



JETRO Invest Japan Report 2015

INVEST  JAPAN

JETRO

Introduction **Message from the Chairman**

The government set in "the Japan Revitalization Strategy" a target of doubling inward foreign direct investment stocks (from ¥17.8 trillion as of the end of 2012 to ¥35 trillion by 2020) by attracting foreign companies and improving the business environment, in order to attract excellent human resources and technologies to Japan for creation of employment and innovation. Prime Minister Abe promised to foreign investors that he will make Japan a country with "the greatest ease of doing business in the whole world" and worked out various policies to attract foreign companies.

Corporate tax reform, strengthening of corporate governance and other improvements in the business environment, regulatory reform in pharmaceutical/medical appliances, power/energy and other area, and establishment of National Strategic Special Zones have steadily expanded business opportunities in Japan. Conferences of ministers concerned (Council for Promotion of Foreign Direct Investment in Japan) were held for the whole government to work on the improvement of the business environment to attract foreign companies. In March 2015, the conference attended by Prime Minister Abe committed "Five Promises for Attracting Foreign Businesses to Japan," which include establishing a system for State Ministers to act as advisors to foreign businesses that have made significant investment in Japan, and overcoming language barriers in retail stores. In April 2015, the Tokyo One-Stop Business Establishment Center was opened in the JETRO headquarters for centralized and simplified procedures for business setup in the Tokyo Area.

Japan was broadly recognized as a high-cost country at home and abroad for many years, but this is not true today. Now, office and house rents in Tokyo are low compared with Hong Kong and Singapore. Similarly, managers' salaries in Tokyo are lower than those in Singapore. This way, Japan has developed a business environment on par with other countries in terms of access to the market, business environment and costs.

Since 2003, JETRO as the core investment promotion organization of Japan has provided support for setting up business in Japan. During these years, JETRO has provided support for more than 12,000 projects and helped in the success of 1,245 company establishments. Experienced staff members and specialists in industry, law, accounting and other fields address the challenges faced by foreign companies starting up in Japan, including language, business practice, rules and regulations. In the previous fiscal year, JETRO greatly increased the number of staff members handling investment in Japan and strengthened the efforts to stimulate projects of foreign affiliates in Japan and in many other places in the world so that we can provide support for more customers at home and abroad. We are working to realize more projects by providing finely-tuned and highly-reliable services taking advantage of the network with the central and local governments.

The inward foreign direct investment stock that had been stagnant since Lehman Brothers' bankruptcy sharply increased by 19% from a year earlier and exceeded 20 trillion yen for the first time in 2014 where investment in Japan was vigorous. We will work in concert with the government of Japan to maintain the momentum and make Japan a global hub and a hub of Asia.

This report compiles the situation of foreign direct investment in Japan, trends of related policies, activities and perception of foreign affiliates in Japan as well as JETRO's activities. This is the first publication. I hope this report will be useful for consideration of starting business in Japan or providing support for various activities to invest in Japan.



Hiroyuki Ishige
Chairman & CEO
Japan External Trade Organization (JETRO)

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Why Japan?

5 Reasons to Invest in Japan

1

Why Japan

Japan's Re-emergence

The appeal of the Japanese market is increasing through the economic growth of Abenomics.

The government is strengthening its efforts to attract foreign companies and foreign visitors, aiming to open the Japanese market and further business expansion.

Attracting foreign companies

- Designation of National Strategic Special Zones
 - Easing the requirements for accepting highly skilled foreign professionals
- Requirements for annual income, research achievements, and accompanying parents/domestic servants have been eased.

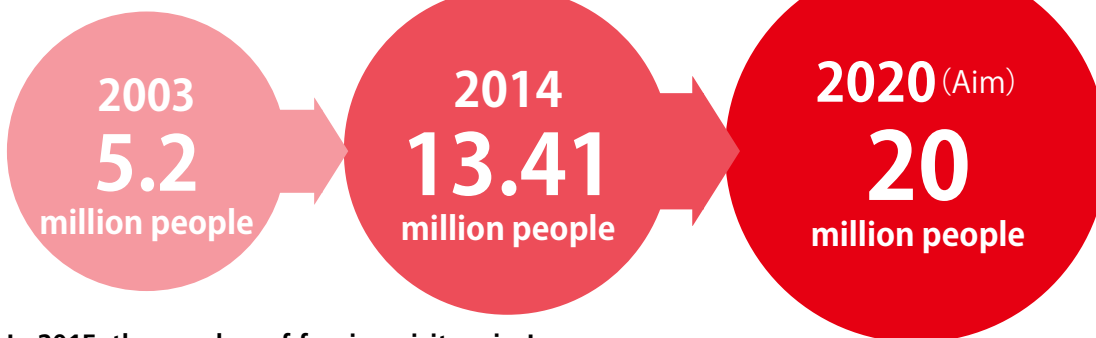
Decision made to hold Tokyo Olympic Games and Paralympic Games in 2020

The economic ripple effect is estimated at approximately 3 trillion yen, and job creation at approximately 150,000 jobs nationwide. People from all around the world will visit Japan, and a boom in related businesses such as tourism, construction, and services is expected.

[Source] Tokyo Metropolitan Website

Foreign travelers to Japan increasing rapidly

The number of foreign visitors to Japan exceeded 10 million in 2013, a result of new LCC flights and the easing of requirements for issuing visas. The aim is 20 million by 2020. The growth of businesses targeting foreign travelers is expected.



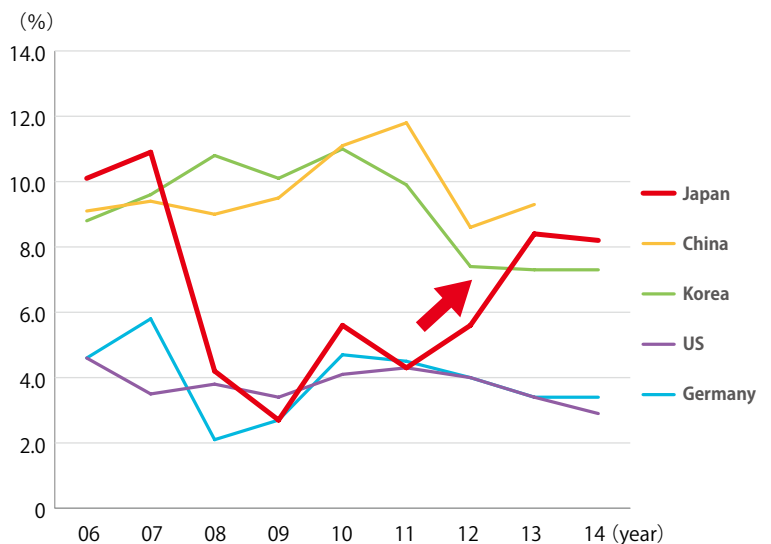
In 2015, the number of foreign visitors in Japan reached 19,737 thousand. This is the highest number in history and a 47% increase year-on-year.

[Source] Japan National Tourist Organization (JNTO)

Japan's FDI ratio is once again showing a turnaround. In 2014 it was 8.2%, and higher than most of the developed countries. The investment environment for foreign companies continues to improve.

International comparison of FDI ratios

Japan's FDI ratio was 8.2% in 2014, and it maintained the same level as in 2013 (8.4%). On the other hand, the average of Japan's FDI ratio between 2006 and 2013 was 6.3%. It is lower than the emerging economies in Asia, but it is higher than the UK (6.0%), Germany (4.0%), the US (3.8%).



[Note] 1) FDI ratio = This term's direct investment ratio/foreign direct investment term final balance x 100 (%)
2) China is until 2013

[Source] "JETRO World Trading Investment Report Ver. 2015" (JETRO)
Data source: "BOP, June 2015" (IMF), "Balance of Payment Statistics," "National Net International Investment Position" (Ministry of Finance, Bank of Japan)

The 20million target is looking to be achieved early on!

Sophisticated Market

A huge and sophisticated market exists in Japan.

GDP is ranked 3rd in the world

RANK **3rd** in the world

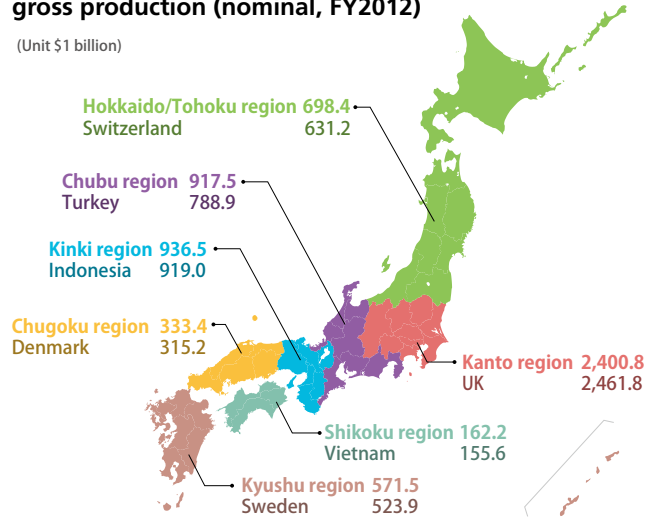
Japan's GDP is around 500 trillion yen.
A leading world economy that boasts large-scale economic power.

[Source] "World Statistics 2015"

(Statistics Bureau, Ministry of Internal Affairs and Communications); Cabinet Office

International comparison of Japanese regional gross production (nominal, FY2012)

(Unit \$1 billion)



[Source] "Report on Prefectural Accounts 2012" (FY2015)(Cabinet Office)

Japan is where global enterprises aggregate

No. of global companies's HQ

RANK **3rd** in the world

55 companies out of the "Fortune Global 500" have their HQ in Japan.
Following the US and China, Japan is ranked 3rd in the world.

[Source] "Fortune Global 500 2015" (Fortune)

Attractive market for foreign companies

Nearly 60% of foreign companies see the massive size of the market as Japan's attractiveness.

112 foreign companies out of 203 cited "size of the market" as the advantage of Japan's business environment.

[Source] "Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan Report 2014" (Ministry of Economy, Trade, and Industry (METI))

Tokyo maintains 1st place from surveys previous to 2014, and will still be 1st in 2030 (projection).

World ranking of megalopolis populations "Tokyo:1st, Kinki area:7th"

City	Country	Population (1,000 people)			Rank		
		1990	2014	2030	1990	2014	2030
Tokyo	Japan	32,530	37,833	37,190	1	1	1
Delhi	India	9,726	24,953	36,060	12	2	2
Shanghai	China	7,823	22,991	30,751	20	3	3
Ciudad de México(Mexico City)	Mexico	15,642	20,843	23,865	4	4	10
São Paulo	Brazil	14,776	20,831	23,444	5	5	11
Mumbai(Bombay)	India	12,436	20,741	27,797	6	6	4
Kinki(Osaka)	Japan	18,389	20,123	19,976	2	7	13
Beijing	China	6,788	19,520	27,706	23	8	5
New York · Newark	US	16,086	18,591	19,885	3	9	14
al-Qāhira(Cairo)	Egypt	9,892	18,419	24,502	11	10	8

[Source] "World Urbanization Prospects, the 2014 Revision"(Created from United Nations)

Innovation Hub

Japan has an intellectual accumulation that generates innovation.

World-class in research funding and number of researchers

RANK 1st in the world

Science and technology related research is conducted spiritedly in Japan.

"Research funding as a percentage of GDP" and "Number of researchers per 10,000 people" are among the largest in the world.

Research funding by country and percentage of GDP (G8 comparison)

Country	Research funding (\$100 million)	Percentage of GDP (%)
Japan	1,802	3.87
Germany	1,010	2.85
US	4,570	2.73
France	552	2.23
UK	399	1.63
Canada	246	1.62
Italy	265	1.26
Russia	407	1.12

Number of researchers per 10,000 people (G8 comparison)

Country	Number of researchers (unit: 10,000)	Number of researchers per 10,000 people
Japan	68.3	53.8
Canada	15.7	45.0
Germany	36.0	43.9
UK	25.9	40.5
US	126.5	40.3
France	26.5	40.2
Russia	44.1	30.8
Italy	11.8	19.5

[Source] Created from "Survey Result on Science and Technology Research 2015" (Ministry of Internal Affairs and Communication)
Data source: "Main Science and Technology Indicators," (OECD)etc.

Innovation from Japan

Supercomputer "K computer"

RANK 1st in the world 2015 Graph500

Many Nobel Prize winners produced. 24 winners up to date.

Satoshi OMURA: 2015 in Physiology or Medicine for discoveries concerning a novel therapy against infections caused by roundworm parasites.

Takaaki KAJITA: 2015 in Physics for the discovery of neutrino oscillations, which shows that neutrinos have mass.

Isamu AKASAKI, Hiroshi AMANO, Shuji NAKAMURA: 2014 in Physics on blue LED
Shinya YAMANAKA: 2012 in Physiology or Medicine for research on iPS cells

Nobel Prize winners (all time)



24

(Breakdown)	
Physics	11
Chemistry	7
Physiology or Medicine	3
Literature	2
Peace Prize	1

7th in the World, 1st in Asia

A country where you can live

A safe and peaceful country

Global Peace Index 2014

Measured in 23 categories such as crime rate, terrorism, and homicides
Ranked 1st in Asia

[Source] INSTITUTE FOR ECONOMICS & PEACE
"Global Peace Index 2014"

RANK 1st in Asia

OECD Better Life Index "Safe" category

Ranked 1st for "Safe", scoring 10 points out of 10

[Source] OECD "Better Life Index(2015)"

RANK 1st in the world

4

Why Japan

Why Japan?

Business Friendly Infrastructure

Easy environment for business

Business sophistication

RANK 1st in the world

Ranked 1st in the world for "Business Sophistication". Evaluated on business network and quality of company operation/strategy.

[Source] "The Global Competitiveness Report 2014-2015" (World Economic Forum)

5

Why Japan

Foreign companies validate Japan's infrastructure

Nearly **60%** of foreign companies see the **well-maintained infrastructure**

as an attractiveness of Japan. 123 foreign companies out of 203 cited "well-maintained infrastructure" as an advantage of Japan's business environment.

[Source] "Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan Report 2014"(Ministry of Economy, Trade, and Industry (METI))

Japan's stable infrastructure service

Internet:

Wireless broadband subscriptions per 100 inhabitants

ranked 3rd among OECD countries

Communication:

Percentage of population in mobile phone service area is **99.95%**

Water:

Providing world-class water service on a constant 24-hour basis

Water leakage rate is only 3% (Tokyo).

Diffusion rate of water and sewer service, simple water-supply system, and private water supply is **100%** (Tokyo).

[Source] OECD

[Source] "4th-Generation Mobile Communication System" (Ministry of Internal Affairs and Communications)

[Source] "Pursuing Water Loss Reduction," 2012 (Tokyo Metropolitan Government Bureau of Waterworks)

[Source] "Water Supply Population and Water Service Diffusion Rate 2012" (Ministry of Health, Labor, and Welfare)

World-class transportation infrastructure

Airports:

Airports with international flights in service: **51**

Railways:

Annual passengers: **23 billion**

Shinkansen:

Number of departures from Tokyo station per hour: **15**

Average delay time: **36 seconds**

[Source] "Tokyo/Osaka Civil Aviation Bureau Outlook Summary Sheet of Airport Utilization Situation 2013"(Ministry of Land, Infrastructure, Transport, and Tourism(MLIT))

[Source] "Civil Aviation Bureau Ideal of the Future Metropolitan Airport 2013"(MLIT)

[Source] "Railway/Railroad Passenger Transport Summary Chart Passenger Volume 2014"(MLIT)

[Source] Material from the "Expert Advisory Panel Round-Table Conference on the Construction of the New 'Grand Design of the Country' " hosted by (MLIT) on November 27, 2013"

[Source] "White Paper on Land, Infrastructure, Transport and Tourism in Japan, 2013" (MLIT)

[Source] Nikkei Business Online, January 2013

safely and pleasantly

A country where you can live with peace of mind

Longest life expectancy in the world

Average life expectancy is **ranked 1st in the world**.

Expectancy for women (87 years) is ranked 1st in the world.

Expectancy for men (80 years) is ranked 8th in the world.

[Source] "World Health Statistics 2014"(World Health Organization (WHO))

[Source] "OECD Factbook 2014"(OECD)

Well-developed medical infrastructure

Number of hospital beds per 1,000 people (13.4) is

ranked 1st among OECD countries.

[Source] OECD

Abundance of nurses

Ratio of nurses to number of physicians is

ranked 1st among OECD countries.

[Source] "OECD Factbook 2014"(OECD)

Most livable Japanese cities as chosen by the world Tokyo 1st

[Source] MONOCLE, UK

Expanding Direct Investment in Japan

2014 was a very active year in terms of inward foreign direct investment (FDI) into Japan. The stock of inward FDI, which was stagnant for the past 5 years, increased greatly and the flow of inward FDI (the remaining balance after deducting the outflow from the inflow (net)) has also been positive in the past 3 years.

1. Inward FDI stock exceeded 20 trillion yen for the first time

At the end of 2014, Japan's inward direct investment stock was 23,343.9 billion yen, exceeding 20 trillion for the first time (Chart 1-1).

The stock increased by 3,792.9 billion (19.4%) from 19,551.0 billion yen at the end of 2013. A little under 2.8 trillion of the increase was attributable to the change in statistic criteria, and approximately one trillion was the net increase according to a provisional calculation by the Bank of Japan.

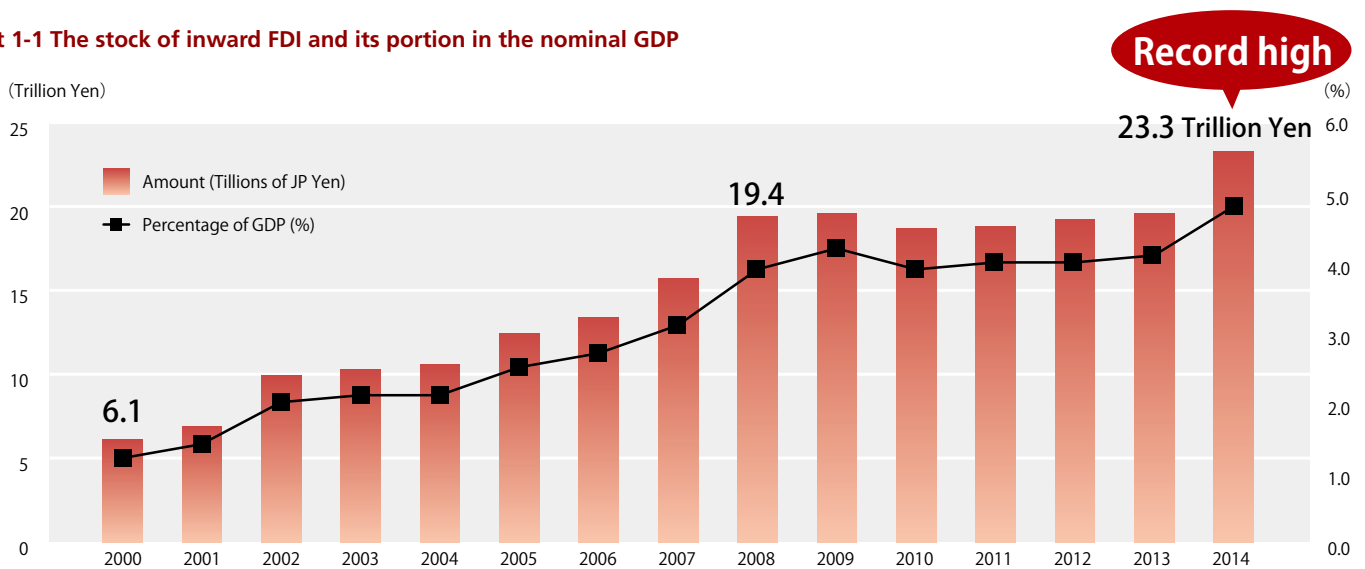
The biggest factor contributing to the increase in direct investment in Japan is believed to be increased investment by foreign companies responding positively to the economic recovery, while Japan's

attractiveness as an investment market was recognized anew as a result of the recovering exchange rate, progress of the regulatory reforms in the fields of electricity, pharmaceuticals and medical equipment, revitalization of tourist-related industries thanks to the rapid increase in tourists visiting Japan and many other factors.

The ratio of foreign direct investment in Japan to its nominal GDP was around 4.0% for the past several years but increased to 4.8% in 2014 (Chart 1-2). By statistics definition, "direct investment in Japan" includes only capital coming across the border to Japan. It has been pointed out that the amount of investment in Japan is small considering the number and business scale of the foreign companies in Japan because they can easily obtain capital with low interest in the well-developed financial market in Japan. However, investment in Japan compared with other countries remains low considering the market size and maturity.

