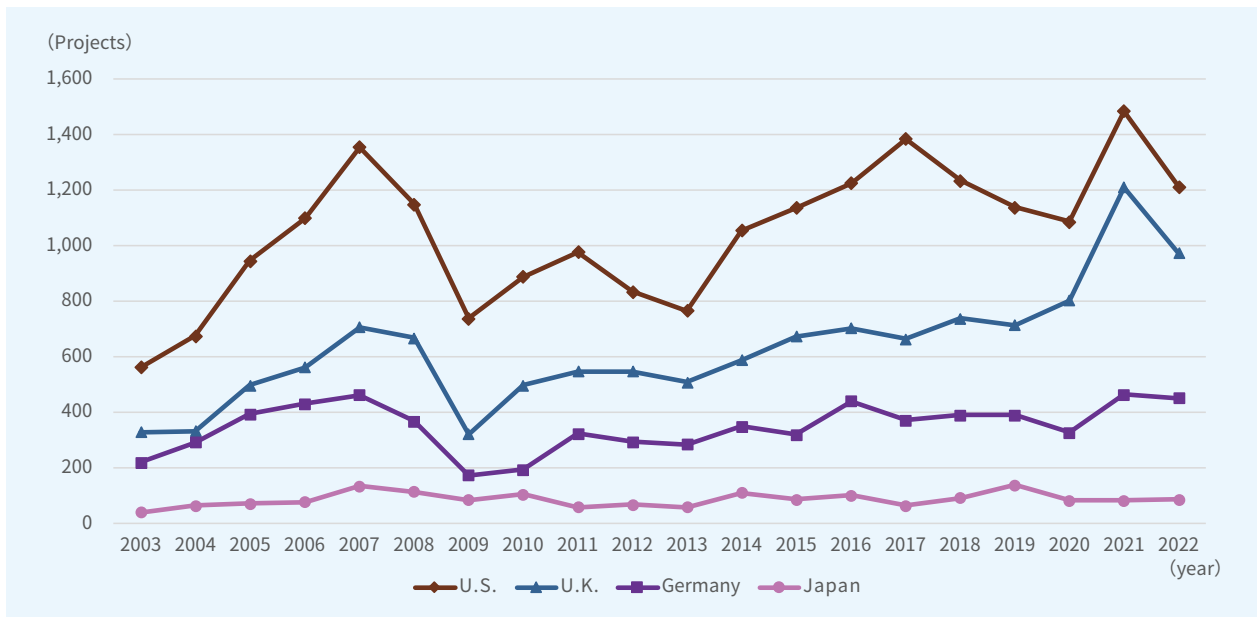
Source: "Workspace" (Refinitiv) and company announcements

[Column 3] Promotion of More Active and Desirable M&A in Japan



M&A is one of the effective options to achieve speedy and non-consecutive growth in the fierce global competition, and many companies are expanding overseas sales channels, improving management, and strengthening and developing human resources by utilizing global networks and know-hows held by foreign investors. On the other hand, Japan's inward M&A remains at a low level compared to that of other major countries (Chart 2-24). In light of this, in 2023, the Ministry of Economy, Trade and Industry (METI) released the "Case Studies relating to the use of inbound M&A transactions" to publicize it more widely as an option for corporate growth. In addition, METI issued "Guidelines for Corporate Takeovers" to facilitate desirable acquisitions for the economy through the healthy development of market functions in a fair M&A market (Chart 2-25).

Chart 2-24: Number of Cross-Border M&A Acquisitions in Major Countries



Source: The United Nations Conference on Trade and Development (UNCTAD)

Major Benefits for Target Companies That Accepted Foreign Capitals



Management Base

Sophistication of business and financial management by acquiring global knowledge and management know-how

Sophistication of business management, promotion of DX, and improvement of productivity/profitability were achieved through incorporating management know-how, expertise, and global standards of governance, in which areas foreign investors are more advanced, such as KPI*¹ management, ROIC*²-conscious investment, and business portfolio management.

Strengthening of the organizational structure through human resources support

The organizational structure was strengthened through introduction of the most suitable human resources for the issues confronted by the target company, based on the foreign investor's rich personnel networks.

Employees

Enhancement of employees' motivation through the introduction of a new personnel evaluation system

Introduction of a new personnel system and a highly transparent evaluation system as well as the grant of stock options and other measures, as used by the foreign investor, contributed to enhancing the employees' motivation.

Development and strengthening of global human resources

Training programs and exchanges with global human resources made it possible for the company to develop and strengthen its employees, enabling them to gain a global perspective and mindset. The company became able to recruit more globally-minded human resources, as being under the umbrella of a foreign investor.

Business Operations

Expansion of the overseas sales channels through a global network

Expansion of the overseas sales channels was achieved through utilization of the network and brand power of the foreign investor. This contributed to the increase in overseas sales ratio and the expansion of the company's presence in overseas markets.

Utilization of products, services, and business models in the fields that are more advanced in overseas markets

Expansion of the range of products and services and quality enhancement were achieved through incorporation of technologies, know-how, and business models related to products and services that are more advanced in overseas markets.