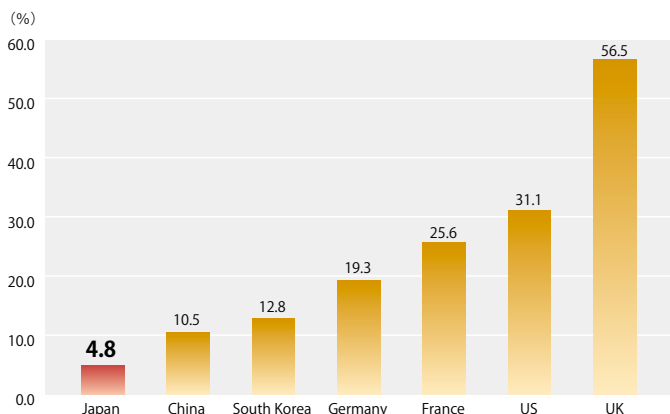
On the other hand, comparing inward and outward investment stocks, while inward investment increased greatly, outward direct investment stock also increased by 20%. As a result, the inward-outward ratio was 1:6.2, maintaining the large gap of the previous year.

Chart 1-1 The stock of inward FDI and its portion in the nominal GDP



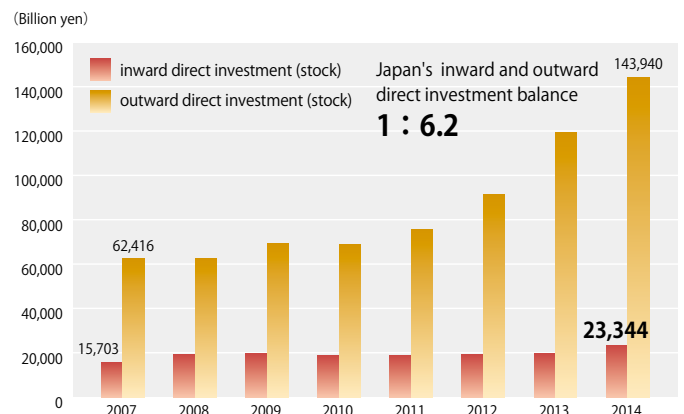
[Source] "Balance of Payments" (Ministry of Finance)

Chart 1-2 International comparison of the inward FDI's ration in nominal GDP



[Source] "World Investment Report 2015" (UNCTAD) (except Japan)
Japan: "Balance of Payments" (Ministry of Finance), "National Accounts of Japan" (Japan Cabinet Office)

Chart 1-3 Japan's outward and inward direct investment balance



[Source] "Balance of Payments" (Ministry of Finance)

2. Europe accounts for the largest part of the inward FDI in Japan

By region, Europe has the largest direct investment stock in Japan at 10,924.2 billion yen (46.8%) followed by North America (6,873.0 billion: 29.4%) and Asia (3,611.6 billion: 15.5%).

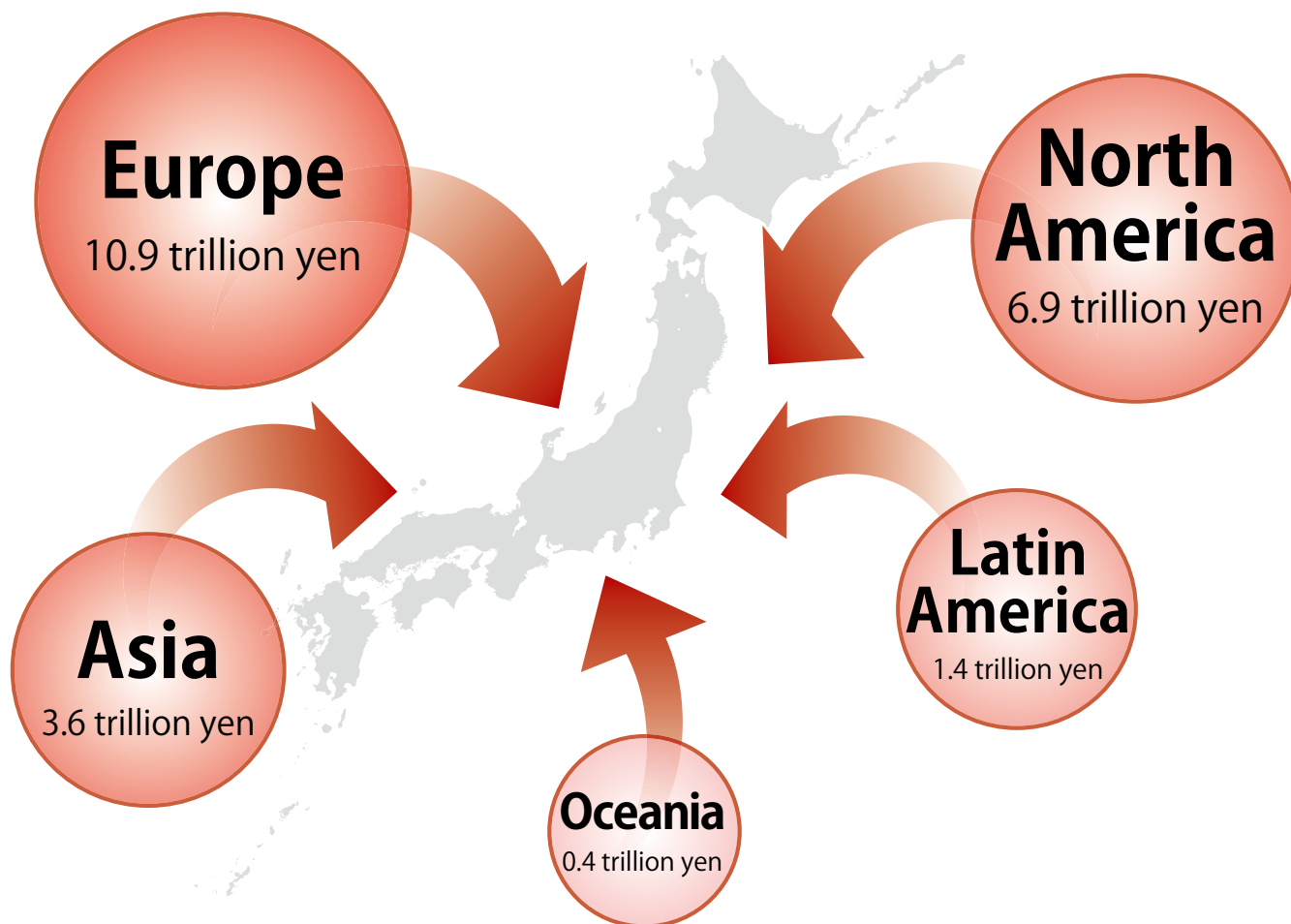
By country, the United States ranks first with 6,688.1 billion yen, followed by the Netherlands (3,053.7 billion) with a large number of multinational companies, France (2,797.7 billion) and the United Kingdom (1,798.1 billion). The countries that follow are Singapore (1,724.3 billion) that is the only Asian country with investment stock exceeding one trillion, Switzerland (1,099.2 billion), Germany (1,065.2 billion) and the Cayman Islands (1,052.8 billion) that is a tax haven in Latin America. These are the countries with investment stock exceeding one trillion yen (Chart 1-5). The majority of the stock of the US is in finance and insurance industries followed by wholesale/retail and communication, while the ratio of finance and insurance is high for Singapore and that of electric/transportation machinery and equipment is high for the European countries.

Compared with other regions, the investment balance of European countries increased greatly from the previous year. While the growth rate of North America and other regions is around 10%, the growth rates of France, Spain, Belgium and Luxembourg exceeded 70%, making their investment stocks record-high. Recently, direct investment stock from Asia is greatly increasing. Direct investment from Asia increased seven-fold from 517.0 billion yen at the end of 2000, exceeding the five-fold increase of western countries. The presence of Asia in inward investment is increasing (Chart 1-6).

Among Asian countries, the amounts of Singapore and Hong Kong (879.9 billion yen) stand out, followed by Taiwan (342.2 billion yen) and South Korea (255.7 billion yen). In terms of the rate of increase from 2000, investment from Taiwan and Malaysia increased more than thirty-fold and investment from China and Indonesia expanded more than ten-fold. China accounts for only 1.5% of the total investment in Japan, but the amount increased by 29% year-on-year.

Note: Rate of increase by country is calculated from the balance at the end of 2013 using the calculation method of BPM6

Chart 1-4 Inward FDI into Japan by region (as of the end of 2014)



[Note] The calculation method differs between regional and industrial statistics of the FDI stock
 [Source] "Balance of Payments" (Ministry of Finance)

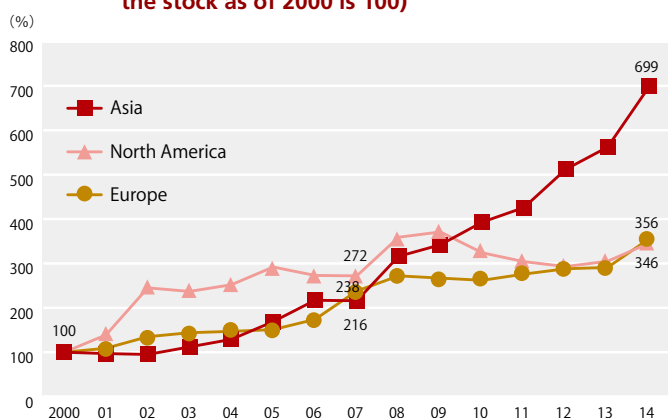
Stock by industry is largest for the finance and insurance industries at 7,738 billion yen followed by transportation equipment manufacturing (2,781.3 billion yen) and electric machinery manufacturing (2,309.0 billion yen) (Chart 1-7).

Chart 1-5 Inward FDI stock by country (as of the end of 2014) TOP10

	Country	Stock (billion yen)	Ratio (%)
1	US	6,688	28.7
2	Netherlands	3,054	13.1
3	France	2,798	12.0
4	UK	1,798	7.7
5	Singapore	1,724	7.4
6	Switzerland	1,099	4.7
7	Germany	1,065	4.6
8	Cayman Islands	1,053	4.5
9	Hong Kong	880	3.8
10	Luxembourg	628	2.7

[Source] "Balance of Payments" (Ministry of Finance)

Chart 1-6 Stock of Inward FDI by region (growth rate when the stock as of 2000 is 100)



[Note] The stock for 2014 is calculated based on BPM6. The stock before 2013 was recalculated from BPM5-based to BPM6-based by JETRO.
[Source] "Balance of Payments" (Ministry of Finance)

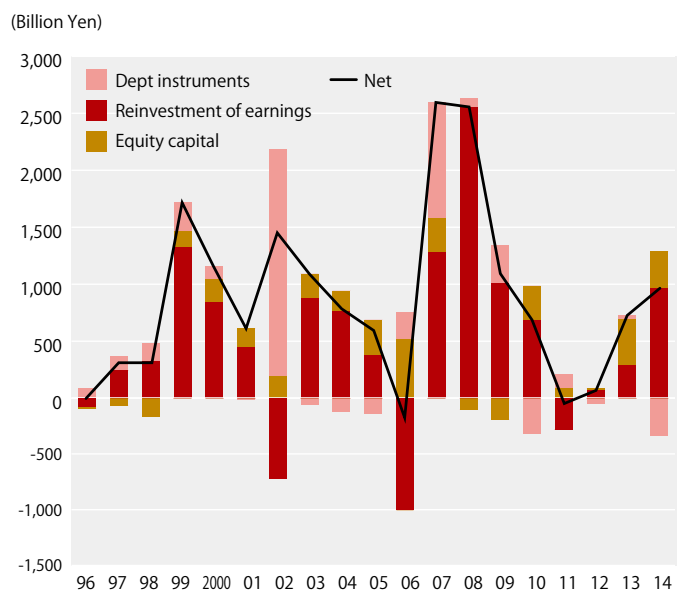
Chart 1-7 Stock of inward FDI by industry (as of the end of 2014) TOP10

	Industry	Stock (Billion Yen)	Ratio (%)
1	Finance and insurance	7,738	37.9
2	Transportation equipment manufacturing	2,781	13.6
3	Electric machinery manufacturing	2,309	11.3
4	Wholesale and retail	1,646	8.1
5	Chemical and pharmaceutical manufacturing	1,121	5.5

3. Inflow of direct investment in Japan exceeded outflow for three consecutive years

Looking at the flow of direct investment in Japan in 2014, we see that the inflow exceeded the outflow for three consecutive years, increasing by 31% from the previous year to 954.8 billion yen. By investment type, equity capital was 962.6 billion yen, reinvestment of earnings was 328.7 billion yen and debt instruments were minus 336.5 billion yen (Chart 1-8). By industry, outflow was higher by 239.7 billion yen for the manufacturing industry, whereas inflow was higher by 461.1 billion yen for the nonmanufacturing industry, offsetting the excess outflow of the former.

Chart 1-8 Changes in the stock of inward FDI by investment type

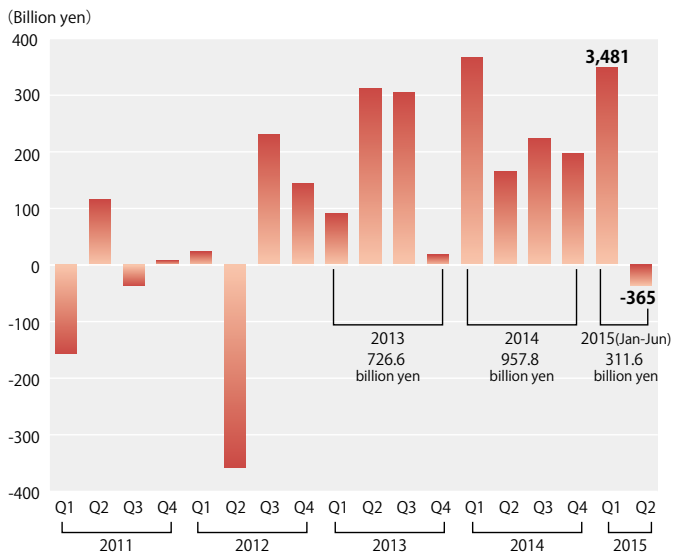


[Source] "Balance of Payments" (Ministry of Finance)

[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 (Directional Principle). Therefore the calculation method differs from that of the statistics for inward investment stock by region and investment type.
[Source] "Balance of Payments" (Ministry of Finance)

Looking at quarterly changes, we can see favorable growth since the third quarter of 2012 (Chart 1-9). According to the fDi REPORT 2015 (fDi Intelligence), which was compiled using the database of the Financial Times of the UK, Japan is ranked among the top four countries that are growing rapidly as direct investment destinations (the other three countries are India, Vietnam and Malaysia).

Chart 1-9 Changes in the quarterly flow of inward FDI



[Note] Q1 (Jan. ~ Mar.), Q2 (Apr. ~ Jun.), Q3 (Jul. ~ Sep.), Q4 (Oct. ~ Dec.)
 [Source] "Balance of Payments" (Ministry of Finance)

4. Increasing presence of investments from Asia

Investment from Asia was 576.8 billion yen, accounting for 60.4% of all investment in 2014 (Chart 1-10). The growth of investment from Asia is significant in flow as well as in stock. The largest investing country is still the United States, but Asian countries rank high (No.2 Hong Kong, No.3 Singapore, No.4 Taiwan, No. 7 China, and No.10 Thailand)

Major investments from Asia in 2014 include: the strategic partnership between the Singapore paint leader Wuthelam group and Nippon Paint (162.2 billion yen in total), the business and capital alliance between Thailand's Charoen Pokphand (CP) Group and Itochu Corporation (CP's third-party allocation of share is about 102.4 billion yen) and the acquisition of Tokyo Star Bank by Taiwan's CTBC Financial Holding Co. (about 52.0 billion yen). The acquisition of Tokyo Star Bank is the first acquisition of a Japanese bank by a foreign bank (Chart 1-11).

Chart 1-10 Changes in the inward FDI flow by region

(Billion Yen)

	2012	2013	2014	2015 Jan.-Sep. (P)	year-on-year growth (%)
Asia	229	86	577	441	17%
China	6	14	62	26	-56%
Hong Kong	69	17	211	109	40%
Taiwan	29	18	108	44	-52%
Korea	45	4	15	74	476%
ASEAN	79	32	182	189	38%
Singapore	77	33	152	150	41%
North America	△ 7	136	470	264	4%
US	△ 11	132	466	260	4%
Latin America	△ 157	△ 131	23	△ 252	-
Oceania	10	37	59	16	-63%
Europe	74	97	△ 249	△ 908	-
EU	△ 243	128	△ 232	△ 876	-
World	138	225	955	△ 413	-155%

[Note] Because of the changes in the calculation method of the balance of payments, there is no continuity between the data before 2013 and the data after 2014. The data for 2015 is provisional.

[Source] "Balance of Payments" (Ministry of Finance)

5. M&A greatly increased on a year-on-year basis

M&A in Japan in 2014 (completed) increased by 31.3% from a year ago to 1,155.2 billion yen (data taken from Thomson Reuters).

By industry, the amount of M&A was largest in the chemical industry at 243.7 billion yen with the implementation of large projects, followed by real estate rental/brokerage at 222.5 billion. M&A by Asian companies spread from real estate to other fields in 2014.

Among M&A by companies of the United States, the largest investment partner of Japan, the acquisition of Panasonic Healthcare (an operating subsidiary of Panasonic) by Kohlberg Kravis Roberts (KKR) for about 165.0 billion yen stands out (Chart 1-11). Other large M&As include the largest coffee chain Starbucks making its Japanese arm a fully owned company (about 99.5 billion yen).

Chart 1-11 Top inward M&A trends (2014 ~ first half of 2015)

	Date Effective	Target Name	Industry Sector	Acquiror Name	Parent Nation	Industry Sector	Value (Billion ¥)	% Owned After Transaction
2	Sep. 2014	Itochu Corp	Wholesale Trade	Charoen Pokphand Group	Thailand	Foodstuffs	102.4	4.7
3	Dec. 2014	Nippon Paint Co Ltd	Chemicals and Allied Products	Wuthelam Holdings Ltd	Singapore	Chemicals	102.3	18.7
4	Dec. 2014	Bushu Pharmaceuticals Ltd	Drugs	Baring Private Equity Asia Ltd	Hong Kong	Investor	77.3	100.0
5	Mar. 2014	Nippon Paint Co Ltd	Chemicals and Allied Products	Wuthelam Holdings Ltd	Singapore	Chemicals	59.9	14.8
6	Mar. 2015	Pioneer Corp-DJ Equipment	Electronic and Electrical Equipment	KKR & Co LP	United States	Investor	59.0	85.1
7	Jun. 2014	Tokyo Star Bank Ltd	Commercial Bank	Chinatrust Coml Bk Co Ltd	Taiwan	Banks	52.0	98.2
8	Mar. 2015	Mitsubishi Jisho Invest-Aoyama	Real Estate	GreenOak Real Estate LP	United States	Real estate investment trusts	50.0	100.0
9	Jan. 2014	Macromill Inc	Business Services (Internet Research)	Bain Capital LLC	United States	Investor	48.0	93.5
10	Sep. 2014	Tokyo 2 Logistic Tokutei	Real Estate	GLP Japan Advisors Inc	Singapore	Real estate investment trusts	36.1	100.0

[Note] 1) As of July 2nd 2015 2) Ranking according to single transaction amount 3) Acquiror Name is the name of the final acquiror (including corporate group) 4) Acquisition of less than 10% of the stocks is not included in the FDI statistics. [Source] Thomson Reuters

6. Foreign-affiliated companies are expanding business in manufacturing and R&D

According to the database of the Financial Times of the UK, the number of greenfield investments in Japan announced in 2014 was 196, the largest since 2003 where data of the database can be traced. M&A is the main trend in the investment in Japan but greenfield investment is also steadily increasing with some cases amounting to 100 to 500 billion yen.

In recent years, there have been moves to set up R&D sites in Japan to take advantage of the high technologies of the country. Establishment of R&D sites by leading companies, including Apple of US, Nokia of Finland, Johnson & Johnson of US and BASF of Germany, was revealed in 2014. Other large investments include a 100-billion yen investment by a leading semiconductor company, Micron Technology of the US, in plants of the former Elpida Memory that was made a fully-owned company in 2013 (Chart 1-12).

Chart 1-12 R&D base establishments by foreign-affiliated companies in recent years

Company	Overview
Apple Inc. (US)	Apple plans to build a technical development center in a next-generation smart city, which is under construction in Yokohama, Kanagawa. The operation will start in fiscal 2016.
Nokia (Finland)	An R&D center was established in Kawasaki, Kanagawa. The center will enhance the research and development of fifth-generation (5G) and cloud products for practical use. The results of the research will be introduced to the R&D centers in other countries.
Johnson & Johnson (US)	"Tokyo Science Center" was established in the International Strategic Zone in Kawasaki, Kanagawa. The center, equipped with a surgery simulation system, is expected to be utilized by Asian countries as a research and training facility for healthcare providers.
BASF (Germany)	The battery material research and development center was established in Amagasaki Research Incubation Center in Hyogo. The laboratory is the first development base in the Asia-Pacific region specializing in lithium ion batteries, which conducts basic research, develops the products and provides customer support.
3M (US)	3M Health Care of the 3M Group has announced that it establishes a new R&D base that specializes in health care, in Sagamihara, Kanagawa in September 2013. It aims to develop high-value products that appeals to the diversifying needs of the Japanese health-care market.
Umicore (Belgium)	The joint venture of Umicore and Nippon Shokubai completed its "Tokoname Test Center" in Tokoname, Aichi, in December 2013. It carries out research and development in Aichi where the automotive industry is active, in order to make progress on its on-going research and development of exhaust fumes purification catalyst.

[Source] JETRO Global Trade and Investment Report 2015

Revision of the Balance of Payments statistics due to the implementation of the sixth edition of IMF Balance of Payments and International Investment Position Manual (BPM6)

The recording standard for the balance of international payments was changed from the fifth edition to the sixth edition of the Balance of Payments and International Investment Position Manual. The revision covered a broad range of changes including recombination and expansion of major items, the change in the notation method and recording standard and the introduction of an annual revision system. For direct investments, especially inward direct investments, new items are added pushing up the balance.

-Major changes regarding inward direct investment

The first point is a change of the principle to include "disinvestment" (Directional Principle → Asset and Liability Principle). Under the old standard, investment by a Japanese subsidiary in its overseas parent company was recorded as recovery of investment, namely negatively posted as "disinvestment" to the inward direct investment stock. Under the new standard, however, investment from Japan in an overseas affiliate is recognized as outward investment, while investments by an overseas affiliate in Japan were recognized as inward investment regardless of the parent-subsidiary relationship between the companies, and there is no negative posting as investment recovery, in principle. (Note: investment exceeding 10% by a Japanese subsidiary in its overseas parent company was not negatively posted but posted as outward direct investment under the old standard as well).

The second major change is an expansion of the scope of "reinvestment of earnings." Under the old standard, internal reserves of Japanese subsidiaries were posted to the balance but the internal reserves of indirect investment destinations in Japan (sub-subsidiaries, etc.) were not posted. Under the new standard, the internal reserves of indirect investment destinations are also posted.

Third is an expansion of the scope of debt instruments. Under the old standard, loan and bond trading between overseas parent companies and their Japanese subsidiaries was posted, but this did not include transactions between a Japanese subsidiary and

an overseas subsidiary, between Japanese subsidiary and a sub-subsidiary, and between other indirect investment destinations. Under the new standard, loan and bond transactions between indirect investment destinations are also posted.

In addition, the direct investment criterion is changed from possession of "more than 10% of the outstanding stocks" by foreign capital to "10 percent or more of the voting power." Furthermore, the definition of direct investment was changed to include indirect investment destinations.

The changes above are summarized in the table below as factors to increase or decrease the statistical recording of inward direct investment:

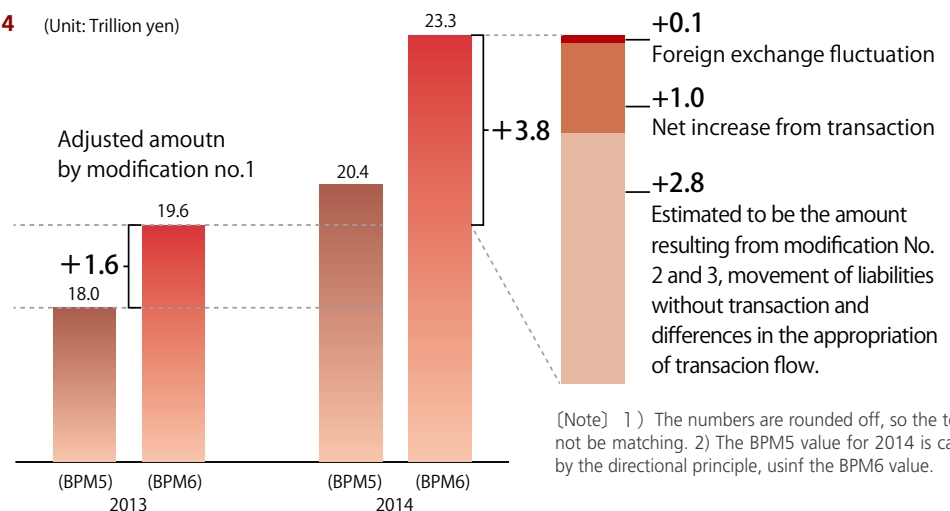
Chart 1-13

Change in the rules of the appropriation of negative investment	plus factor
Enhancement in the scope of the reinvestment of earnings	plus factor
Enhancement in the scope of debt instrument	plus factor
Changing the "voting share capital" part of the definition of FDI to "voting power" basis.	minus factor

-Impact on the stocks at the end of 2014

These changes are estimated to have pushed up the stock of direct investment in Japan at the end of 2014 by about 2.8 trillion yen. For adjustment in response to the change in the posting principle of disinvestment, the balance at the end of 2013 was changed from about 18 trillion to 19.6 trillion yen. About 2.8 trillion of the 3.8 trillion yen year-on-year increase at the end of 2014 is believed to be due to the adjustment for the 2nd and 3rd changes. The remaining 1 trillion yen is the net increase through transaction flow. The influence of exchange rates is estimated to be about 0.1 trillion yen.

Chart 1-14 (Unit: Trillion yen)



[Source] "The balance of payments and the international investment position of Japan at the end of 2014" (The Bank of Japan), "The international investment position of Japan at the end of 2014, factors contributing to changes (trial calculations)" (Ministry of Finance)



Toward Improvement of the Business Environment

1. Efforts of the government to promote investments

Since the start of the Abe administration, the government of Japan has been strenuously working to increase inward FDI by attracting foreign companies. After going through the stages of dispelling the deflationary mindset through aggressive monetary policy (the first arrow) and creating demand through flexible application of fiscal stimulus (the second arrow), Abenomics has entered the stage of a growth strategy to spark private investment through deregulation (the third arrow). The government is now driving forward the reduction of corporate tax rate and reform of bedrock regulations to make Japan the most attractive place in the world to do business.

(1) Reduction of the effective corporate tax rates

The tax reform in fiscal 2015 lowered the effective corporate tax rates. The standard tax rate was lowered from 34.62% of fiscal 2014 to 32.11% in fiscal 2015. Furthermore, the Outline of the Tax Revision of fiscal 2016 announced reduction to 29.97% in fiscal 2016 and to 29.74% in fiscal 2018. This is based on the Basic Policies for the Economic and Fiscal Management and Reform 2014, which states: “We will strengthen Japan’s locational attractiveness and enhance the competitiveness of Japanese companies. In this context, we aim to reduce the effective corporate tax rate to an internationally-comparable level and embark on corporate tax reform to be more growth-oriented. To that end, we aim to reduce the percentage level of the effective corporate tax rate down to the twenties in several years.” For foreign companies having an impression that “business costs are high in Japan,” this reduction in the effective corporate tax rates means reduction of business costs. The reduction is expected to promote investments in Japan in addition to serving as a tailwind for capital investment and wage increase by domestic companies.

As shown in Chart 2-1, Japan’s effective tax rate is one of the highest after 40.75% of the state of California and 33.33% of France. It is higher than 29.66% of Germany, 20% of the UK and the rates of other European companies as well as the rates of other Asian countries including 25% of China, 24.20% of South Korea and 17% of Singapore.

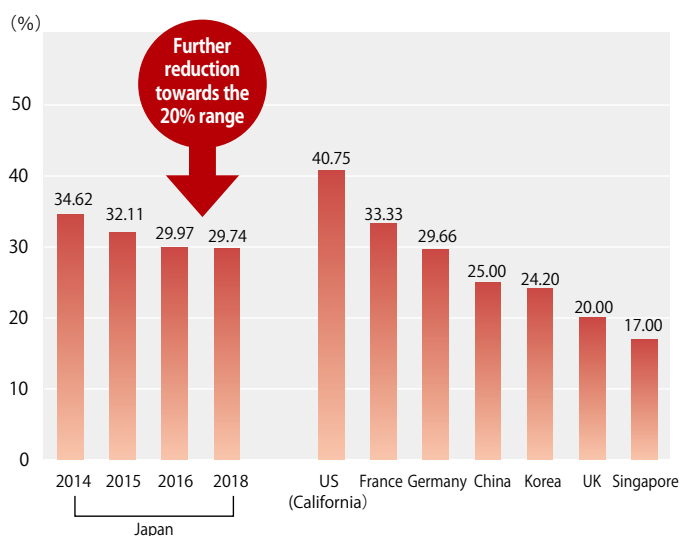
Reduction of corporate tax rates is a global trend. Germany since 2000, for example, greatly reduced the rate that reached 60% in the first half of 1990s to the current level of about 30% in 2008. Singapore gives foreign capital various preferential treatments in addition to lower rates.

Tax relief by reduction of corporate tax rates is effective in promoting investment from abroad, while a high corporate tax rate could cause overseas transfers of economic activities by Japanese companies. It is necessary to have the perspective of globally competitive conditions in the determination of corporate tax rates.

(2) Regulatory reform

The government of Japan has been strenuously working on the regulatory reform including simplification of procedures in various fields, reform and acceleration of approval systems, shortening of examination periods and market development. The expansion and opening of markets and the improvement in the investment environment through these reforms are generating opportunities

Chart 2-1 Reduction of the corporate tax rate



[Note] The tax rates for countries except Japan are as of April 2015
[Source] Website of the Ministry of Finance and “FY 2016 Tax Reform Outline”

for new entry and business expansion. The sections below describe the efforts in the medical/healthcare, energy and agricultural fields where the reforms have advanced significantly.

•Medical/healthcare fields – Introduction of innovative approval systems

The first thing that requires attention in the medical care field is an effort to promote the practical application of regenerative medicine. A new legislative system concerning regenerative medicine was enforced in November 2014. A new category of “regenerative medicine products” was set up in the pharmaceutical screening and an early approval system (time-limit and conditioned approval) was introduced. In addition, outsourcing of cell culture and processing to external facilities is permitted. The reform greatly improved and virtually eliminated the problem of Drug Lag (drugs already approved abroad are not available for patients in Japan due to the delay of their approval). Because Japan has developed an environment for practical application of regenerative medicine first in the world, regenerative medicine companies across the globe have a strong motivation to conduct business in Japan. Reform of the approval system is advancing also in the medical equipment field where commercialization used to take a long time. Here, efforts are made to eliminate the Device Lag. The law of November 2014 simplified the regulation and system including the introduction of approval using a third-party private institution to specially controlled medical devices that had been approved only by the Minister of Health, Labor and Welfare. The revision facilitates the commercialization of medical equipment and generates opportunities for the expansion of the Japanese medical equipment market and for companies to gain market share.

Aiming at early commercialization of innovative pharmaceutical products, medical devices and regenerative medicines, the government established a system for priority examination to promote their development and started its trial operation in April 2015. This is a measure to promote practical application of innovative medicines and other medical products ahead of other countries. Designated medicines receive (1) prioritized consultation, (2) de facto review

before application, and (3) prioritized examination. With this system, the time to approval and to place the product on the market will be reduced.

In addition, in order to promote cooperation among medical institutions for smooth response to medical needs and enable the provision of high-quality and efficient medical services in communities, the government created a system of medical corporations to promote local medical care cooperation (The Act on the Partial Revision of the Pharmaceutical Affairs Law was established in September 2015 and will be enforced in fiscal 2017). The system enables integrated management of multiple medical corporations. The government also created a "Patient-requested cure system." Through this system, it is made possible to combine insured and uninsured medical services which allow the utilization of non-approved medicines on a request from a patient. This system shortened the assessment period from 6 months to 6 weeks in principle and the government will further improve medical services and revitalize the market by making these medicines available earlier.

Future efforts in the medical/healthcare field

- Spread electronic clinical record system in 90% of large hospitals by 2020
- Form nationwide Regional Medical Information Cooperation Networks by 2018 FY
- Provide information on hospitals which accept foreign patients ("Japan International Hospitals (tentative name)")
- Certify agents which support foreign patients in a streamlined manner

•Energy field ~ Increase business opportunities through market expansion and energy conservation

The government of Japan has embarked on an integrated energy system reform beyond the boundaries of the energy markets of electricity, gas and heat supply. Behind the move is an urgent task to cope with various energy issues including reduction of electric power costs, improvement of self-sufficiency and reduction of GHG emissions in light of the increased electric power costs due to increased import cost of fossil fuels and the increase in GHG emissions.

In April 2015, the government set up the Organization for Cross-regional Coordination of Transmission Operators (OCCTO) for the full liberalization of the power retail market scheduled in April 2016, legal separation of the power transmission/distribution sector scheduled in April 2020 and the abolishment of the rate regulation that will follow. Entry to the power retail market is active with the number of newcomers increasing 2.6 times in 2 years and 5 months after the Cabinet Decision on the Policy on Electricity System Reform (April 2013). Further expansion of business opportunities is expected. Enterprise partnerships across regions and industries are also progressing in power generation.

The comprehensive energy policy of the government includes regulatory reforms in wind power/geothermal power generations, fuel cell and other fields. The efforts include simplification of the procedure, a shorter examination period, support for business operators and development of markets. A large number of demonstration projects are carried out in these fields providing good opportunities for foreign companies to enter the market.

The government also gives high priority to negawatt transaction (the amount of electricity saved by consumers through conservation or in-house power generation may be sold as power generation in the market), which triggered entry by foreign companies one after

another. A full-fledged demand response market is emerging toward April 2016, as Smart City demonstration projects have been carried out and the Guidelines for Trading Negawatts have been compiled. Demand of around 10 million kW of saved electricity is expected in Japan for the future, which can expand the demand response mediation services to a market of tens of billions of yen.

Future efforts in the energy sector

- Full liberalization of the power retail market scheduled in April 2016 and full liberalization of the gas retail market in 2017
- Legal separation of the power transmission/distribution sector in April 2020, separation of the infrastructures of the three major gas companies in April 2022.

•Agriculture – Strong agriculture through business development and efficiency improvement

The government of Japan embarked on various reforms for promotion of large-scale farming including the improvement of farmland use through concentration/consolidation of farmland and incorporation of agricultural production. The goal is to improve productivity through the economy of scale to produce internationally competitive high-quality agricultural, forest and fishery products.

First, the government set up a Farmland Intermediary Management Institution in each prefecture to work on the transfer and consolidation of farmland for productivity improvement. In addition, the Agricultural Affairs Committee system was reformed for the first time in 60 years. Committee members are now selected by the major to promote optimization of local farmland use.

Japanese agricultural products and processed foods are rated highly abroad and their export is increasing. In order to encourage the trend, the government is working to promote exports with the goal of one trillion yen in exports by 2020 for the expansion of the market and international sales for Japanese agricultural products. As a result, the export of agricultural, forest and fishery products increased by 11.1% year on year to a record 669.0 billion yen in 2014. The total for the period from January to November of 2015 increased by 22.0% on a year-to-year comparison, which promises a significant expansion of the market.

Regarding the incorporation of agricultural production, the requirement of corporations to own farmland was eased (the bill was enacted in 2015). The government will promote partnership between companies and farmers, expansion of the business scale, innovation of management and technologies and increase in added value. Establishment of agricultural corporation producing and processing farm products is already permitted in National Strategic Special Zones. In response to these reforms, companies from different industries are entering into agriculture-related businesses and a new market is developing.

Future efforts in the agricultural sector

- Focus on the countries and items with more potential in order to achieve 1 trillion yen in export earlier than 2020
- Integrated reform of agricultural cooperatives, Agricultural Affairs Committees and agricultural corporations for the first time in 60 years; encourage independent activities of local agricultural cooperatives to increase added value
- Revision of rice production adjustment from the rice produced in 2018
- Enhance the function of the Farmland Intermediary Management Institutions for concentration and consolidation of farmland
- Develop export organizations by item

Easing the requirements for establishment of subsidiaries by foreigners

The "Second Report of Recommendations on Regulatory Reform" (the Regulatory Reform Council, June 13, 2014) and the "Implementation Plan for Regulatory Reform" (Cabinet Decision in 2014) include a review of the requirement for a foreign company trying to register a company in Japan to have at least one representative resident in Japan.

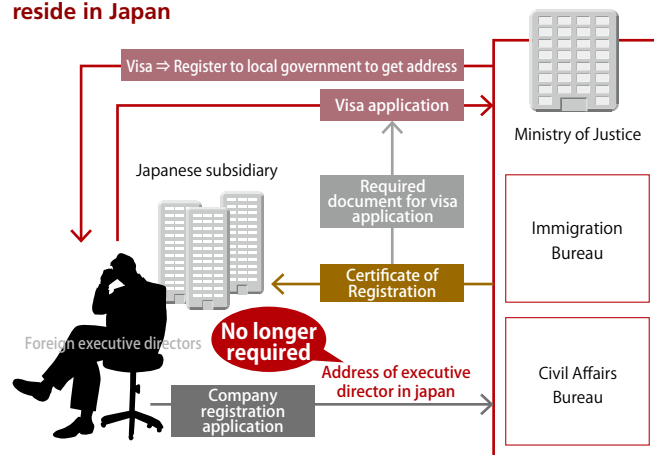
In the past, when a foreigner tried to register a subsidiary (Japanese arm), at least one representative was required to be resident in Japan. However, for a foreigner to obtain a visa to be resident in Japan, a certificate of the registered matters of the subsidiary where the person would work was required. Consequently, a foreigner sent from the head office alone could not register a subsidiary.

For the abolishment of the requirement, JETRO summarized requests from foreign companies for regulatory reform that were sent to its "Invest Japan Hotline (described later)" and requested improvement through the Hotline on Regulatory Reform of the Cabinet Office.

After consideration in the Ministry of Justice through a working

group of the Regulatory Reform Council, the ministry abolished the requirement that at least one representative needs to be resident in Japan for registration of subsidiaries in Japan by foreigners. The abolishment enabled establishment of subsidiaries in Japan by foreigners alone, which facilitates business launch in Japan (see Chart 2-2).

Chart 2-2 Setting up a subsidiary by foreigners who do not reside in Japan



(3) Setting tourism as a key industry

Inviting foreign tourists is one of the effective means to increase domestic consumption and revitalize local economy. The government of Japan is making various efforts including tourism infrastructure development and promotion in order to create a society attracting many people from around the world taking advantage of the potential of Japan's tourist attractions.

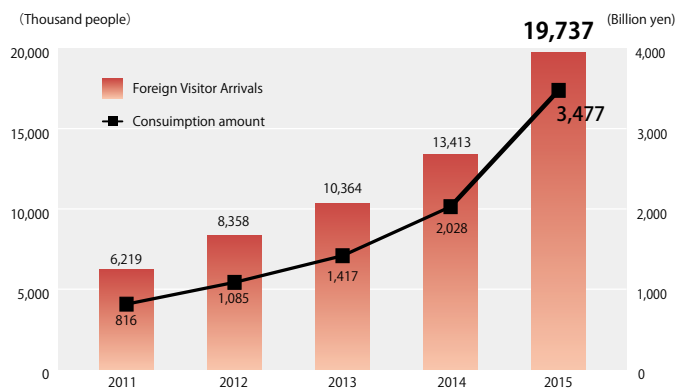
The government set a goal to increase foreigners visiting Japan to 20 million and worked to ease visa requirements. First, visa requirements were relaxed for 14 countries with focus on ASEAN, followed by an increase in the slots for international routes in Haneda Airport by 30,000 (60,000 → 90,000) and increase of the landing slots at Narita Airport to 300,000. Furthermore, exemption of consumption tax for foreign tourists is expanded to cover consumables including foods, drinks and cosmetics.

These efforts contributed to the increase of foreigners visiting Japan by nearly 30% year-on-year to 13.41 million in 2014. In 2015, the number increased by 47% year-on-year to a record-high 19.74 million, almost reaching 20 million that is the goal by 2020.

The increase has big ripple effects expanding the market including LCC (Low-Cost Carrier), hotel businesses and OTA (on-line travel agencies). Restrictions were removed in the travel-related fields and foreign-affiliated companies entered the market one after another. Investment is active especially in the hotel industry with a 2,137.9 billion yen market where shortage in guest rooms has been an issue in recent years. Foreign-affiliated LCCs are also expanding their routes to gain the market.