In addition, there are other multiple specific benefits, subject to different case studies. For the target company, benefits may include the optimization of its business portfolio and the securing of funds. For the acquiring party, benefits may include strengthening of ESG and diversity management, progresses in management reforms based on delisting, actively investing in and increasing R&D costs, expanding employment, and carrying out additional M&A transactions, etc.

*1. KPI: Key Performance Indicator. *2. ROIC (Return On Invested Capital)

Source: METI, "Case Studies relating to the use of inbound M&A transactions"

In August 2023, the "Guidelines for Corporate Takeovers" were published. In light of the various changes in the M&A situation in recent years, the purpose of the guidelines is to examine how parties involved should behave regarding acquisitions, and present principles and best practices that should be shared by the parties, to make takeovers that increase corporate value more likely to occur (and those that do not less likely to occur), by improving the predictability and desirability for parties involved in takeovers. Based on the premise that M&A will contribute, in principle, to the enhancement of "corporate value" of Japanese companies by creating synergies through acquisitions and improving inefficient management, etc. *¹, actions to take were discussed when an acquirer and a target company have different evaluations of an acquisition proposal. Balancing the interests of both parties, the guidelines as fair rules regarding M&A that should be shared in the Japanese economy and society were created.

Outline (partial excerpt)



The Guidelines present the following three principles that should be respected in acquisitions of corporate control of listed companies in general.

Principle 1: Principle of Corporate Value and Shareholders' Common Interests

Whether or not an acquisition is desirable should be determined on the basis of whether it will secure or enhance **corporate value and the shareholders' common interests**.

- "Corporate value" represents **the sum of the present values of the discounted future cash flows generated by a company**, and is explicitly defined as, not qualitative, **but a quantitative concept** [can be expressed as the sum of shareholder value (market capitalization as valued in the market) and net debt values from the perspective of capital financing sources]. This includes the value arising from quantifiable increases in future cash flows resulting from the contributions by employees, counterparties, and other stakeholders in business activities.
- When a takeover proposal is received, in general, "sincere consideration" is given to a "bona fide offer" (an acquisition proposal that is specific, rationale of purpose, and feasible), and in considering the pros and cons, the acquisition price and other terms of the transaction should be seriously examined (it can be reasonably inferred that a high acquisition price offer is expected to increase corporate value).

Principle 2: Principle of Shareholders' Intent

The rational intent of shareholders should be relied upon in matters involving the corporate control of the company.

- The board of directors of the target company is required to present its own opinion to shareholders, apart from its own interests, as to whether it believes that the proposed acquisition will contribute to enhancing corporate value and securing interests of shareholders, and whether there are other more desirable alternatives.
- Respecting shareholders' intent in an acquisition takes the form of obtaining judgment of shareholders such as through their decision to tender shares or not, and regulatory frameworks are established to ensure that the necessary information (including a statement of opinion by the target company) is available and there is time for the shareholders' judgement. However, **in exceptional and limited circumstances** where the regulatory frameworks are not considered to be sufficient from the perspective of ensuring transparency, **takeover response policies or countermeasures may be applied in response to an acquisition attempt without consent, at the initiative of the company**. In such event, it is fundamental to confirm **what the reasonable intent of shareholders is at a shareholders' meeting in respect of approval or rejection of takeover response policies and countermeasures in response to such an acquisition attempt**.

Principle 3: Principle of Transparency

Information useful for shareholders' decision making should be provided appropriately and proactively by the acquiring party and the target company. To this end, the acquiring party and the target company should ensure transparency regarding the acquisition through compliance of acquisition-related laws and regulations.

Note *1: Acquisitions are made when the acquirer is confident that it will significantly increase the value of the company above the level currently reflected in the stock price. It should be noted that, in addition to the expectation that synergies will enhance value and improve management efficiency through rational behavior in acquisition transactions, the possibility of a takeover will serve as a discipline to current management.

Source: METI "Guidelines for Corporate Takeovers"

Chapter 3 Recent Government Measures



Chapter 3 overviews the "Basic Policies on Economic and Fiscal Management and Reform 2023 (Accelerating New Form of Capitalism: Expanding Investments for the Future and Realizing Structural Wage Increases)" announced in June 2023, and outlines the basic policies for accelerating the realization of the "New Form of Capitalism," at the turning point in times with changes and challenges facing Japan, both internal and external.

In addition, we will introduce the measures mentioned in the "Action Plan for Attracting Human and Financial Resources from Overseas" in order to expand investment in Japan as a whole, improve innovation capabilities, and lead to economic growth.

Section 1. Basic Policy on Economic and Fiscal Management and Reform 2023



Japan is facing a number of simultaneous and compounded challenges at home and abroad. For example, it is exposed to structural changes in the international environment, such as Russia's invasion of Ukraine, infections of COVID-19, and climate change issues, while suffering domestically from soaring prices of imported resources, low birthrate and aging population/declining population, stagnant potential growth, and more frequent and severe disasters.

Under these circumstances, it is necessary to overcome difficulties while making the efforts to solve social issues themselves an engine of growth. In order to further vigorously expand the current positive trends, such as the first high level of wage increase in 30 years and the high appetite for investment in the corporate sector, Japan will accelerate our efforts to realize the "New Form of Capitalism" and aim to create an economic society suitable for the new era. Against this backdrop, the "Basic Policy on Economic and Fiscal Management and Reform 2023" was approved by the Cabinet on June 16, 2023.

The "Basic Policy on Economic and Fiscal Management and Reform 2023" shows the basic policies for the government's economic and fiscal management and reform. In particular, in terms of accelerating the realization of the "New Form of Capitalism," it states that the government will carry out "Trinity Labor Market Reforms" of "support for skill improvement through reskilling," "introduction of job-based pay on the reality of individual companies," and "facilitating labor transfer into growth areas," and strengthen "investment in people" and create a substantial middle class. It also mentions drastic strengthening of measures to cope with the declining birthrate and child policy and realizing of an inclusive society.

In particular, the following initiatives are cited as measures to "expand investment and implement economic and social reforms."

Chart 3-1: Initiatives in "Expansion of Investment and Implementation of Economic and Social Reforms"

No.	Outline	Main plans
1	Increasing investment in Japan and strengthening supply chains through public-private partnerships	<ul style="list-style-type: none"> Quickly realizing 115 trillion yen in private capital investment and creating quality jobs in the regions with various measures: budget and tax, and regulatory, institutional reforms. Aim to become the core of the global supply chain, such as in next-generation semiconductors, and work to expand investment.
2	Acceleration of Green Transformation (GX), Digital Transformation (DX), etc.	<ul style="list-style-type: none"> Promotion of thorough energy conservation, utilization of nuclear power, early establishment of hydrogen/ammonia supply chains, realization of public-private GX investment of 150 trillion yen over 10 years, upfront investment using "GX Economic Transition Bonds," and prompt realization and implementation of "Growth-Oriented Carbon Pricing Initiative"
3	Driving startups and converting to a new industrial structure	<ul style="list-style-type: none"> "Startup Development Five-year Plan" "Global Startup Campus" based on the above plan Strengthen the supply of funds and diversify exit strategies.
4	Promoting science, technology and innovation through public-private partnerships	<ul style="list-style-type: none"> Drastic expansion of science and technology investments through public-private partnerships in the fields of AI, quantum technology, health and medicine, fusion energy, and biotechnology Strengthening of initiatives in the fields of space and ocean, etc.
5	Developing strategies for inbound tourists (foreign visitors to Japan)	<ul style="list-style-type: none"> Recovery of international exchanges in Japan Establishment of the global knowledge exchange Acceptance of highly-skilled foreign professionals Set-up of an international financial center in Japan as a nation facilitating asset management

Source: Compiled based on the Basic Policies on Economic and Fiscal Management and Reform 2023 (Cabinet Office website)

Section2. Action Plan for Attracting Human and Financial Resources from Overseas



In April 2023, the "Action Plan for Attracting Human and Financial Resources from Overseas" (the "Action Plan") was decided at the Council for Promotion of Foreign Direct Investment in Japan. The Action Plan established five pillars in order to expand overall investment in Japan and enhance innovation capabilities by actively attracting human and financial resources from overseas, leading to further economic growth and revitalization of regional economies (Chart 3-2)

In 2021, the government set a target to double the FDI stock in Japan to 80 trillion yen by 2030 and has begun efforts to achieve this goal. The economic and social environment in Japan and abroad is changing, and by viewing this situation as an opportunity for growth, the government aims to achieve the FDI stock in Japan to 100 trillion yen at an early stage by accelerating efforts through the Action Plan. The government measures, referred to in the first pillar of the Action Plan, "Stimulating investment in strategic sectors and restructuring global supply chains in light of the changes in the international environment" are outlined as follows.

Chart 3-2: Outline of Action Plan for Attracting Human and Financial Resources from Overseas