In addition, expenditure of foreign tourists in Japan increased greatly. According to a survey of expenditure by foreigners visiting Japan conducted by the Japan Tourism Agency, the average total trip expenditure per foreigner visiting Japan in 2015 was a record-high

Chart 2-3 Foreign visitor arrivals and their consumption amount



[Source] "2015 Foreign Visitors & Japanese Departures" (Japan National Tourist Organization), "Consumption Trend survey for Foreigners Visiting Japan" (Japan Tourism Agency)

176,168 yen or 16.5% increase from 151,174 yen of 2014.

The total amount of travel expenditure by foreigners visiting Japan also reached a record high at 3,477.1 billion yen in 2015 greatly exceeding 2,027.8 billion in 2014 (71.5% increase compared with the previous year) (Chart 2-3). According to the survey conducted by the Japan Tourism Agency, what the visitors most want to do during their trip in Japan is "eat Japanese food" followed by "shopping". Business opportunities are expanding for the food service industry and duty-free shops. With the increase of tax-free items, foreign-affiliated duty-free shops are attracting attention for their ability to attract customers and have succeeded in attracting a large number of foreign tourists taking advantage of their network with foreign travel agencies and serving customers with their respective languages.

(4) Strengthening corporate governance

The idea that a stock company is owned by the investors/ shareholders and that its stakeholders are shareholders is firmly established in the UK and US. In Japan, a company is regarded to be a public institution that has a wide range of stakeholders including employees, business partners and customers in addition to shareholders, and obligation to contribute to society including maintaining employment. As a result, against the background of a management system unique to Japan such as the board of directors consisting of internal members, the main bank system, stock cross-holding and lifetime employment, financial institutions, business partners and employees often have a certain influence on the company management.

To be a global enterprise attractive for investors, however, it is necessary to have a transparent "system" to respond to diverse values.

The government is creating a system to change the mindset of management and back aggressive business judgment to win global competition by strengthening corporate governance in line with the growth strategy, so that institutional investors and companies can cooperate to increase "earning power" that is medium- to long-term profitability and productivity of Japanese companies.

In February 2014, the "Principles for Responsible Institutional Investors" «Japan's Stewardship Code» were formulated as a code of conduct for institutional investors investing in listed companies in Japan. They are expected to deeply understand the companies in which they invest as "shareholders" while creating a process for sharing a common purpose (by encouraging companies).

Furthermore, the Companies Act was revised in June 2014 to urge companies to introduce outside directors (the revised Companies Act was enforced in May 2015).

In addition, the Tokyo Stock Exchange started application of the "Corporate Governance Code," which compiles key principles contributing to effective corporate governance and, together with the Stewardship Code, demands a new discipline from companies. The "Corporate Governance Code" has two characteristics: (1) a principle-based approach instead of a rule-based approach; and (2) a Comply-or-Explain approach. In (1) the Corporate Governance Code is applied according to the situation of the individual companies, while in (2) the companies should comply with the principles or explain why they do not comply. The body text includes a strict statement: "Offering a superficial explanation using boiler-plate expressions would be inconsistent with the concept of 'comply or explain.'"

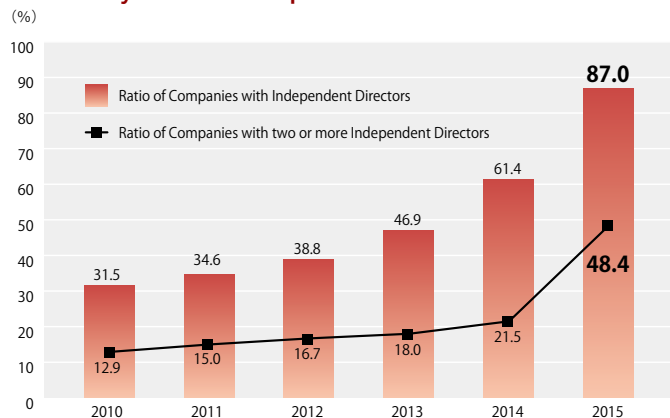
The Corporate Governance Code provides Principles and Supplementary Principles under the five General Principles: (1) Securing the Rights and Equal Treatment of Shareholders; (2) Appropriate Cooperation with Stakeholders Other Than Shareholders; (3) Ensuring Appropriate Information Disclosure and Transparency; (4) Responsibilities of the Board; and (5) Dialogue with Shareholders, and calling for discipline including appointment of at least two outside directors at listed companies (Chart 2-4). In reaction to this, the number of companies that appointed outside directors increased greatly (chart 2-5).

Chart 2-4 Formulation of codes and Companies Act modifications regarding corporate governance

- Japan's Stewardship Code (formulated on Feb. 26, 2014)**
 - Monitoring investee companies to understand their situation
 - Constructive engagement with investee companies to solve problems
 - Clear policy on voting and disclosure of voting activity
 - To contribute positively to the sustainable growth of investee companies through appropriate engagement and proper judgments, etc.
- Companies Act modification (effective from May 1, 2015)**
 - Founding companies with auditing committee governance structure
 - Stricter conditions for becoming independent outside director
 - Mandatory explanation if it is not appropriate to appoint outside directors
- Corporate Governance Code (applied from Jun. 1, 2015)**
 - Securing the rights and equal treatment of Shareholders
 - Disclosure of the policy regarding cross-shareholdings
 - Appropriate cooperation with stakeholders other than shareholders
 - Ensuring diversity, including active participation of women
 - Ensuring appropriate information disclosure and transparency
 - Full disclosure of business strategies and policies on remuneration of the senior management and directors
 - Responsibilities of the board
 - Appointing at least two independent directors
 - Dialogue with Shareholders
 - Senior management and directors to engage in dialogue with shareholders etc.

[Source] Japan's Stewardship Code, Corporate Governance Code etc.

Chart 2-5 Appointment of outside directors and independent directors by TSE-listed companies



[Source] "Appointment of Outside Directors and Independent Directors by TSE-Listed Companies", (Tokyo Stock Exchange)

(5) National Strategic Special Zones

In order to enhance the international competitiveness of the industries and promote the formation of bases for international economic activities through intensive structural reform of economic society, the government designated National Strategic Special Zones and is promoting regulatory reform and other measures in a comprehensive and focused manner.

National Strategic Special Zones have been created to make a breakthrough for bold regulatory reform in various fields (education, medical care, agriculture, employment, etc.) in order to realize the growth strategy. Six zones were designated as the first step. In addition, three Regional Vitalization Special Zones and four National Strategic Special Zones were designated in September 2015 and December 2015, respectively (Chart 2-6).

There are many approved special zone plans that are advantageous for foreigners and foreign companies as described below.

<Examples of the projects based on the approved special zone plans>

- (1) The Tokyo One-Stop Business Establishment Center was set up in the Tokyo Area for further improvement of one-stop procedure for business establishment (the details are to be described later).
- (2) A system for quick provision of advanced medical care with the combined use of both services covered by public health insurance and advanced healthcare services not covered by the insurance is introduced in the special zones in the Tokyo and Kansai areas. The system covers all technologies using medicines already approved in the US, UK, France, Germany, Canada or Australia but not approved or applicable in Japan.
- (3) An eye hospital (with 30 new beds) will be opened in the Kansai area with the aim of promoting practical application of cutting-edge medical technologies related to iPS cells taking advantage of the special provision of the Medical Care Act concerning hospital bed rules. Research and development will be conducted using the special provisions for taxation on iPS cell-derived platelet preparations.

Opening of the Tokyo One-Stop Business Establishment Center

In April 2015, the Tokyo One-Stop Business Establishment Center (operated by the state and the Tokyo Metropolitan Government) under the Council on Tokyo Area National Strategic Special Zones was opened in JETRO headquarters (Akasaka, Tokyo).

In October 2015, a counter of notaries for certification of articles of incorporation was added. The center handles all procedures for business establishment (support for preparation and acceptance of application for registration, tax matters, pension/social insurance, immigration control, and other matters necessary for incorporation and business launch) by foreign-affiliated and other companies in the Tokyo metropolitan area.

The opening ceremony on March 31, 2015, was attended by Prime Minister Abe (third from the left of the photo), Tokyo Governor Masuzoe (second from the left), Minister of State for the National Strategic Special Zones Ishiba (at the far left) and JETRO Chairman Ishige (at the far right). Their attendance demonstrated the government's commitment to the promotion of investments in Japan.

Health insurance
Pension insurance

Labor insurance

Employment
insurance

Immigration

Tax matters
(national/metropolitan taxes)

Company
Registration

Certification of articles
of incorporation

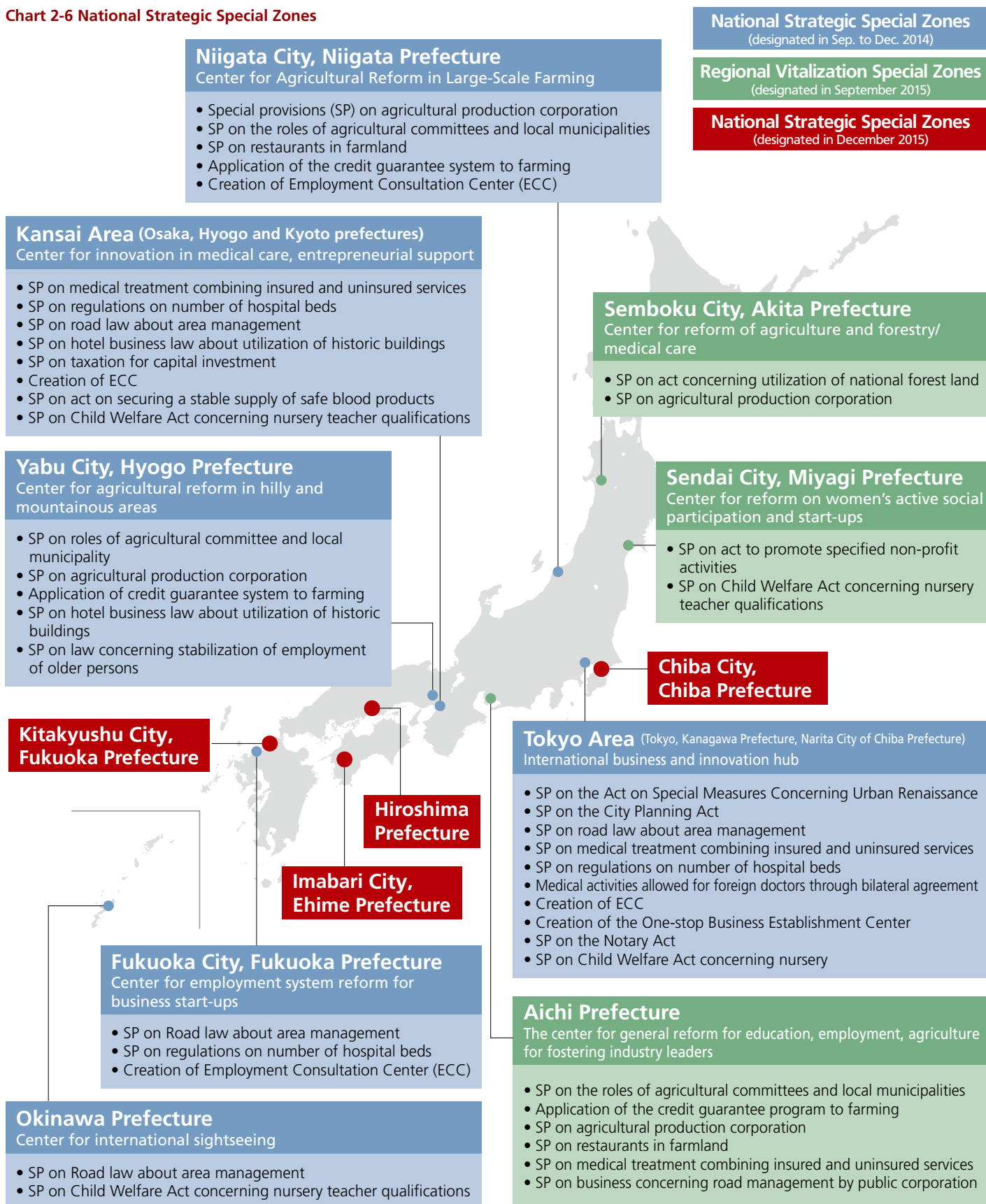


(Visit on March 31, 2015)



(Inside of the center)

Chart 2-6 National Strategic Special Zones



Source: created based on the National Strategic Special Zone pages of the Office of the Prime Minister

(6) Promoting activities by foreign professionals

The government is making various efforts for utilization of foreign professionals to address the decline in the production-age population accompanying the declining birthrate and aging population, while creating innovations through introduction of diverse values to workplaces.

First, the Points-Based System for Highly Skilled Foreign Professionals, introduced in May 2012, was reviewed in December 2013. Points for research performance and professional degree are raised or added and the conditions for bringing parent(s)/a domestic worker and other preferential treatments are eased so that more people are certified as skilled professionals to enjoy the preferential treatments.

In April 2015, a new status of residence named "Highly Skilled Professional (i)" was created with preferential treatment equivalent to that granted to highly skilled foreign professionals who have a status of residence of "designated activities." After staying in Japan for a certain period of time, they are designated as "Highly Skilled Professional (ii)" and limitations on their activities are greatly reduced (Chart 2-7).

However, according to a questionnaire survey (to be described later) for foreign companies conducted by JETRO, only 2% of the companies used the system. So, it is necessary to further publicize the system.

From 2000 to 2012, the ratio of foreign workers increased by only 0.2 points (from 0.8 to 1.0%) with the ratio still remaining low. The ratio of foreign workers in other countries is 37.0% for Singapore, 16.2% for the US, 8.0% for the UK and 1.8% for South Korea. Against this background, the government announced the following policy:

- Promote settlement in Japan 5 to 10 years from now by granting permanent residency more flexibly to highly skilled persons and those who completed higher education in Japan
- Create success stories of foreign professionals working actively in various fields in Japan
- "300,000 foreign students plan" and doubling the number of foreign IT engineers coming to Japan from 30,000 to 60,000
- Clarify the requirements for residence in the IT and tourism sectors (hotel and inn front desk workers)

The development of a legal system for strengthening the activities of foreign professionals has been steadily advanced. The revision of the Act on the National Strategic Special Zones (enforced in September 1, 2015) includes the easing of the requirements for the status of residence to promote acceptance of diverse foreign nationals including entrepreneurs, and the utilization of "foreign human resources for domestic work support." Employment of human resources taking advantage of the Economic Partnership Agreement (EPA) and the system of technical intern training for foreigners are also spreading. Fundamentally reviewing the system of technical intern training for foreigners, the government tightened the control and extended the period from three to five years. Addition of the field of nursing care will be considered in the future. Efforts to strengthen the activities of foreign workers are also incorporated in the Japan Revitalization Strategy 2014 (Cabinet Decision in June 2014). As an urgent and temporary measure toward the 2020 Tokyo Olympic and Paralympic Games, employment of foreign workers in the construction and shipbuilding fields started in April 2015.



Chart 2-7 Revision of the "Points-based Preferential Immigration Treatment for Highly Skilled Foreign Professionals"

"Points-based immigration system" for highly skilled foreign professionals was introduced in May 2012, and was enhanced in December 2013 in order to make the system better and easier to get higher points. In April 2015, a new status was created.

Enlargement of Principal conditions

- Lower the minimum level of annual income to 3 million yen.
- Higher points for achievement in advanced academic research.
- Higher points for Japanese proficiency.
- Higher points for degree of Japanese academic institution.
- More points given for certain qualifications (eg. MBA, MOT).
- Additional points for SMEs to utilize the system.
- Professionals who are planning to stay less than 1 year can also benefit from the system.

Example of point calculation

A total of more than 70 pts qualifies as skilled professional.

Master's degree : 20pts
 MBA : additional 5pts
 7 year experience : 15 pts
 6 mill. JPY salary : 20 pts
 Published papers : 25 pts

Total : 85 pts

Principal Revised Benefits

- Lower the minimum level of annual income for getting permission for bringing a parent(s).
- Permission for bringing a parent(s) for both men and women and spouse in case of pregnancy.
- Lower the minimum level of annual income from 15 million to 10 million yen for permission for a domestic worker to accompany.
- Salary of spouse and that received from overseas employer can be counted to get permission for parent residence.
- Highly Skilled Professional(i) → Highly Skilled Professional(ii) (Granted an indefinite period of stay) (April 2015 ~)

Principal Benefits

- Permission to engage in multiple types of activity during stay in Japan
- Granting of 5-year period of stay
- Relaxation of residence requirements for granting of permission for permanent residence (eligibility for permanent residence in around 5 years)
- Preferential processing of immigration and residency procedures
- Permission for spouse of highly skilled foreign professional to work
- Permission for bringing a parent(s) to accompany the highly-skilled foreign professional to Japan under certain conditions
- Permission for a domestic worker to accompany the highly-skilled professional to Japan under certain conditions

[Source] "Points-based Preferential Immigration Treatment for Highly Skilled Foreign Professionals" (Immigration Bureau of Japan)

Increasing the attractiveness of Japan – Labor market reform

column

Problems of low productivity and labor shortage due to the declining birthrate and aging population have been often suggested in discussions on the labor market in Japan. To address these problems, the government emphasizes the promotion of activities of foreign workers (see the preceding page), women's empowerment, improvement of the labor force participation rate of the elderly and other efforts to use diverse workforces, and improvement of labor productivity through improvement of work-life balance represented by reduction of long hours and introduction of various values and working styles to promote innovation.

As a result, Japan's labor force increased by 0.1 million compared with the previous year to 65.87 million (as of January 1, 2015) while the total population of Japan is decreasing. Workforce over 65 years old reached a record-high 6.96 million (0.46 million increase year-on-year). The number of female workers was 28.24 million (0.1 million increase year-on-year) contributing to the increase of the total workforce (reference: Labor Force Survey by the Ministry of Internal Affairs and Communications). During the two and half years since the launch of the Abe administration, female employees increased by 0.78 million and about 30% of 1,300 member companies of Keidanren announced a plan to increase female executives and managers.

Promotion of women in workplace

- Support balance of work and childcare (arrange childcare for more children)
- Reduce long working hours
- Promote women to managerial posts
- A new law to require companies to formulate an action plan for promotion of women in the workplace (The Act to Promote Women in Workplace) was established (companies employing more than 300 workers are obliged to set and publish numerical goals including the ratio of female new recruits and managers. A listed company should promise to appoint at least one female executive.)

Reforming working styles and enhancing the capabilities of individuals

- A proposal to revise the Labor Standards Act incorporating a system of payment not based on working hours but based on results has been submitted to the current Diet session. An advanced professional labor system where employees are evaluated based on results rather than working hours (applicable from April 2016).
- Strengthening the efforts to prevent overworking
- Promoting variable working styles through reexamination of the flex-time/discretionary working systems ("the way of recommendation on salaries and points of the recommendation of the year" compiled by the National Personnel Authority in August 2015 also recommended expansion of the flex-time system).
- Introducing the Self Career Check (tentative name) system to create a desired career path through regular self-check of capacity to perform duties
- Establishing new higher education institutions for practical vocational education as colleges for professionals
- Introducing "evening activities" to encourage starting work at half past seven in Kasumigaseki, Tokyo, where ministries and agencies of Japan are concentrated, in July and August 2015

The initiatives above are advanced by the government. The move to introduce systems enabling diverse working styles including reduced working days, short-time work and telework/telecommuting is spreading also among private companies aiming to control overworking and improve business efficiency.

news • pickup

Abe administration announced "New Three Arrows"

In September 2015, the Abe administration announced its new three arrows focused on the three fields of strong economy, support for childrearing and social security. They will be compiled as a plan for "Promoting Dynamic Engagement of All Citizens" toward 2020 as a driving force for economic growth.

- First arrow: strong economy

Aiming to reach a GDP of 600 trillion yen, resolutely advancing revolution in productivity and policies to attract investments and human resources to Japan

- Second arrow: support for childrearing

Eliminating childcare waiting lists, expanding the free preschool education and raising the birthrate from 1.4 to 1.8

- Third arrow: improved social security

Assisting workers in balancing work and family care to eliminate the case of leaving a job to take care of a family member

First arrow

strong economy

Second arrow

support for childrearing

Third arrow

improved social security

(7) Further integration into the world economy

The government of Japan is promoting further integration into the world economy with the aim of promoting the development of Japan's external economic relationships and domestic structural reform through establishment of global rules of trade and investment, infrastructure export and overseas expansion by Japanese companies and inward direct investments.