No.	Five Pillars of Action Plan	Specific Undertakings
1	Stimulating investment in strategic sectors and restructuring global supply chains in light of changes in the international environment	<ul style="list-style-type: none"> Given the drastically changing international environment, provide an optimal environment for business in global competition, and revive Japan as attractive global center for production and research. Reconstruct resilient supply chains against various global economic risks through strategic international collaboration. → Strategic development of industrial location projects utilizing a range of funds, nation-wide establishment of investment consortiums combined with human resource development projects through industry-academia-government collaboration
2	Strategies for the formation of Asia's largest startup hub	<ul style="list-style-type: none"> Make Japan the largest startup hub in Asia, develop a global startup ecosystem that could gather entrepreneurs, VCs, and accelerators from abroad. Based on the Startup Development Five-year Plan, boldly accelerate the improvement of the startup environment in Japan, including improving the convenience of startup visas. → Concentrated support for 8 Startup Ecosystem Base Cities, and efforts to make visas for foreign entrepreneurs more convenient
3	Attracting highly-skilled foreign professionals, and improving the system for establishing a center for global knowledge exchange	<ul style="list-style-type: none"> As competition in attracting human resources with advanced knowledge and skills supporting innovation intensifies around the world, strengthen efforts to make Japan a global center of knowledge that attracts highly skilled human resources and generates innovations. → Establishment of world-class new residency qualification systems (Japan System for Special Highly-Skilled Professionals (J-Skip), Japan System for Future Creation Individual Visa (J-Find)), examination of Technical Intern Training System and Specified Skills System, promotion of the Global Startup Campus concept, and consideration for a system accepting "digital nomads"
4	Improving the business and living environment to attract human resources and investment from overseas	<ul style="list-style-type: none"> Set KPIs(Key Performance Indicator) with timeframes and accelerate efforts to develop a business-friendly environment that attracts human resources and investment from overseas, including support for foreign business startups, and to improve living environments such as education and medical care. Establish a core international financial center in Asia and develop an environment to promote GX investments and lending. In addition, strengthen efforts to expand inbound tourism in the new era. → Enhancement of functions as an international financial center, systemic promotion of GX investments and loans, enhancement of multi-lingual one-stop consultation service, improvement of educational environment (e.g., facilitating international school students to enter Japanese high schools), medical environment (e.g., building a nationwide platform to provide information on hospitals with multilingual services), and expansion of inbound tourism (e.g., attracting MICE (meetings, incentive travel, convention and exhibitions)).
5	Fundamentally strengthening all-Japan's efforts for the mechanism to attract investment and to follow up this Action Plan, and globally disseminating these undertakings on the occasion of the G7 and other international events	<ul style="list-style-type: none"> Attract strategic investments that contribute to job creation and value-added creation, fundamentally strengthen all-Japan's efforts for the mechanism to attract investment and to follow up this Action Plan through collaboration among the relevant ministries, industry-academia-public sector, and national and local governments, ranging from the stage of attracting investment at overseas bases to the stage of foreign companies actually rooting in the regions in a manner that benefit the regions (Set KPIs and execute PDCA(Plan-Do-Check-Act) cycle.). → Establishing a "FDI Task Force" through collaboration at the level of heads of diplomatic missions and JETRO overseas offices, Establishing a "Follow-up Council for Regional Investment Promotion" to examine region-specific measures to attract foreign companies to the regions and promoting their establishment and follow-on investment in the region, Establishing a "Task force for Attracting Human and Financial Resources from Overseas" at the level of vice-ministers of respective relevant ministries to follow up on the outcomes of initiatives, issues, etc., and execute a PDCA cycle and holding business summits with the participation of top executives from foreign companies

Source: Cabinet Office website

Section3. Green Innovation Fund Projects



In October 2020, Japan declared that it aims to reduce GHG emissions to zero, to make Japan a carbon-neutral, decarbonized society by 2050. This goal is greatly ahead of the previous government policy and will require to significantly accelerate current efforts such as structural changes in the energy and industrial sectors, and bold investment for innovation. For this, Green Innovation Fund of nearly 3 trillion yen (as of end of July 2023) is created at the New Energy and Industrial Technology Development Organization (NEDO) to provide continuous support for 10 years to companies and other organizations that show their commitment to challenge such ambitious goals as their business issues. The purpose of this fund project is to help Japanese companies secure an advantageous position in the international competition for carbon neutrality-related markets and to strengthen industrial competitiveness.

Chart 3-3: Outline of Green Innovation Fund Projects

<p>Support targets</p>	<p>Projects that have set ambitious 2030 targets (performance, cost, productivity, amount introduced, CO2 (Carbon dioxide) emissions reduction, etc.) in priority fields on which the Green Growth Strategy stipulates action plans, or in key areas where roadmaps have been laid out based on the "Basic Policy for the Realization of GX*," and that can elicit commitment from participating companies.</p> <p>*Key 22 sectors in 2023: (1) hydrogen and ammonia, (2) storage batteries, (3) iron and steel, (4) chemical, (5) cement, (6) paper and pulp, (7) automobile, (8) resource recycling, (9) housing and buildings, (10) digital investment for decarbonization, (11) aircraft, (12) zero emission ships (maritime industry), (13) bio-manufacturing, (14) renewable energy, (15) next-generation networks (grid/adjustment), (16) next-generation innovative reactors, (17) transportation (excluding ships, cars, and aviation related industries mentioned above), (18) infrastructure, (19) carbon recycled fuel (SAF(sustainable aviation fuel), synthetic fuel, synthetic methane), (20) CCS(carbon dioxide capture and storage), (21) food, agriculture, forestry and fisheries, and (22) community and lifestyle-related</p>
<p>Project scale and period</p>	<p>The main targets are projects with a total project cost (national expenditure only) of about 20 billion yen or more. However, small-scale projects below this level may be accepted if they are recognized as truly necessary, or if venture companies related to digital technology, etc., that play a role in creating new industries are expected to be active in the project. Projects for which government support is sufficient just for a short period of time are not eligible.</p>
<p>Eligible entity</p>	<p>Since eligible projects are those which include not only limited to R&D, but also includes social implementation, the main entity of the project shall be companies or other entities engaged in profit-making businesses. In addition, universities, research institutes, and technology associations engaged in the technological development necessary for social implementation are expected to participate, and the participation of SMEs and venture enterprises that play a role in creating new industries are encouraged.</p>

Source: NEDO website

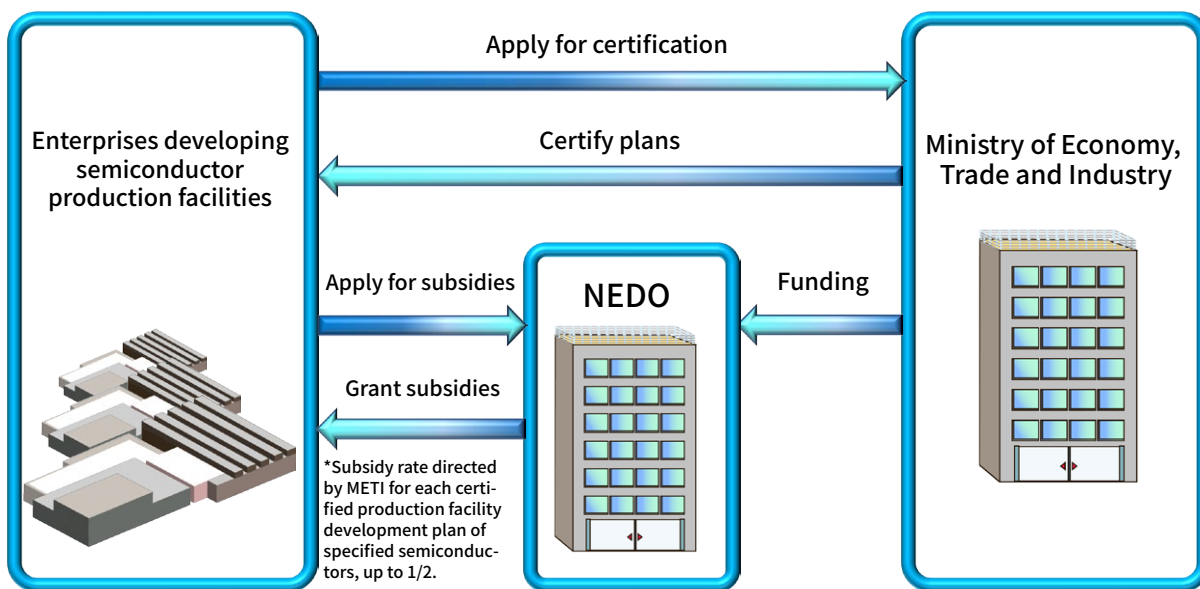
Section4. Fund for Advanced Semiconductor Production Infrastructure Development



While semiconductors are increasingly being used in vehicles, medical devices, and various other fields due to the progress of digitalization, geopolitical circumstances are increasing the risk of global supply chains being affected. Ensuring a stable supply of advanced semiconductors, which affect all industries and are indispensable for 5G systems, is a top priority in terms of increasing the resilience of industrial infrastructure and improving strategic autonomy and indispensability. This project aims to realize a stable supply of advanced semiconductors in Japan by establishing domestic production sites for advanced semiconductors, ensuring continued production at those sites, and promoting joint research and development with participating companies.

Specifically, a newly established fund at New Energy and Industrial Technology Development Organization (NEDO) will be used as subsidy to implement plans related to the development of advanced semiconductor production facilities as well as production of such semiconductors that have been certified based on the 5G Promotion Act, to encourage investment decisions by enterprises and ensure a stable supply of advanced semiconductors.

Chart 3-4: Implementation Method of Specified Semiconductor Fund Projects



Source: NEDO website

Section5. Project to Accelerate Biomanufacturing Revolution



In the field of biomanufacturing, the technology is expected to be used widely and revolutionarily, not only in pharmaceuticals and foods, which are being pioneered, but also in a wide variety of industries including chemicals, materials, textiles, and fuels.

In particular, with the generic modification technology, etc., it is attracting attention as a technology for enhancing the substance productivity that microorganisms originally have, acquiring the productivity of target substances, or acquiring target substances through enzymatic degradation, etc. It was positioned as one of the pillars of the science, technology, and innovation in the Grand Design and Action Plan for a New Form of Capitalism (approved by the Cabinet in June 2022).

In order to build an innovative value chain with a variety of raw materials and products as an exit, by actively conducting necessary technological and social system demonstrations, it is expected to become the industrial foundation for the next generation and the core of Japan's industrial competitiveness, as a sustainable manufacturing alternative to the conventional manufacturing process that uses fossil resources as raw materials.

This project will implement technology development and system demonstration for the acquisition of biomanufacturing raw materials, as well as cultivation of platformers for microorganism modification, etc., that hold the source of added value for biomanufacturing, development of improvement technologies for microorganism, etc., and development and demonstration of manufacturing technology for mass production.

A total budget of about 300 billion yen was allocated for the project period from FY2023 to FY2032.