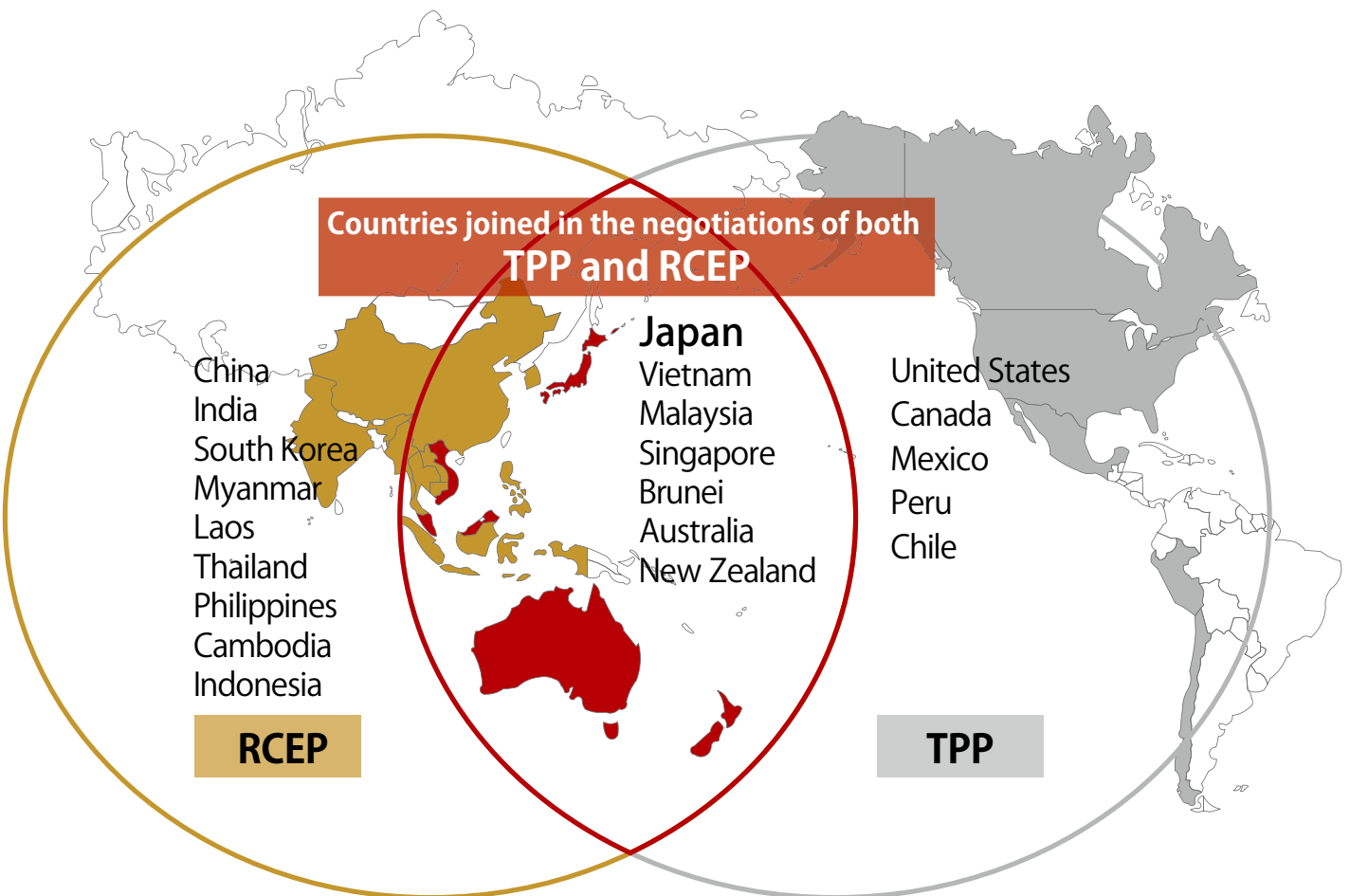
The government is implementing various measures for integration into the world economy and incorporation of global economic growth by promoting the TPP (Trans-Pacific Strategic Economic Partnership), RCEP (Regional Comprehensive Economic Partnership), Japan-China-South Korea FTA, the Japan-EU FPA and other economic partnerships.

Japan's participation in the TPP accelerated the negotiations of other mega FTAs (refers here to FTAs participated in by two or more countries/regions with a large economy). The TPP, which reached agreement in principle in October 2015, decided to establish rules in

an unprecedented wide range of areas including trade, investment/service liberalization, government procurement and protection of intellectual properties. Participation in an open framework of this level is expected to expand overseas business opportunities for Japanese companies while attracting more investments in Japan from abroad with the increased attractiveness of Japan as a business hub. Because member countries of other mega FTAs are sharply conscious of the TPP, the TPP agreement in principle is expected to accelerate the negotiations of RCEP and other FTAs.

RCEP countries also participating in the TPP negotiations are Japan and four ASEAN countries (Singapore, Malaysia, Vietnam and Brunei), Australia and New Zealand. The United States is not participating in the RCEP negotiations but its investment in the RCEP region is larger than Japan's investment in the region. For these reasons, Japan has the potential to become a node of multiple economic integration areas (Chart 2-8).

Chart 2-8 The member countries of the TPP negotiations and the RCEP negotiations



2. Measures to attract foreign companies

At the end of 2012 when the Abe administration was installed, the government set a goal to double the stock of inward FDI in Japan to 35 trillion by the end of 2020. The comprehensive measures for this purpose demonstrate the government's commitment to attraction of foreign capital. In addition to the measures listed below, the government is providing individual support for foreign companies launching business in Japan and widely dispatching information to encourage investment in Japan. These efforts are introduced in Chapter 4 "Investment Promotion Projects of JETRO."

(1) The Council for Promotion of Foreign Direct Investment in Japan

In order to promote FDI in Japan, the Council for Promotion of Foreign Direct Investment in Japan was established with the purpose of contributing to the initiatives by the relevant government ministers and committees aimed at realizing necessary regulatory reforms in addition to acting as a "control tower" for activities aimed at discovering and attracting investments while hearing opinions directly from foreign enterprise managers and others. The

council consists of the Minister of State for Economic and Fiscal Policy, the Minister of State for Regulatory Reform, the Minister for Internal Affairs and Communications, the Minister of Foreign Affairs, the Minister of Economy, Trade and Industry, the Minister in Charge of Regional Revitalization and other members.

The members reaffirmed the importance of the attraction of foreign companies and shared the ministries' commitment to the promotion of inward FDI in Japan. Representatives of foreign companies appreciated the government's efforts but pointed out insufficient overseas efforts for publicity of the changes in Japan. The members also confirmed the importance of attracting foreign companies in regional vitalization.

The Council (held on March 17, 2015) adopted the "Five Promises for Attracting Foreign Businesses to Japan" (Chart 2-9) including improvement of the convenience of public Wi-Fi which is often requested by foreigners, enrichment of the educational environment for children from overseas and breaking down of language barriers. Since then, public and private efforts have been accelerated to realize the promises: results include free Wi-Fi in public and commercial facilities and use of foreign credit cards.

Chart 2-9 "Five Commitments for Attracting Foreign Businesses to Japan"



[Source] "Abenomics is progressing" (The Cabinet Office), June 2015

(2) Incentives

The government provides various incentives including subsidies to attract foreign companies.

- Subsidy Program for Projects Promoting Foreign Direct Investment, Site Location and Regional Development in Japan (Subsidy Program for Global Innovation Centers) <2015 supplementary budget>

Subsidy to establishment of innovation centers in Japan by foreign companies and experimental studies and F/S conducted in collaboration with Japanese companies and other organizations in the fields of regenerative medicine and IoT where growth is expected.

- The Act on Special Measures for Promotion of Research and Development Business, etc. by Specified Multinational Enterprises (Act for Promotion of Japan as an Asian Business Center) <Enforced in November 2012>

The incentives (income tax breaks, reduction of patent fees, shortened investment procedures, assistance for fund raising and acceleration of entry examinations applied for by foreign nationals who intend to work in Japan) are applicable to new R&D and regional headquarters operations conducted in Japan by global companies.

(For details, visit the website of the Ministry of Economy, Trade and Industry at:

http://www.meti.go.jp/english/policy/external_economy/investment/act_information.html)

In recent years, local governments provide big incentives to attract foreign companies. Below is a list of their incentives for foreign affiliated companies:

Chart 2-10 Incentives of local governments for foreign-affiliated companies

As of July 2015

Prefecture/city	Name of subsidies/incentives	Incentives of local governments for foreign-affiliated companies
Fukushima Pref.	Subsidy for Investment Support Project for Foreign Corporations Entering into Fukushima Prefecture for Business	Subsidizing portion of rent expenses, consultant commissioning fees, expenses required for incorporation (registration of corporation, acquisition of resident status, etc.) Eligible companies are those establishing facilities for manufacturing, R&D and/or sales in Fukushima Prefecture for the first time in the fields of pharmaceuticals, medical equipment, renewable energy and/or robotics (Subsidy rate of 3/4, with up to 28m yen per company)
Chiba Pref.	Office Lease Subsidies for Foreign-Affiliated Companies in Chiba Prefecture	Subsidizing portion of rent for offices or other facilities (1/3 of annual rent x 1 year, maximum 600,000 yen for companies with a number of employees between 1- 5 and 1.8m yen for more than 5)
Chiba City	Facility Rent Subsidy for Foreign-Affiliated Companies	Subsidizing portion of rent (1/2 of rent x 3 years, cumulative total limit of 3m yen), reduction of corporate inhabitant tax (municipal tax) (1/2 x 3 years)
Tokyo Metropolis	Special Zone for Asian Headquarters Subsidy	Subsidizing portion of expenses related to the establishment of a new Asian regional headquarters or R&D center (up to 1/2 of actual expenses paid to experts such as administrative scriveners and recruitment agencies, maximum 5m yen per company)
Kanagawa Pref.	Financing grant to promote new locations of foreign businesses	Subsidizing portion of rent for factories or research laboratories (1/3 of monthly rent x 6 months, maximum 3m yen)
Shizuoka Pref.	Office rent subsidy for foreign-affiliated or foreign companies	Subsidizing portion of office rent (1/2 of monthly rent x 1 year, maximum 500,000 yen in total)
Niigata Pref.	Subsidy for Office Rent for Foreign-Affiliated Companies	Subsidizing portion of rent (1/2 x 3 years, maximum 3m yen (up to 1m yen per year for 3 years))
Niigata City	Foreign company business promotion subsidy	Subsidizing registration fees (maximum 150,000 yen per company) and rent (1/2 of monthly rent x 2 years, maximum 50,000 yen per month)
Aichi Pref.	GNI Business Start-up Support Program for foreign-affiliated companies	Subsidizing expenses for incorporation and commencement of operations of foreign-affiliated companies in Greater Nagoya Area
Gifu Pref.		(1. Expenses required for the establishment of corporations. 2. Expenses for recruitment advertising, brokerage cost paid to real-estate agents, market research, etc.). Maximum 500,000 yen each for #1 and #2 per company)
Mie Pref.		
Nagoya City	Subsidy for foreign affiliated enterprises planning to establish an Asian base in Mie	Subsidizing 20% of depreciable assets invested by foreign-affiliated companies when establishing manufacturing bases (factories) (maximum 500m yen)
Osaka Pref.	Osaka Prefecture's Subsidies for Investment Promotion (Subsidy for Foreign-affiliated Companies)	Subsidizing portion of investment of foreign-affiliated companies establishing new corporate headquarters or Asian regional headquarters in Osaka Prefecture (5% of investment on building and capital goods or 1/3 of office rent, with limitation depending on number of full-time employees)
	O-BIC Support Program for Foreign Companies	Subsidizing expenses for registration (up to 100,000 yen per company) and acquisition of resident status (up to 50,000 yen per company)
Hyogo Pref.	Subsidies for Office Rent for Foreign-Affiliated Companies	Subsidizing portion of office rent (up to 1/2 x 3 years, maximum 1,500 yen/square meter per month and 2m yen per year)
Kobe City	Subsidy for Office Rent	Subsidizing portion of office rent (up to 1/2 x 3 years, maximum 1,500 yen/square meter per month and 2m yen per year)
Fukuoka Pref.	Subsidy for Visit to Fukuoka	Subsidizing portion of travel expenses by foreign-affiliated companies to or within Japan (eligible companies are those in fields of automobiles, IT, semiconductors, biotechnology, environment and robots, which are considering entry into Fukuoka Prefecture). 1. Travel from regions in Japan other than Fukuoka Prefecture: up to 100,000 yen per company 2. Travel from foreign countries other than Europe/America: 150,000 yen per company 3. Travel from Europe/America: up to 200,000 yen per company
	Incentives to encourage establishment of its subsidiary in Japan	Subsidizing portion of registration fee (foreign-affiliated companies in fields of automobiles, IT, semiconductors, biotechnology, environment and robots; 1/2 of registration fee, maximum 150,000 yen)
Fukuoka City	Subsidies for Promoting Business Establishment (Business Targeting Asia)	1. For investment in the priority areas: For ownership: subsidizing 30% of acquisition cost of land, 10% of acquisition cost of buildings, machinery and equipment up to 3b yen For lease: subsidizing 1/3 of annual rent of buildings, machinery and equipment for 4 years (cumulative total limit of 100m yen and annual limit of 25m yen)
		2. For foreign and foreign-affiliated companies entering Japanese market for first time: subsidizing 1/2 of cost for market research, obtaining approvals and registration for licenses, interpretation fees and recruiting employees (up to 3m yen)
Kumamoto Pref.	Subsidy for Business Setup for Foreign Affiliations in Kumamoto Prefecture	Subsidizing 5% of investment amount by foreign-affiliated companies in R&D or in manufacturing in 5 targeted fields (semiconductors, mobility, environment, food and life, social systems) (maximum 150m yen)

[Note] Only listing the incentives that are relevant to foreign companies [Source] Website of each municipality

3. Conception of the business environment in Japan among foreign-affiliated companies ~ From the Survey on Japan's Investment Climate results~

JETRO conducted a survey on the investment environment in Japan from July to August of 2015 and analyzed the attractions of doing business in Japan, and issues and obstacles to entering the market. The questionnaire was sent to about 1,000 companies with focus on foreign affiliates supported by JETRO in their entry into the Japanese market. 150 companies responded.

Regarding the future investment plan, nearly 80% of them answered that they will expand their business, while over 70% answered that they will increase number of employees, showing strong motivation to invest. The sharp decline in the ratio of companies choosing "high business costs" that had been indicated to be the biggest obstacle to investing in Japan confirmed their recognition that Japan is no longer a high-cost country.

(1) One-third of the companies are feeling improvement in the business climate

32.9% of the companies answered that the business climate is "becoming somewhat better" or "becoming significantly better" recognizing already the effect of the government's efforts.

As especially effective measures, each of "regulatory reform" and "simplified administrative procedures" were chosen by about half of the respondents. Other factors leading to the improved business climate chosen by them include "introduction of premium to promote the development of new drugs and a transparent examination and approval system" as specific regulatory reforms in addition to "weaker yen" and "an optimistic mood."

Chart 2-11 Do you feel that the Japanese business climate has become better?

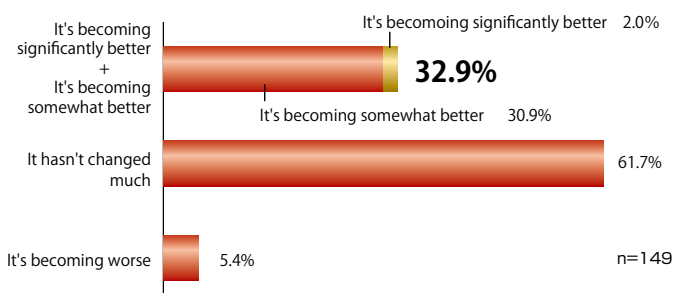
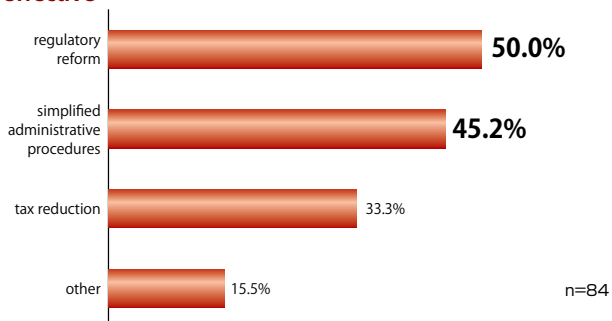


Chart 2-12 Two of the options which you think have been the most effective



(2) Nearly 80% of the companies are planning investment expansion

To the question about business plans within the next 5 years, 77.0% of the companies answered they will "expand business," while companies answering they will "scale down business" or "exit Japan" are only 1.4% (two companies), respectively. The results show prosperous business of foreign affiliated companies and a prospect for active investment in the future. Similarly, 74.0% of the companies answered they will "increase employees," while only 4.1% answering they will "decrease."

Chart 2-13 Business plans within 5 years

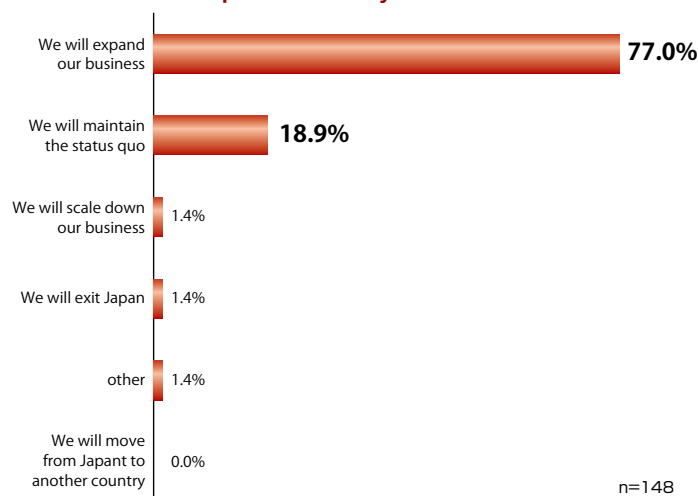


Chart 2-14 Projected number of employees in Japan

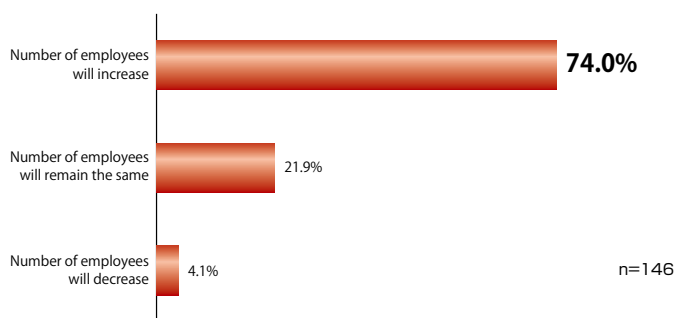
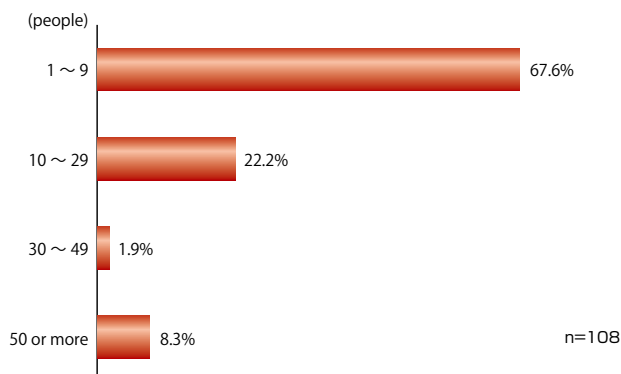


Chart 2-15 Number of the increase



Companies answering that they are planning business expansion in Japan were asked a question on concrete plans and reasons. Some companies plan to increase employees by hundreds while others showed a strong investment intention as follows:

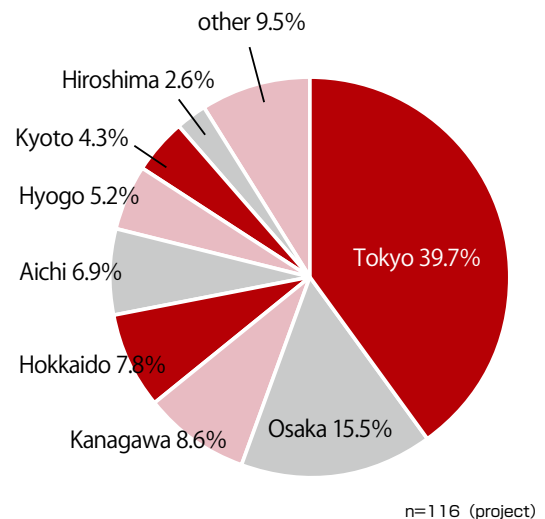
- “Looking for additional retail locations” (other services, North America)
 - “For sales increase and expansion in scale” (pharmaceuticals and cosmetics, Europe)
 - “Expand our Japan operation” (other manufacturing, Europe)
 - “Because of increasing sales and number of customers” (IT devices, Europe)
 - “Strengthen the function of our branch in Japan and strengthen its support system” (electric machine, Asia)
 - “Expecting sales increase” (vehicle parts, North America)
 - “Increase volume in Tokyo and open new offices in Osaka, Nagoya and Kobe.” (transportation, Europe)
 - “Planning to move to a larger office (twice the size) in October to strengthen business in Japan” (other services, Europe)
 - “Planning to add 1-2 domestic hubs in Japan within 5 years because of sales increase” (electric machine, Europe)
 - “Expecting sales increase” (vehicle parts, Europe)
 - “Planning to open another office in Kansai within 2 years” (information/software, North America)
 - “Hire additional staff due to the introduction of new products” (pharmaceuticals and cosmetics, North America)
 - “Because of increasing sales and number of customers” (information/software, Oceania)
 - “Planning to open a sales hub in Kansai to cover West Japan effectively” (electronic device, information/software, Europe)
 - “Planning to sell products through volume retailers across the country within 5 years. Sales are increasing” (precision instrument, Asia)
 - “Expansion of new offices to main cities other than Tokyo” (information/software, North America)
 - “Planning to expand the sales department and open a new branch office in Osaka” (other service, Europe)
 - “Because of expansion of market share in Japan and increase of sales” (information communication machinery/device, trade and wholesale, Asia)
 - “Planning to open an R&D center within 1-2 years” (electronic device, North America)
 - “Planning to open 5 stores within 2 years” (food/retail, Asia)
 - “Planning to add staff in logistics and sales due to the increase of sales across Japan within 5 years” (other services, Asia)
- (And many other answers)

The results of the survey on where to make subsequent investment

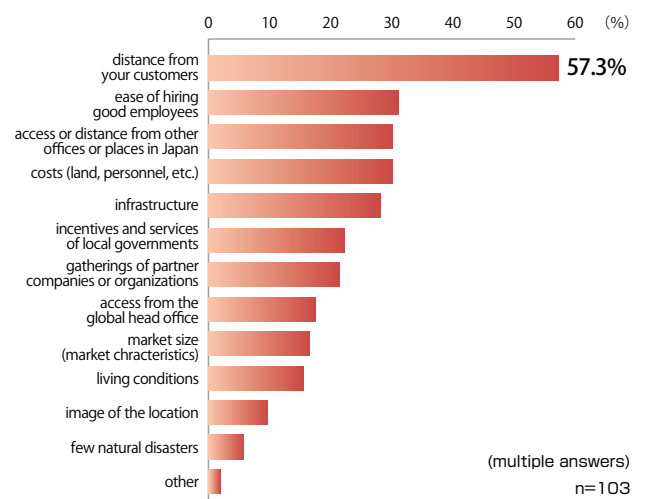
In the survey conducted by JETRO, Tokyo, Osaka, Kanagawa and Hokkaido ranked high on the list as specific places (prefectures) where the companies are planning to open offices or shops as their subsequent investment.