Chart 3-5: Project to Accelerate Biomanufacturing Revolution

Items	R&D Items	Details
R&D (1)	Development and demonstration for collection and recycling of unused resources	<ul style="list-style-type: none"> Surveys to establish a supply chain for collecting unused resources Development and demonstration of the conversion of unused resources into raw materials Demonstration of collecting bio-products, etc. as raw materials for promoting recycle-oriented biomanufacturing
R&D (2)	Development and breeding of industrial microorganisms and advancement of microorganism modification platform technology	<ul style="list-style-type: none"> Development and breeding of industrial microorganisms, etc. Advancement of platform technology through the development and breeding of industrial microorganisms, etc.
R&D (3)	Development and demonstration of production technology for target substances by microorganisms, etc.	<ul style="list-style-type: none"> Development of technologies and production demonstration associated with scale-up, such as mass culture, which are necessary for the production of substances on a commercial scale using microorganisms, etc.
R&D (4)	Development and demonstration of separation, refining, and processing technologies for materials manufactured by microorganism, etc.	<ul style="list-style-type: none"> Development and production demonstration of technologies for separation and refining of substances produced through the process using microorganisms, such as fermentation and mass culture using culture media, and processing them into final products
R&D (5)	Development of evaluation methods for social implementation of biomanufacturing products	Development and case studies necessary to consider the following. <ul style="list-style-type: none"> System to differentiate products and encourage consumers to choose them as high-value-added products (labelling rules, brand strategy) System to convert greenhouse gases reduction efforts into credits and other values (recovery of increased costs) (LCA(Life Cycle Assessment) assessment, carbon credit trading) System including collection rules for the disposal of bio-derived products (promotion of behavioral change among stakeholders) System in which Japan's technologies and products are evaluated internationally towards the realization of resource-recycling economy (Products manufactured in Japan are evaluated as highly environmentally friendly) Analysis to promote acceptance by consumers and companies for market launch (consumer and company surveys)

Source: New Energy and Industrial Technology Development Organization (NEDO) website

Section6. Subsidy for Development of Regional Data Centers



Data centers (DC) support the provision of new digital services that contribute to solving various social issues, and are also important infrastructure from the perspective of security, as they store companies' and other organizations' trade secrets and personal information. Despite this, 80% of domestic DCs are concentrated in the Tokyo and Osaka areas, and there are challenges such as strengthening the resilience of DCs and uneven distribution of power load.

To this end, for establishing new DCs in the regions, the project aims to develop new DC sites that complement or substitute for those in the Tokyo and Osaka areas, and to ensure that the DCs established in these areas are operated and used continuously, by subsidizing the costs of land development as well as electric power and telecommunications infrastructure development.

Chart 3-6: Outline of Development Projects of Regional Data Centers

Items	Development project of data center infrastructure (land development, electric power and telecommunications infrastructure, etc.)	Development project of data center infrastructure (land development, electric power and telecommunications infrastructure, etc.) and facilities (buildings, equipment, etc.)
Details of support	Partial support for development costs of land as well as power and telecommunications infrastructure required for the establishment of new data centers	Partial support for development costs of land, power and telecommunications infrastructure, and data center facilities, such as buildings and equipment, required for the establishment of new data centers
Target regions and project requirements	[Target regions] Areas excluding the entire Tokyo area (Tokyo, Chiba, Saitama, and Kanagawa prefectures) [Project requirements] The land area for the new data center must be 10 hectares or more.	[Target regions] Areas excluding the entire Tokyo area (Tokyo, Chiba, Saitama, and Kanagawa prefectures) [Project requirements] The land area for the new data center must be 10 hectares or more.
Subsidy rate and amount	Subsidy rate: 1/2 Subsidy amount: Up to 15.54 billion yen (5 billion yen at minimum)	Subsidy rate: 1/2 Subsidy amount: Up to 30 billion yen (20 billion yen at minimum)

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

Section7. R&D Project of the Enhanced Infrastructure for Post-5G Information and Communication Systems



5G, the 5th generation mobile communication system, which enables higher speed and larger capacity communication compared to its predecessor 4G, is currently widely used for commercial services at telecommunication terminals in many countries. Meanwhile, post-5G systems, with the enhanced functions, such as ultra-low latency data transmission and multiple simultaneous connection of many terminals, are expected to be used for a wide variety of industrial applications such as autonomous driving, smart factories, and medical and healthcare.

The post-5G technologies include those that are indispensable for achieving both a digital society and decarbonization, and their importance is recognized as a core technology for strengthening Japan's industrial competitiveness. The New Energy and Industrial Technology Development Organization (NEDO) has set up a "R&D Project of the Enhanced Infrastructures for Post-5G Information and Communication Systems" with a total amount of 795 billion yen for the project period from 2020. In order to support R&D of core technologies, the project is outsourced and subsidized. More specifically, as well as developing post-5G information and communication systems and advanced semiconductors to be used in such systems, the project promotes the development of technologies for manufacturing advanced semiconductors.

Chart 3-7: R&D Project of the Enhanced Infrastructure for Post-5G Information and Communication Systems

Research items	Details of R&D eligible for support
Development of post-5G information and communication systems (commission, subsidy)	The item aims to promote the development of systems important for realizing the levels of performance required in the post-5G era, and development of related technologies for semiconductors and edge devices used in these systems.
Development of manufacturing technologies for advanced semiconductors (subsidy, commission)	<ul style="list-style-type: none"> Through the creation of pre-commercial manufacturing "pilot lines" and other activities, the item aims to promote the development of manufacturing technologies for leading-edge products, such as logic semiconductors which are not currently available in Japan. (subsidy) The item also promotes the development of core technologies where Japan ensures a competitive advantage, such as system design technologies for advanced semiconductors, technologies for realizing commercial-scale manufacturing technologies related to packaging and miniaturization. (commission, subsidy)
Feasibility study (commission, subsidy)	Feasibility studies related to R&D above two items are also conducted. This item covers technologies that may not be ready for commercialization in the post-5G era but may be promising in the latter half of the post-5G era and the next generation.

Source: NEDO website

Section8. Innovative Information and Communication Technology Fund Project (Beyond 5G (6G) Promotion Fund Project)



Beyond 5G (6G) is expected to become the next generation of core information and communications infrastructure, serving as the foundation for all industrial and social activities across the borders. Based on the interim report "Information and Communications Technology Strategy Toward Beyond 5G" (June 2022) (hereinafter "Beyond 5G Interim Report") by the Information and Communications Council, the National Institute of Information and Communications Technology (NICT) created the Information and Communications Research and Development Fund in March 2023 to enable stable and efficient R&D support over multiple years in order to realize Beyond 5G (6G) and to strengthen Japan's international competitiveness.

The new Beyond 5G (6G) Promotion Fund Project, which will be implemented through this fund, aims to strengthen support for R&D aimed at social implementation and overseas deployment, focusing on technology fields in which Japan has strengths. The support will be provided for R&D for the establishment of elemental technologies and the creation of technology seeds that are addressed from a medium- to long-term perspective, as well as R&D of technologies that contribute to the effective use of radio waves, conducted by a company who has a strategy for social implementation and overseas deployment, and a will to commit its own resources, including investment.

Chart 3-8: Expected Programs for Beyond 5G (6G) Promotion Fund Project

Programs	Details
Social implementation and overseas expansion-oriented strategic programs	<p>Programs mainly supporting R&D projects with strategies and commitments for social implementation and overseas expansion, focusing on technological fields in which Japan has strengths (Technologies related to (1) all-optical network (2) non-terrestrial network, and (3) secure virtualization and integrated network).</p> <p>As a general rule, it covers R&D that aims to achieve a certain level of technological maturity (TRL: Technology Readiness Level)* within a certain period of time.</p> <p>In principle, it is implemented as a subsidized project, and the subsidy rate is a maximum of 1/2 of the total project amount for the entire period, and the scale of support per project (government funding) is expected to be several billion yen per year.</p> <p>*TRL of approximately 6 within 4 years and TRL of approximately 7 within 5 years.</p>
Elemental technology and seed-creating programs	<p>Programs mainly targeting technologies that fall under TRL 1 to 3 at the time of project launch, and R&Ds which require a certain period of time until their social implementation and are addressed from a medium- to long-term perspective to establish elemental technologies and create technological seeds.</p> <p>Implementing on a commission basis, and the scale of support per project (government funding) is expected to be about 100 million yen/year (up to several hundred million yen).</p>
R&D programs for effective radio wave use	<p>Programs targeting R&D of technologies stipulated in Article 103-2, Paragraph 4, Item 3 of the Radio Law.</p> <p>Implemented on a commission basis, and the scale of support per project (government funding) is expected to be the same as the above two programs, depending on the scale of development.</p>

Source: National R&D subsidiary Institute of Information and Communications Technology (NICT) website

Section9. Establishment of a "New System" for Accepting Highly-Skilled Foreign Professionals (from April 2023)



With the introduction of the Japan System for Special Highly-skilled Professionals (J-Skip), in addition to the existing points-based system for highly-skilled professionals, those with academic background or professional career and annual income above a certain level will be granted "highly-skilled professional" status of residence and receive more preferential treatment as "special highly-skilled professional" than what they currently receive.

With the introduction of the Japan System for Future Creation Individual Visa (J-Find), those who have graduated from high-caliber overseas universities and colleges have been granted the status of residence of "Designated Activities" (Future Creative Human Resources) if they engage in "Job hunting" or "Entrepreneurship Preparation Activities" in Japan, enabling them to stay in Japan for up to two years.

Outline of Japan System for Special Highly-skilled Professionals (J-Skip) and Future Creation Individual Visa (J-Find)



Japan System for Special Highly- Skilled Professionals (J-Skip)

Requirements

Advanced academic research activities (university professors, researchers, etc.), Advanced Specialized/technical activities (engineers working in companies, etc.)

- Master's degree or higher + annual income of 20 million yen or more
- More than 10 years of work experience + annual income of 20 million yen or more

Advanced business/management Activities (corporate managers, etc.)