Also, to the question about the factors which the companies consider the most important when deciding on an investment destination, “distance from customers” was chosen by more than half of the respondents. After that, “ease of hiring good employees,” “access or distance from other offices or places in Japan” and “costs (land, personnel, etc.)” ranked high on the list.

<where to make subsequent investments (prefectures)>



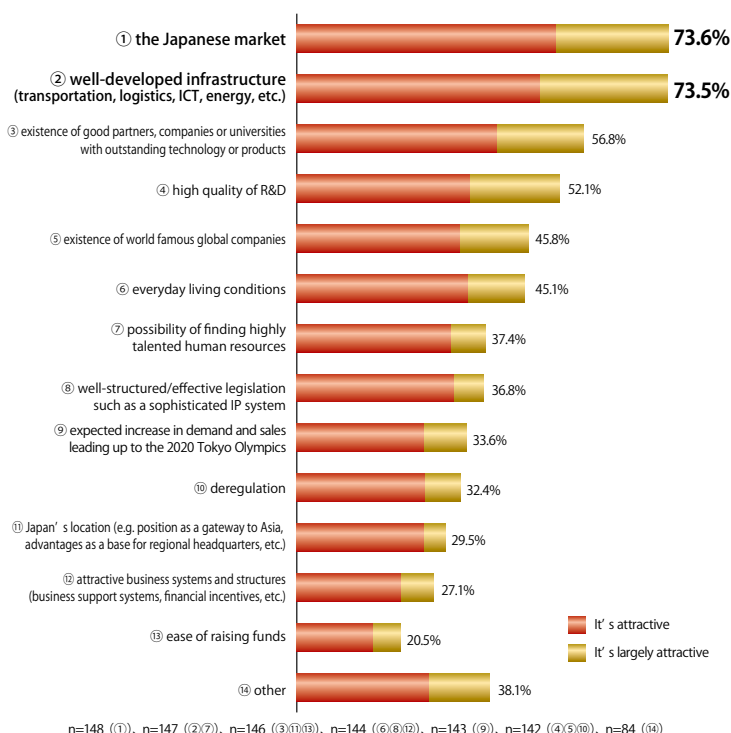
<Most important factor when deciding on an investment destination>



(3) Attractions of doing business in Japan

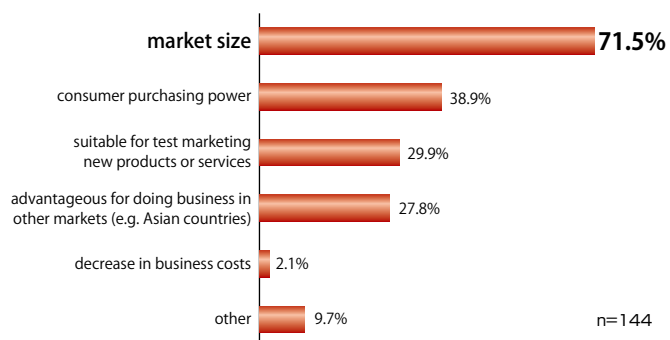
The greatest appeal is “Japanese market” and “infrastructure”
 As attractiveness of doing business in Japan, 73.6% of the companies answered “Japanese market” while 73.5% chose “well-developed infrastructure (transportation, logistics, ICT, energy, etc.” They are followed by “existence of good partners, companies or universities with outstanding technologies or products,” “high-quality of R&D” and “everyday living conditions.”

Chart 2-16 The attractiveness of the Japanese market



As especially attractive factors of the Japanese market, an overwhelming 72% answered “market size” followed by “suitable for test marketing new products or services.”

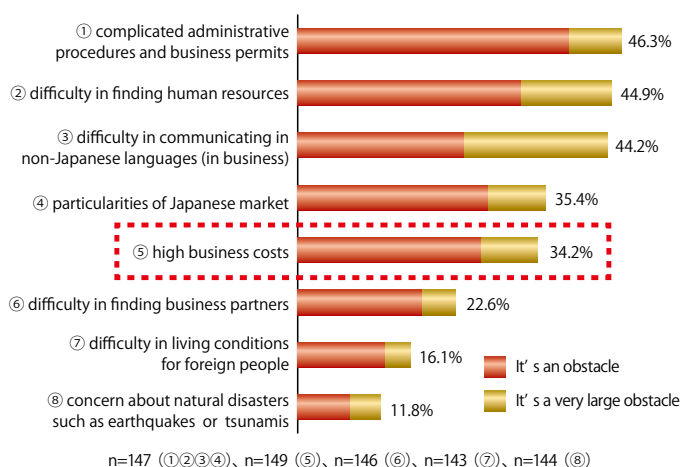
Chart 2-17 Two of the options which you think are most attractive in the “Japanese Market” (multiple answers)



(4) Obstacles to doing business in Japan: significant reduction in answers choosing “high business costs”

As obstacles to doing business in Japan, more than 40% of the companies chose “complicated administrative procedures and business permits,” “difficulty in finding human resources,” and “difficulty in communication in non-Japanese languages,” whereas answers choosing “high business costs” decreased sharply.

Chart 2-18 Obstacles in doing business in Japan (those who chose the top two options)



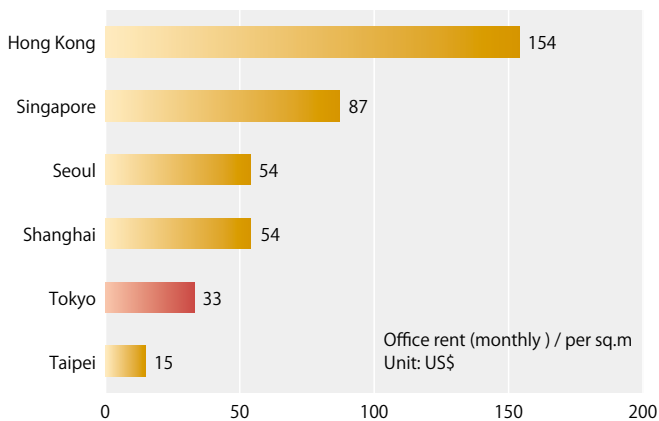
In the survey in February to March 2013, “high business costs” was the No.1 obstacle but moved down to No.5 in this survey, showing a big change in the perception of business costs in Japan.

Chart 1-19 Obstacles in doing business Comparison of the 2013 and 2015 surveys

Rank	2013 Survey	2015 Survey
1	High business costs	Complicated business systems and structures
2	Particularities of Japanese market	Difficulty in finding human resources
3	Difficulty in communicating in non-Japanese languages	Difficulty in communicating in non-Japanese languages (in business)
4	Complicated business systems and structures	Particularities of Japanese market
5	Difficulty in finding human resources	High business costs

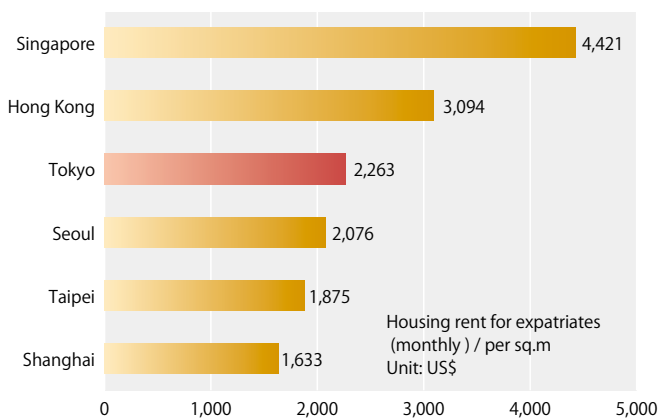
Factors contributing to the improvement of business costs include, in addition to the weaker yen, office rent and housing rent for expatriates in Tokyo that is far lower than that of Hong Kong and Singapore.

Chart 2-20 Comparison of cost between Asian cities (office rent 2015)



[Source] "The 25th Survey of Investment Related Costs in Asia and Oceania (June 2015)" (JETRO)

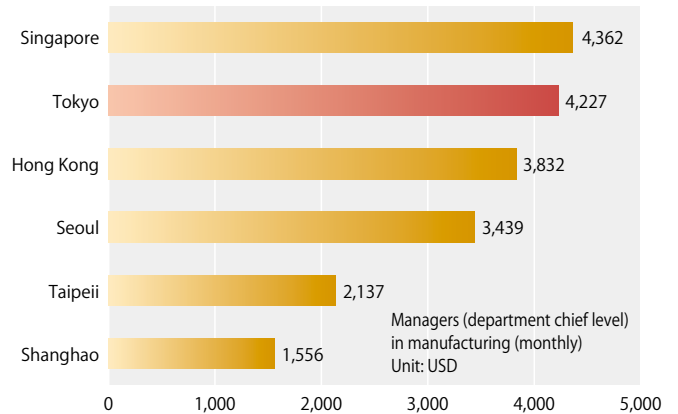
Chart 2-21 Comparison of cost between Asian cities (housing rent for expatriates 2015)



[Source] "The 25th Survey of Investment Related Costs in Asia and Oceania (June 2015)" (JETRO)

By breakdown of business costs, payroll was chosen as an obstacle by the largest number of companies (Chart 2-25, p.27). However, compared with other Asian countries, manager's salaries in Tokyo are lower than those in Singapore. The nominal wage growth rate of these cities is 3% to 7%, which is higher than the rate of Tokyo. The wage in the cities that is now lower than the level of Tokyo is expected to rise to the same or a higher level within several years.

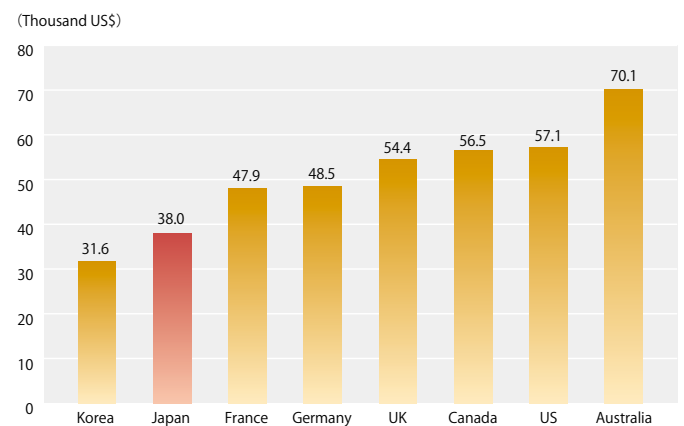
Chart 2-22 Comparison of cost between Asian cities (managers (department chief level) Salary 2015)



[Source] "The 25th Survey of Investment Related Costs in Asia and Oceania (June 2015)" (JETRO)

In wage comparison of developed countries made by OECD, labor cost in Tokyo is lower than the level in major developed countries. In the 2014 survey, it declined by 1,100 dollars from the results of the 2011 survey.

Chart 2-23 International comparison of yearly salary (2014)



[Source] OECD Website

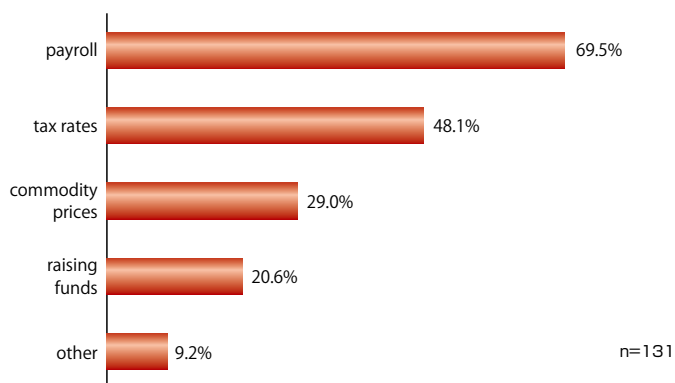
Chart 2-24 International comparison of yearly salary Comparison of 2011/2014

	2011 (Thousand US\$)	2014 (Thousand US\$)
Korea	31.6	31.6
Japan	39.1	38.0
France	46.9	47.9
Germany	46.9	48.5
UK	54.5	54.4
Canada	53.8	56.5
US	56.2	57.1
Australia	71.5	70.1

[Source] OECD Website

Among business costs, tax rate was chosen as an obstacle by the second largest number of companies (Chart 2-25). Because the government of Japan has started to reduce corporation tax rates, foreign affiliated companies can also expect lower tax burdens. Regarding the extension of the period for carryover of losses requested by a large number of foreign affiliates, the government decided to extend the period from the current 9 years to 10 years for the losses generated in the fiscal years starting on April 1, 2018, and after.

Chart 2-25 Two of the options below that you think are the largest obstacles in high business costs (multiple answers)



- Other obstacles

Whereas fewer foreign affiliates consider high cost an obstacle, “complicated administrative procedures and business permits (No.1 from No.4 in the previous survey),” “difficulty in finding human resources (No.2 from No.5 in the previous survey),” and “difficulty in communication in non-Japanese languages (No.3 in both surveys)” were chosen as obstacles by over 40% of the companies. The issues pointed out in the previous survey are suggested again. Their breakdowns are as follows:

Chart 2-26 Two of the options which you think are the largest obstacles in “complicated business systems and structures” (multiple answers)

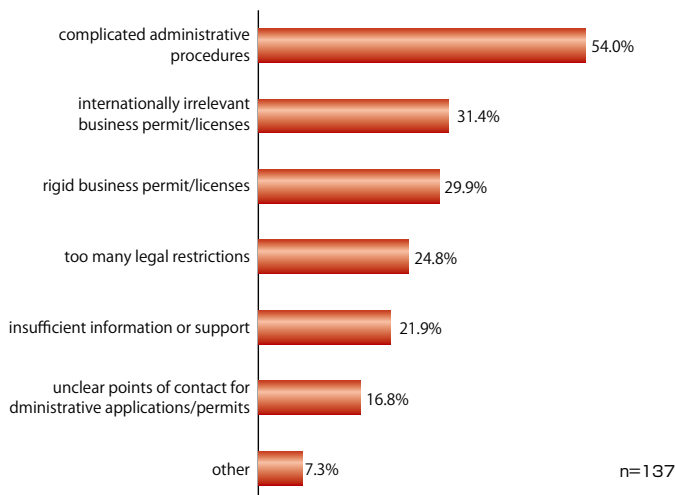


Chart 2-27 Two of the options which you think are the largest obstacles in “difficulty in finding human resources” (multiple answers)

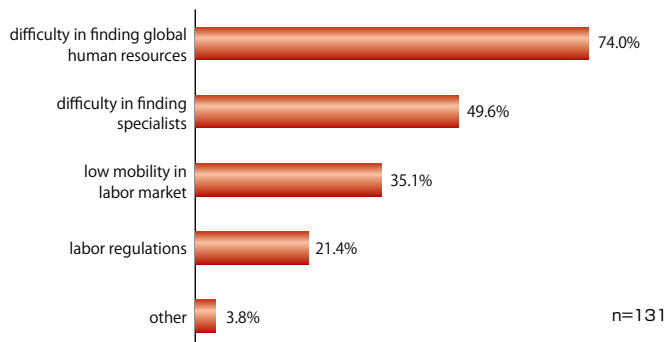
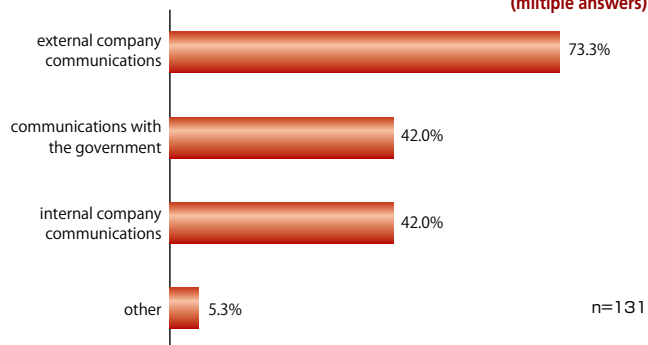


Chart 2-28 Two of the options which you think are the largest obstacles in “difficulty in communicating in non-Japanese languages (in business)” (multiple answers)



To address “complicated administrative procedures” and “unclear points of contact for administrative applications,” the Tokyo One-Stop Business Establishment Center” for one-stop procedures and consultation concerning business establishment was set up at JETRO in Akasaka, Tokyo, as described previously. As measures to improve “too many legal restrictions” and “rigid business permits/licenses,” the government is promoting structural reform and deregulation in various fields. The efforts are expected to facilitate going through procedures and obtaining permits/licenses also for foreign-affiliated companies.

In the breakdown of “difficulty in finding human resources,” “difficulty in finding global human resources” is recognized as an obstacle by 74% of companies, followed by “difficulty in finding specialists” at about 50%, “low mobility in labor market” at 35% and “labor regulation” at about 21%. In the breakdown of “difficulty in communication in non-Japanese languages in business,” “external company communications” is high at about 73% followed by “communications with the government” and “internal company communications” both at 42%.

“Difficulty in finding global human resources” leads to “difficulty in communication in non-Japanese languages.” In addition to the promotion of active roles by foreign professionals explained earlier, raising the level of foreign language skills of the Japanese people as well as fostering human resources with communication skills in foreign languages are keys to securing necessary human resources.



Regional Revitalization and Direct Investment in Japan

1. Creating attractive regions - The government's efforts for regional revitalization -

Each region in Japan has many untapped resources. By maximizing their potential, they have the capacity to develop domestic and overseas markets. As a part of the structural reform, the government established the Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan in November 2014 with the aim of helping each region to address falling population and birth rate decline and create an autonomous and sustainable society taking advantage of regional characteristics. The government aims to vitalize attractive regions, put a brake on heavy concentration in Tokyo, solve problems according to the regional characteristics and help the young generation in their employment, marriage and childrearing. The Regional Vitalization Grant was established in the supplementary budget for fiscal 2014 and more than 15 local governments started initiatives to promote FDI in Japan.