- More than 5 years of professional career + annual income of 40 million yen or more

Preferential treatment (excerpts)

- Entitled to apply for permanent residency after 1 year stay
- Visa allowance up to 2 personal helpers, such as house keepers
- Relaxation of work permit for spouse

Japan System for Future Creation Individual Visa (J-Find)

Requirements

- Graduates from a university ranked in the top 100 in at least two of the three world university rankings, or those who have completed a graduate course at one of those universities and have been awarded a degree or professional degree  (80KB)
- Within five years of graduation
- Possession of 200,000 yen for living expenses in the initial stay

Preferential treatment (excerpts)

- The status of residence "Designated Activities" will be granted, allowing job hunting or preparation activities for starting a business, for up to 2 years.
- It is allowed to work supplementally during that time.
- Family members are allowed to accompany.

Source: Immigration Bureau website

Section10. Startup Development Five-year Plan



The Japanese government announced the Startup Development Five-year Plan in November 2022. The plan aims to create an ecosystem that nurtures startups in Japan by accelerating the launch of startups and promoting open innovation among large established companies.

Goal

By March 2028, the amount of investment in startups to be increased to 10 trillion yen, more than 10 times the amount in 2021. Furthermore, it aims to create 100 unicorn companies and 100,000 startups in the future.

Direction of the package

Promote the following three major initiatives as a single package.

- (1) Building Human Resources and Networks for Startup Creation
- (2) Enhancing funding provision for Startups and Diversifying Exit Strategy
- (3) Promoting open innovation

Providing attractive collaborative partners, investment destinations, and markets for overseas venture capital, startups, and entrepreneurs

(1) Building Human Resources and Networks for Startup Creation



· Expansion and horizontal development of support projects by mentors

Top runners from industry and academia will act as mentors to identify talented individuals and provide guidance on projects, with the aim of expanding the number of students from 70 per year (in 2022) to 500 per year by March 2028.

· "One University One Exit" movement

Encouraging university startups, it aims to launch 50 startups from one research university and finally achieve one successful exit.

· Support for the creation of startups at universities, elementary, junior high, and high school students

The Government will support more than 5,000 commercialization cases of university-originated research results over 5 years, mainly in startup ecosystem cities, with the participation of overseas accelerators and venture capitals. To support this, a new fund of 100 billion yen for five years will be created.

· Global Startup Campus Concept

By attracting top overseas universities and inviting outstanding researchers, "Global Startup Campus", that combines international joint research and incubation functions in deep tech fields will be created through public and private funds. Through the collaboration with domestic and overseas companies, domestic companies will improve the ability to create innovations.

· Promotion of attraction of overseas entrepreneurs and investors

The startup visas (Projects for Encouraging Foreign Entrepreneurs to Start Business) will be expanded. The visa verification has been limited to the government-approved municipalities, but this will be expanded to include government-approved private organizations such as venture capital firms and accelerators, and the maximum period of stay will be extended. In addition, the grant of status of residence will be facilitated so that overseas investors can be active in Japan. Also, procedures for opening bank accounts will be facilitated

(2) Enhancing Funding provision for Startups and Diversifying Exit Strategies



- **Reinforcement of SMRJ(Organization for Small & Medium Enterprises and Regional Innovation, JAPAN) to invest in venture capitals**

Strengthen the investment function with 20 billion yen with a view to limited liability investment in domestic and overseas venture capital. Support for the development of domestic venture capital, exploring possibility of the introduction of an investment quota limited to venture capital managed by young capitalists, and reviewing the maximum amount of the debt guarantee system for deep tech startups

- **Reinforcement of the investment function of JIC(Japan Investment Corporation)**

Launch a new fund that will almost double the size of the previous investment (120 billion yen over the past four years starting in 2022).

- **Reinforcement of support measures for R&D startups by NEDO**

Establish a new fund of 100 billion yen (20 billion yen per year) for five years, which is three times the size of the fund in 2022. Expand the subsidy ceiling, scope of support menus, etc.

- **Improvement of environment to attract overseas investors and venture capital firms**

Promote the introduction of fair value valuation (mark-to-market) for unlisted shares held by the funds instead of valuation at acquisition cost. Eliminate the upper limit on overseas investment ratio of Limited Partnerships for Investment (LPS).

(3) Promoting open innovation



- **Tax measures to promote open innovation**

Open innovation taxation will be applied to acquisition of existing issued shares, limited to those that contribute to the growth of startups. Promote M&As as an exit strategy, which lead startups to achieve significant growth under the umbrella of operating companies. In addition, preferential measures for R&D taxation in case of collaboration with startups will be expanded.

- **Study for the further acceleration of organizational restructure**

In order to encourage large enterprises to realize the potential of their business resources (human resources, technology, etc.), tax exemption is to be introduced in case where a company retains a part of its equity in a spin-off company.

- **Expansion of voluntary application of International Financial Reporting Standards (IFRS) to facilitate M&A**

Promote voluntary application of IFRS, that does not amortize goodwill.

Source: Prepared from materials published by the Cabinet Secretariat

[JETRO's Global Network]



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