In addition, Regional Vitalization Special Zones were introduced in 2015. In these zones, attraction of enterprises, tourism promotion, job creation and other regional vitalization measures are supported through deregulation and other means. In March 2015, Semboku City in Akita Prefecture (agriculture/forestry and medical treatment exchange), Sendai City in Miyagi Prefecture (women's active role in society and social business creation) and Aichi Prefecture (fostering industry leaders) were designated as the zone.

2. More than 70% of foreign affiliates are in the Tokyo Metropolitan area

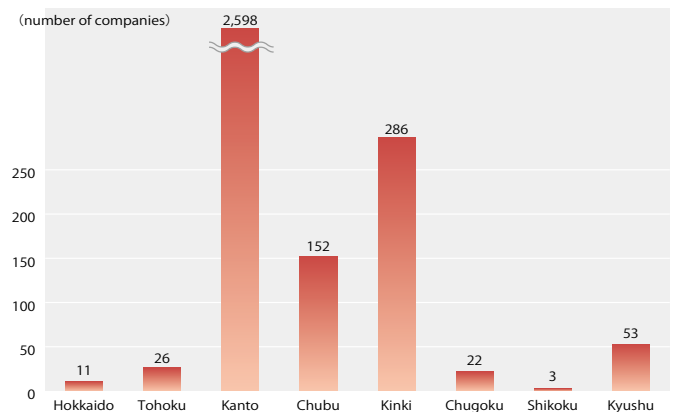
Need to attract foreign-affiliated companies to local regions is increasing because of its importance for vitalization of the local economy in terms of job creation and introduction of new technologies and innovative management. According to the 2014 Survey of Trends in Business Activities of Foreign Affiliates by the Ministry of Economy, Trade and Industry (METI), however, less than 100 foreign-affiliated companies are in regions other than Kanto (2,598 companies), Kinki (286 companies) and Chubu (152 companies) (Chart 3-1.)

By prefecture, 2,131 companies are in Tokyo followed by Kanagawa with 299 companies. Tokyo and Kanagawa account for 77.1%, showing the heavy concentration of foreign affiliates in the

Tokyo Metropolitan area (Chart 3-2)

Most of the locations outside metropolitan areas are subsequent investments. Many of them are marketing, sales, customer service, R&D, or production bases of foreign affiliates that have bases already in Tokyo or other big cities.

Chart 3-1 The location of foreign affiliated companies in Japan (by area blocks)



[Source] "FY2014 Survey of Trends in Business Activities of Foreign Affiliates" (METI)

[Note] The companies referred here are not in company group unit (such as consolidated subsidiaries) but each subsidiaries and associated companies are counted as one. However, regional offices, branches and representative offices are not included (the same applies to chart 3-2)

Chart 3-2 No. of foreign-affiliated companies in prefectures (Top 10 prefectures)

Rank	Prefecture	All Industries	(%)
1	Tokyo	2,131	67.6
2	Kanagawa	299	9.5
3	Osaka	168	5.3
4	Hyogo	81	2.6
5	Aichi	67	2.1
6	Chiba	66	2.1
7	Saitama	59	1.9
8	Shizuoka	33	1.0
9	Fukuoka	29	0.9
10	Ibaraki	21	0.7
Total		3,151 Companies	

[Source] "FY2014 Survey of Trends in Business Activities of Foreign Affiliates" (METI)

Number of companies with bases in prefectures other than Tokyo

column

As of 2014, only 739 of 3,117 foreign affiliates in Japan have their headquarters outside Tokyo. Furthermore, 75% of them, 551 companies, are in Kanagawa, Osaka, Hyogo, Chiba or Saitama prefecture. There is a strong tendency of concentration of head offices in big cities. Production sites tend to be in local cities close to a metropolitan area with a large population. 31 companies have their R&D site in Kanagawa that is eager in attracting R&D sites and has good access to Tokyo. As a logistics base, regions with an international airport, highway or other locational advantages are favored. Other sites are also mostly located in metropolitan areas.

Rank	Head quarters	Production	R&D	Logistics	Others
1	Kanagawa (267)	Shizuoka (39)	Kanagawa (31)	Osaka (22)	Osaka (523)
2	Osaka (115)	Kanagawa (34)	Hyogo (16)	Chiba (20)	Aichi (371)
3	Hyogo (80)	Ibaraki·Chiba (24)	Shizuoka (15)	Hyogo (15)	Fukuoka (248)
4	Chiba (49)		Aichi (13)	Aichi·Kanagawa (14)	Hokkaido (202)
5	Saitama (40)	Aichi·Saitama (23)	Ibaraki (10)		Kanagawa (162)
6	Aichi (33)		Tochigi (8)	Saitama (11)	Hiroshima (150)
7	Shizuoka (17)	Tochigi (22)	Osaka (6)	Fukuoka (10)	Miyagi (145)
8	Ibaraki (12)	Hyogo (18)	Saitama (5)	Hiroshima (9)	Shizuoka (93)
9	Hiroshima·Fukuoka (10)	Mie (15)	Fukuoka·Fukushima (4)	Shizuoka·Hokkaido (7)	Hyogo (91)
10		Gunma (11)			Saitama (83)

[Note] Excluding retail stores, insurance sales offices and undisclosed sites.

[Source] "2015 Foreign Affiliated Companies in Japan" (Toyokeizai)

3. Foreign affiliates contributing to local communities

Foreign affiliated companies are contributing to the local communities in various forms. Attracting them has generated various benefits in many places in Japan.

(Created based on JETRO website "Foreign affiliates contributing to local economy")

(1) Delivering local products to the world

Limex Japan, the Japanese arm of Deysan Intl Co., Ltd, a Taiwanese trading firm of agricultural products and materials, exports foods of various regions of Japan including rice and tea of Shimane and Ishikawa prefectures to Taiwan. **KoiBito Japan**, a global nishikigoi exporter of the Netherlands, set up offices in Okayama Prefecture and Ojiya of Niigata Prefecture that are its largest suppliers, purchases carps also in Kyushu and exports to western countries and more than a dozen Asian countries.



Photo provided by: Limex Japan

(2) Spreading renewable energy to the region

Solar Power Network, a rooftop solar power generation company of Canada, constructed photovoltaic stations renting rooftops of a purification center in Fuji City, Shizuoka, DIY stores in Isezaki City, Gunma, and other buildings. The company contributes to the promotion of distributed energy, CO2 emissions reduction and local companies' revenue from sales of electric power in Japan taking advantage of local resources and idle lands.



Photo provided by: Solar Power Network

(3) Employing local people

Sweden's **IKEA**, the world's leading furniture chain, opened its Funabashi (Chiba Prefecture) store in 2006 followed by six stores in Kanto, Kansai and Kyushu, and additional stores in Tachikawa and Sendai in 2014, followed by IKEA Touchpoint Kumamoto in October 2015. The number of employees has reached 2,800. **LUSH**, a leading cosmetics retailer/manufacturer of the UK, has 143 stores across Japan. The company established a plant in Kanagawa prefecture, procures materials and produces products in Japan, employing 1,800 workers across the country.



Photo provided by: LUSH

(4) Bringing foreign tourists to the region

Mingly Corporation of Hong Kong (establishing Osbert Hotels in Japan) transformed a bankrupt Japanese inn at a hot spring resort (Chikusenso at Togatta hot spring of Zaomachi, Katta-gun) into a high-end hot-spring/spa resort, not only attracting foreign travelers but also employing local people. An increasing number of LCCs (low-cost

carriers) are providing local routes as represented by **Spring Airline** and **Juneyao Airlines** of China, **Air Busan** and **T Way Airlines** of Korea and **Air Asia X** of Malaysia.

They bring a large number of tourists mostly from Asia. Foreign affiliated travel agents, agents for wealthy travelers and agents specialized in ski tours plan local tours, while foreign affiliated hotel reservation sites are publicizing local tourist attractions, hotels/inns and other tourist resources to the world.



Photo provided by: Osbert Hotels

(5) Providing know-how to Japanese companies

Juwi Natural Power operates photovoltaic power, wind power generation and other renewable energy businesses. Taking advantage of its global purchase network and the latest construction know-how, the company is expanding projects in Akita, Wakayama, Yamaguchi, Kumamoto, Tochigi and other parts of Japan. **Mikado Kyowa** that is a part of Vilmorin & Cie of France since 2001 has five bases in Japan (Chiba, Hokkaido, Aichi, Kumamoto and Tokyo) undertaking improvement, production and sales of vegetable seeds. Taking advantage of bio technologies including DNA markers developed by Vilmorin, the company introduces cutting-edge research tools and equipment.



Photo provided by: MIKADO KYOWA

(6) Establishing R&D site in the region

Japan Cabot Microelectronics, a manufacturer of cutting-edge semiconductor abrasive materials and cloth with its head office in the United States, established a R&D center in Tsu, Mie Prefecture. In 2013, the company transferred the function to develop abrasives for super-hard materials to the center to make it the hub for sales expansion in the emerging markets in Asia. A Belgian nonferrous and functional material manufacturer, **Umicore**, established a manufacturing site in Kobe, Hyogo, to meet the increasing demand for lithium-ion battery cathode material in Japan. In 2012, the company established **Umicore Shokubai** through joint investment with a Japanese company and opened an automobile catalyst R&D site (Tokoname Test Center) in Tokoname, Aichi Prefecture.



Photo provided by: Umicore Shokubai

(7) Saving the region's employment

In 2013, **Micron Technology**, a US-based leading semiconductor company, acquired Elpida Memory which had filed for bankruptcy protection under the Corporate Rehabilitation Law. It succeeded to the operation of Elpida, including Hiroshima factory (Higashi Hiroshima), the company's main manufacturing hub, as well as Akita Elpida Memory, a subsidiary which assembles semiconductors. If all production bases and subsidiaries are included, Micron Technology has saved approximately 3,500 jobs as well as numerous business partners in Japan. It has reported additional investment in Japan for two consecutive years from fiscal 2014 to fiscal 2016.

I

Investment Promotion Projects of JETRO

Under the Abe administration's plan to double inward FDI in Japan, JETRO is conducting various publicity projects and activities to attract foreign companies including identification of companies interested in investment in Japan using a network of 73 overseas offices in 54 countries worldwide, as well as the Tokyo and Osaka headquarters, the Institute of Developing Economies and 43 regional offices (as of January 2016: Chart 4-1.)

Positioning (1) Life Science, (2) Environment and Energy, (3) ICT, (4) Manufacturing and Infrastructure, (5) Tourism and (6) Service as target fields where foreign companies have a strong interest and growth is expected, JETRO is stepping up its efforts to attract R&D sites by calling attention to the large pool of researchers, technological strength and favorable business environment complying with rules for intellectual property rights in Japan.

In fiscal 2015 (Apr. 2015 – Mar. 2016), JETRO is strengthening the system and working on new initiatives including 1) strengthening of domestic and overseas systems to attract investment, 2) creating opportunities for matching of domestic companies with foreign companies, 3) top-level sales, and 4) contribution to regional vitalization (collaboration with local governments to attract investment in the region), to expand and reinforce existing activities.

1. Achievements of JETRO (attracting investment)

In 12 years since 2003 when it started to promote inward FDI, JETRO has provided support to more than 12,000 overseas companies interested in investment in Japan, of which over 1,200 have successfully established operations in Japan (Chart 4-2, p.31.) By region, each of North America, Europe and Asia accounts for one-third of them. By industry, ICT, telecommunication, the PC-related devices industry and electric/electronic and precision devices together with service constitute more than half of them (see charts 4-4 and 4-5 in P.31 for the past performance of JETRO).

•Top-level sales and overseas seminars

In May 2014, JETRO held a top-level sales seminar on investment in Japan inviting Prime Minister Abe who was visiting the United Kingdom. In the seminar, governors and mayors from Hiroshima and Mie Prefectures and the cities of Kobe and Fukuoka joined Abe to invite investment in Japan. In September of the same year, a seminar on investment in Japan was held in New York, taking the opportunity of the Prime Minister's visit to the United States. This time again, heads of local governments (Wakayama prefecture, Kyoto City, Tokamachi City, Niigata, and Mimasaka City, Okayama) called attention to their respective regions.



Invest Japan seminar in Los Angeles ,May 2015

In May 2015, the Japan-US Economic Forum was held in Los Angeles, inviting Prime Minister Abe, US Secretary of Commerce Pritzker and US Ambassador to Japan Kennedy. The forum was joined by approximately 500 attendees from the US and Japanese business communities (see photo). In September, another seminar was held inviting Prime Minister Abe in New York.

In addition to the top-level sales in western countries, **more than 30 seminars on investment in Japan are scheduled in Asia in fiscal 2015.** Through these activities, JETRO aims to attract more than 47 investment projects from Asia within the fiscal year (1.5 times more than the FY2014 goal).

Chart 4-1 JETRO's activities to promote inward FDI

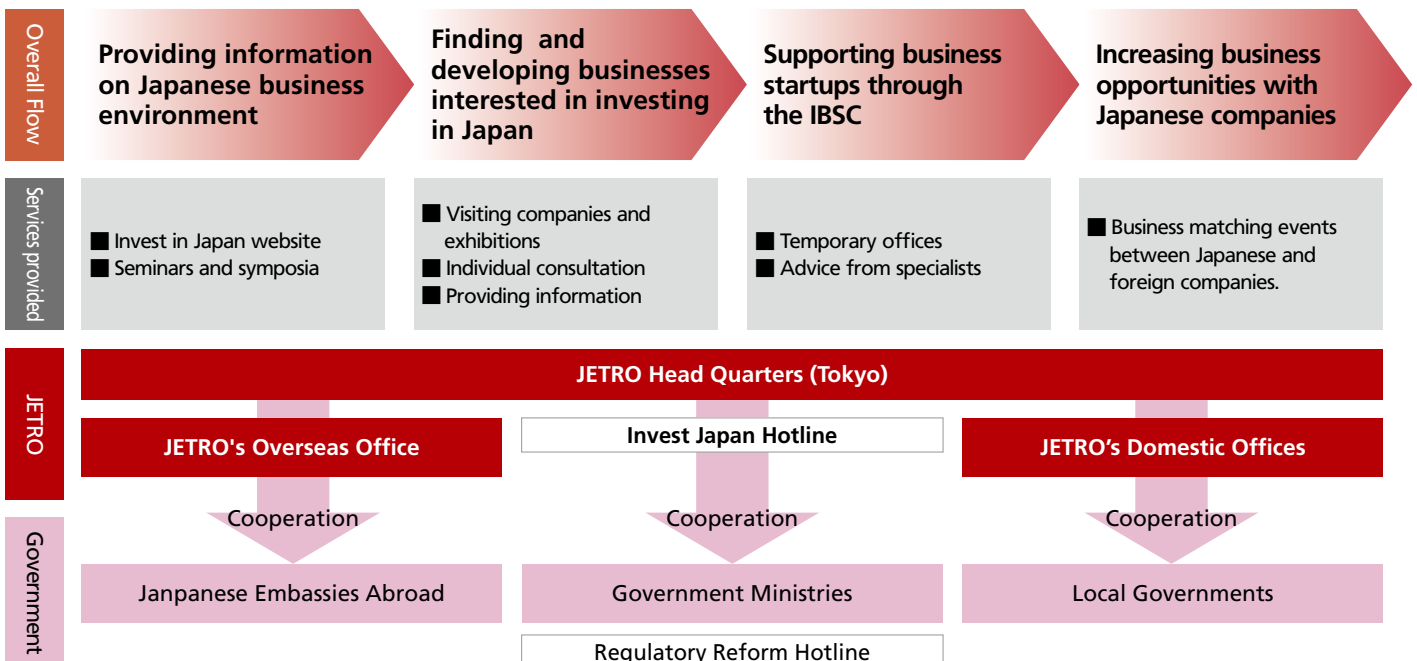


Chart 4-2 Investment projects supported by JETRO (FY 2003-2014)

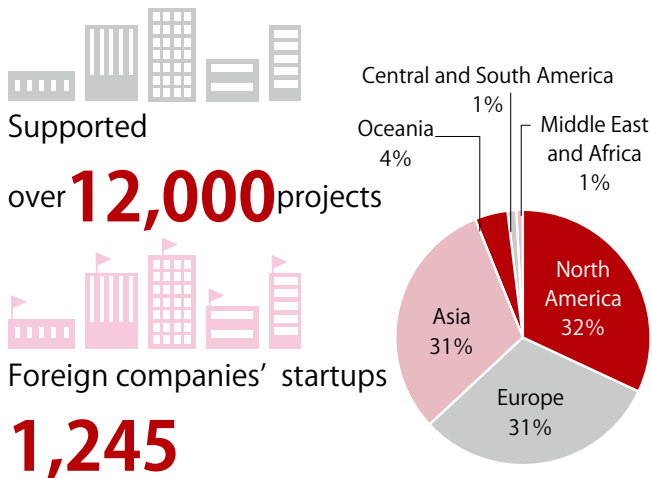


Chart 4-3 Investment projects supported by JETRO (by location in Japan)

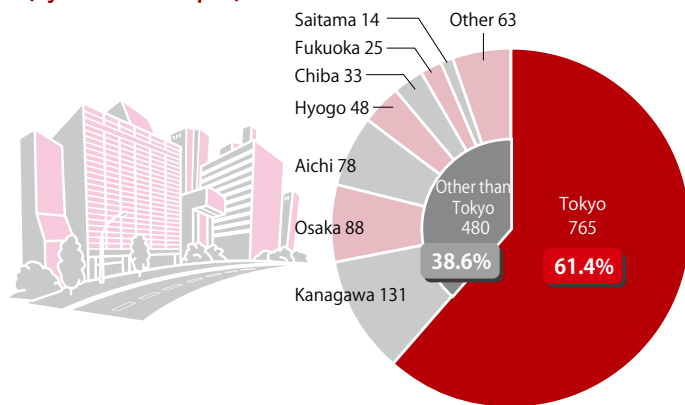


Chart 4-4 Investment projects supported by JETRO (by countries)

Total: 1,245 companies
 North America: 399 Europe: 389
 Asia: 382 Other regions: 75

Rank	Nations	Number of cases
1	US	369
2	China	127
3	Germany	107
4	Korea	84
5	UK	76
6	France	64
7	Australia	44
8	Singapore	38
9	Taiwan	38
10	Hong Kong	34

Chart 4-5 Investment projects supported by JETRO (by industry)

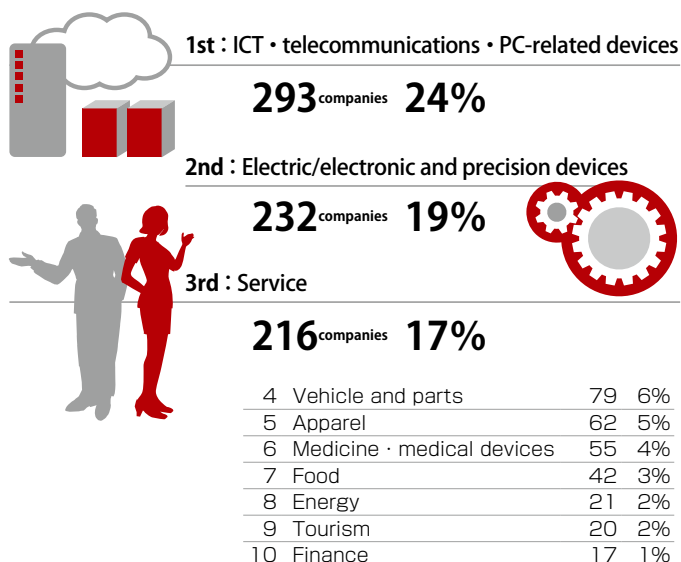
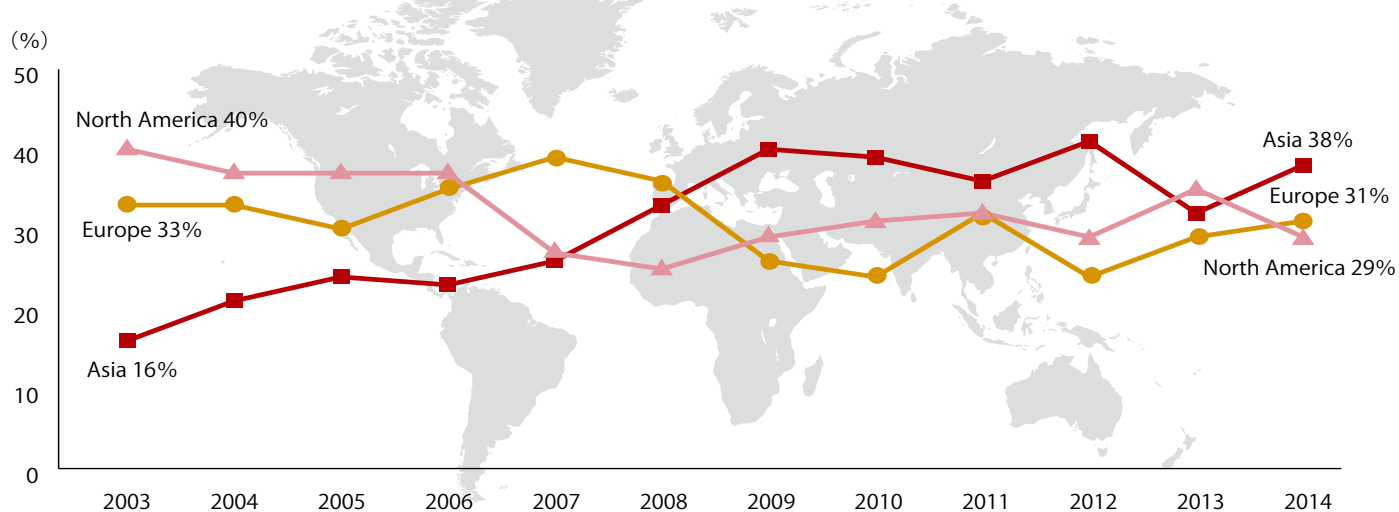


Chart 4-6 Investment projects supported by JETRO Changes in the ratio of regions



2. Finding and supporting companies interested in investing in Japan

Outside Japan, persons in charge of attracting investment at JETRO overseas offices and external specialists grasp information on promising companies and encourage them to start business in Japan. We cooperate with diplomatic missions abroad and trade/investment promotion organizations of other countries by **holding seminars and jointly visiting industry groups** to provide information on the investment environment in Japan, identify promising companies and provide support including information.

In Japan, we provide overseas companies interested in entering Japan with information on the market, industries and approval/permits through **individual consultation** by dedicated staff of JETRO and market specialists. In addition, five foreign staff members, most of them with experience working in our overseas office, are continuously assigned to **desks dedicated to the US, China, South Korea, Singapore, Taiwan and other countries** so that they can respond to inquiries from these countries and support overseas companies in their respective languages.

• Invest Japan Business Support Center (IBSC)

JETRO has set up **Invest Japan Business Support Centers** in **six major cities** (Tokyo, Yokohama, Nagoya, Osaka, Kobe and Fukuoka). There, experienced dedicated staff and specialists provide one-stop service for entry into Japan, including information through a broad network covering the public and private sectors and free consultations tailored to individual companies. The centers also provide office space for preparation for establishing a company in Japan (free of charge for 50 business days) (Charts 4-7 and 4-8).

Chart 4-7 JETRO IBSC (Invest Japan Business Support Center)

Consulting Consultation for each company for free of charge

- Legal consulting
- Tax consulting
- Cost estimates
- Information on relevant legal systems
- Consultation on business customs
- Finding human resources
- Finding office and factory spaces
- Support on the application for subsidy programs

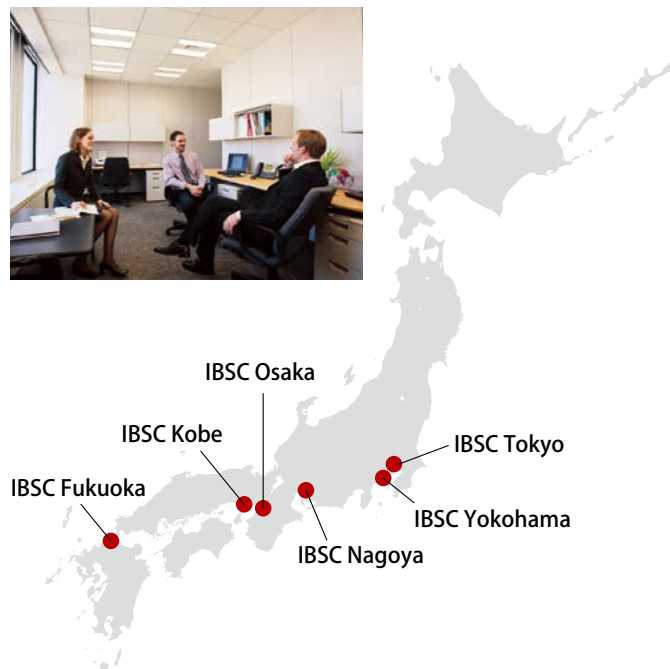
Facilities Temporary office space for free of charge

- Office space available for free for up to 50 business days
- Offices in 6 major cities in Japan
- Equipped desks, chairs, telephone and broadband
- Common reception available
- PC room equipped with printer and scanner
- Meeting rooms and conference hall available

Information Providing information that is necessary for business

- Market reports
- Business advisors
- Online database
- Information on service providers
- Supporting access to government agencies
- Accepting request for regulation reforms

Chart 4-8 Locations of Invest Japan Business Support Centers (IBSCs)



Proactive invitation activities **column**

Strengthening efforts to find and attract large projects using industry specialists

In order to gain the attention of overseas companies with business potential to investment in Japan, JETRO uses external experts named "Invest Japan Industrial Specialists," persons with experience in the industry, to ensure more active efforts including identification of key persons such as executives of global companies, proposal of individual business models and continuing information provision.

In fiscal 2014, we pursued attraction vigorously by individually contacting over 3,000 overseas companies using 60 Industrial Specialists who have expert knowledge and a network with executives of global companies. Specifically, we made a list of over 3,000 leading overseas companies with potential for large investment in Japan in eight priority areas (life science, environment and energy, ICT/electronics, tourism, infrastructure, financial business/service, agriculture and education) and conducted a hearing survey to ascertain their interest. Based on the survey, we identified 300 promising companies and made negotiations, resulting in investment by 10 companies.

In fiscal 2015, we strengthened our efforts on promising projects through a focused approach by Industrial Specialists abroad who are on the front line of invitation. In order to support materialization of promising companies' plans to invest in Japan, we will provide more detailed information on the domestic market and propose business models.

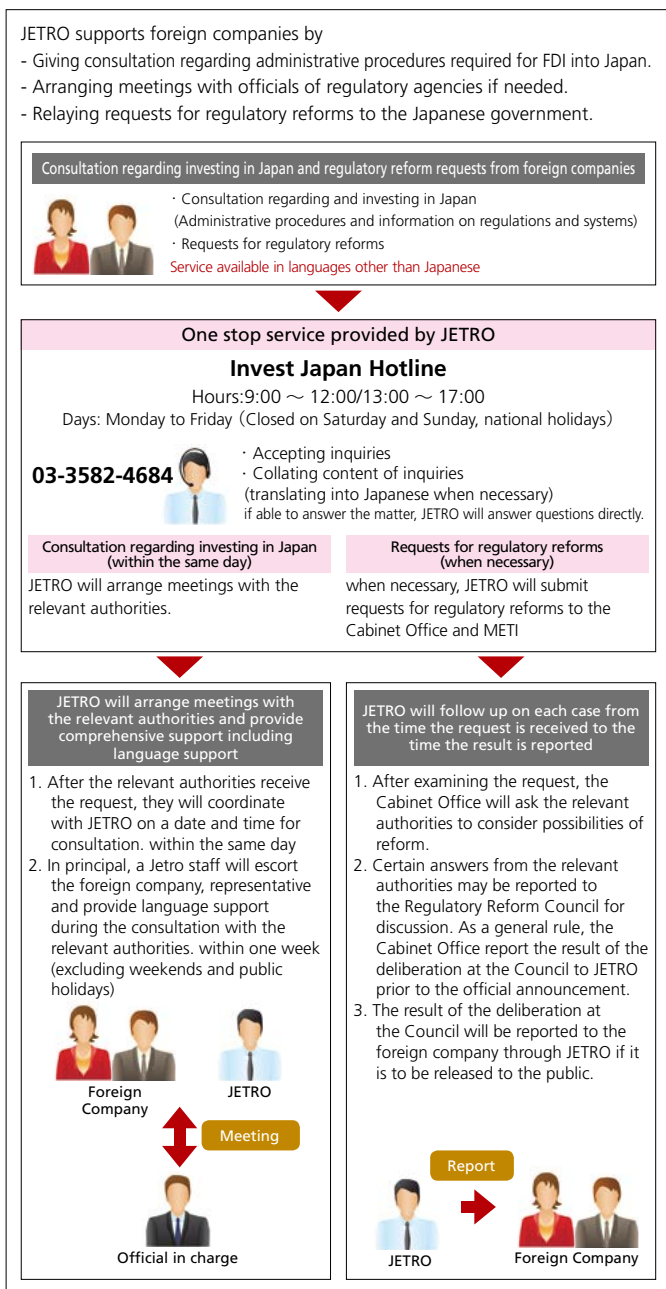
• Invest Japan Hotline

JETRO has set up **Invest Japan Hotline** (Chart 4-9) to receive requests for **regulatory reform and consultations from overseas companies, make recommendations to the government and arrange interviews**, so that the requests and consultations are communicated to the government. We provide comprehensive support including language support for the process from arrangement of and presence at meetings with relevant ministries/agencies according to the content of the consultation, and follow-up on the request of regulatory reform and reporting back on the results.

The abolishment of the requirement that at least one representative needs to be resident in Japan for registration of subsidiaries in Japan by foreigners (see Chapter 2) was realized through the process.

Chart 4-9 Invest Japan Hotline

<https://www.jetro.go.jp/en/invest/hotline>



• International business matching support

JETRO provides opportunities for **business matching** to help Japanese companies utilize sales channels and technologies of overseas companies, while helping overseas companies enter the Japanese market by increasing business with Japanese companies. In May 2014, a **business matching event** for medical appliances was held in Tokyo inviting GE Healthcare Japan, 3M Healthcare Japan, Japan BD, Japan Medtronic and other global manufacturers of medical appliances, and Japanese SMEs who provides products and technologies utilized for medical appliances, in order to facilitate business alliances. In the field of tourism, JETRO organized a presentation seminar titled “Partnership with Japanese Companies” in July 2014. During the seminar, 5 global tourism companies in Japan including Spring Group, Air Asia and TripAdvisor gave presentations on services targeting foreign travelers and possible cooperation with Japanese companies. Japanese SMEs including inns, hotels, travel agencies and food service as well as local banks and local governments joined the seminar and participated in business interaction with the foreign affiliates. A business matching event was held not only in Tokyo but also in Kyoto, where specific contracts were concluded and foreign affiliates visited a local tourist association.

3. Collaboration with local governments

With contribution to regional vitalization in mind, JETRO is **working together with local governments** actively attracting overseas and foreign-affiliated companies including subsequent investments.

For example, JETRO proposed to include attraction of overseas companies in the local governments’ industrial development strategy, provided support for formulation of attraction strategies and proposed effective approaches to target companies and offer of incentives to overseas companies. We cooperate with local governments in top-level sales, subsequent investment seminars, analysis of the attractiveness of each region, development of bases for regional support and other initiatives (Chart 4-10.)

Chart 4-10 Examples of cooperation between JETRO and local governments



4. Strengthening support: smooth support from primary to subsequent investments

JETRO's Invest Japan Department set up a new section, the Foreign Affiliate Support Division, in April 2015. The new section for foreign affiliate supports promotes subsequent investment by foreign affiliates that already have presence in Japan. JETRO has worked to attract foreign companies with focus on startup support for their first entry into the Japanese market. However, expecting greater economic effects from expansion (subsequent investment) in Japan by companies with a base in Japan and relatively stable management, we actively provide seamless support for primary and subsequent investment by foreign affiliates.

The activities include (1) grasping needs by visiting foreign affiliates, (2) providing support for business expansion, (3) support for subsequent investment in local areas, in particular,

and (4) summarizing challenges faced by companies, make policy recommendations and help regulatory reform. Through these activities, we will expand business by foreign affiliates, improve the retention rate and increase and help the success of subsequent investment, and thereby attract more foreign capital contributing to regional vitalization. We will provide broad support so that companies that have established bases using IBSC can continue smooth activities in Japan, for example.

In addition, we strengthened our system to support investment in Japan by adding about 40 staff members specialized in investment in Japan at overseas offices in key countries; and at the headquarters we increased staff members specialized in matching with domestic companies and stimulating additional investment by foreign affiliates established in Japan. The increase has doubled JETRO's overseas and domestic staff responsible for investment in Japan (160 persons including external specialists engaging in investment attraction.)

Developing New Scheme to Promote Investment Alliances with Foreign Companies

- Global Alliances for Japanese Mid-ranking Companies and SMEs -

column

In order to promote overseas business expansion of mid-ranking companies and SMEs by exploring their potentials, as well as by utilizing the excellent business resources which foreign companies have, including know-how for practical applications and overseas networks, a new scheme started under the leadership of the Ministry of Economy, Trade and Industry (METI).

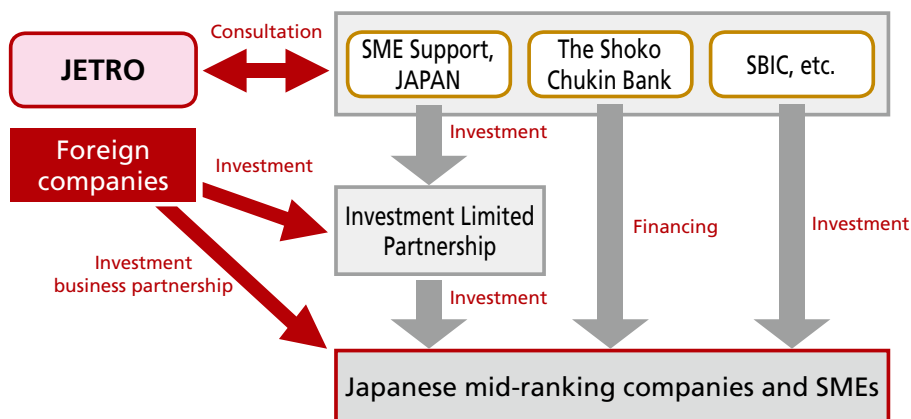
JETRO will serve as a coordinator to convey foreign companies' requests etc. to relevant organizations including the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN ("SME Support, JAPAN"), the Central Bank for Commercial and Industrial Co-operatives ("Shoko Chukin Bank"), and the Small and Medium Business Investment & Consultation CO., LTD. ("SBIC"), and thereby support investment alliances with foreign companies.

For cases where foreign companies' participation in investment or management will likely lead to the expansion of overseas sales channels and the promotion of open innovation, the utilization of the SME Growth Support Fund (with which SME Support JAPAN participates in investments) will be encouraged. The Fund can be utilized, for example, in the following ways.

- (1) Investment in mid-ranking companies and SMEs from the Fund, in which foreign companies such as financial companies and SME Support, JAPAN jointly invest.
- (2) Joint investment in mid-ranking companies and SMEs by foreign companies and the Fund.

As the first step, in 2015, METI will establish Global Alliance Promotion Offices (tentative name) at SME Support, JAPAN, the Shoko Chukin Bank, and the SBIC, respectively, and develop a matching system for foreign companies and Japanese mid-ranking companies and SMEs in collaboration with JETRO.

Establishment of this scheme is expected to contribute to increased overseas expansion of Japanese mid-ranking companies and SMEs as well as the creation of domestic employment and the revitalization of regional economies through an increase in FDI in Japan. The public-private fund will facilitate investment by foreign companies and the fund.



Establishing an investment fund for business tie-up with foreign companies

Investment fund to promote business tie-up of Japanese mid-ranking companies and SMEs with foreign companies

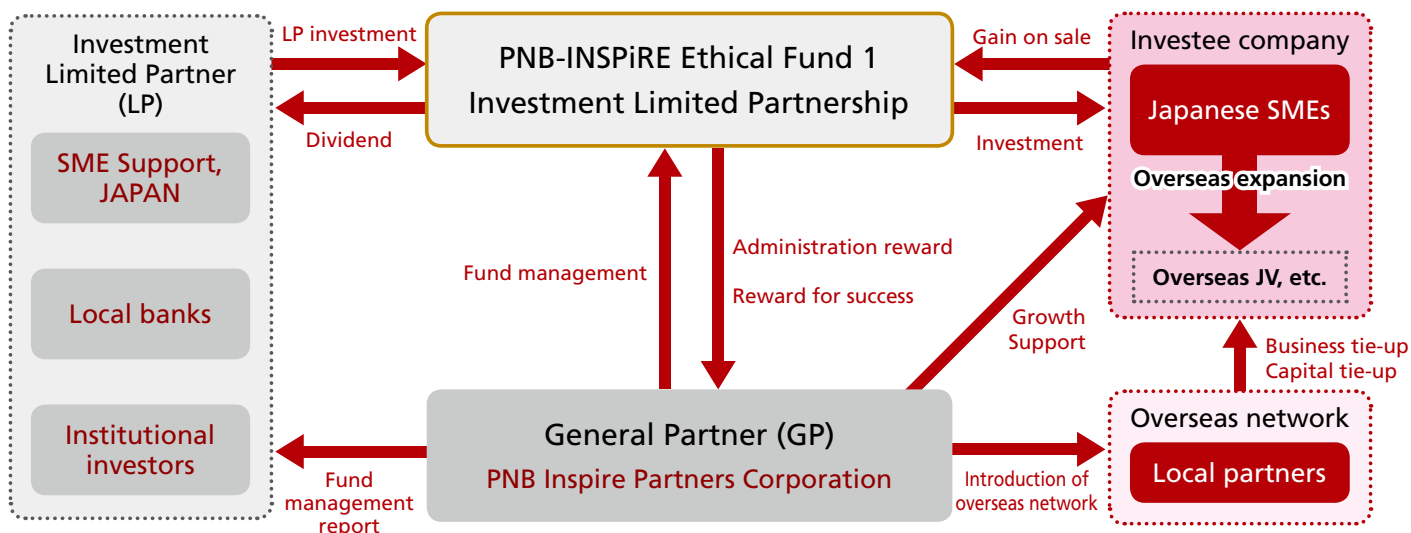
Let us introduce efforts by Japanese mid-ranking companies and SMEs to improve company value through business tie-up, overseas market development or fostering of venture companies utilizing funds of the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN ("SME Support, JAPAN") and other means.

Malaysia

The SME Growth Support Fund signed a contract to invest 2.4 billion yen in an investment limited partnership of PNB Inspire Partners Corporation

SME Support, JAPAN, agreed to invest 2.4 billion yen in an investment limited partnership whose unlimited liability partner is PNB Inspire Partners Corporation ("IPP") and signed the contract in April 2014 (the total volume of the fund is 5.15 billion yen including the investment of SME Support, JAPAN, PNB (government-affiliated investment bank) and other institutional investors and local banks).

The partnership is Japan's first Shariah-compliant PE fund with the aim of supporting expansion into ASEAN and Islam markets where significant growth is expected. The fund will invest in SMEs with products/services competitive in the global market. Utilizing the overseas network of IPP, the fund will support overseas expansion of the investee companies by promoting their business tie-up with foreign companies and strengthening local organizations, and providing hands-on support for localization of products and overseas market development.



[Source] From SME Support, Japan website

Taiwan

Establishing an investment fund for unlisted bio ventures with focus on drug discovery in Japan and Taiwan

DCI Partners Co., Ltd. ("DCIP"), a group company of Daiwa Securities Group, Inc. and wholly owned by Daiwa Corporate Investment Co., Ltd. ("DCI"), announced the first closing of the Daiwa Taiwan-Japan Biotech Fund Investment Limited Partnership (total capital commitment of JPY 9.3 billion, the "Fund") with the participation of the SME Support, JAPAN, National Development Fund, Executive Yuan ("NDF"), a Taiwanese government fund, and other investors in and outside Japan. Total Fund's commitment size may be increased to around JPY 12 billion at the subsequent closings.

In Japan, since the global economic turmoil triggered by the Lehman bankruptcy in 2008, the supply of risk capital for biotech companies has been reduced. Due to these funding constraints, many startups have faced funding difficulty for growth. Venture capital firms, the primary providers of such risk capital to venture business, have also experienced a difficult time of fundraising throughout the period. In this context, DCIP has successfully launched one of the largest biotech funds in Japan with strong support from SME Support, JAPAN, NDF and other investors in and outside Japan. DCIP aims to provide risk capital for growth through the Fund to Japanese and Taiwanese biotechnology companies moving into a period of growth and will endeavor to promote their research and development efforts and to enhance their enterprise value, in pursuit of high investment returns.

In its Healthcare Policy and Japan Revitalization Strategy, the Japanese government is firmly promoting development of the healthcare industry.

Particularly for the drug development environment centered on regenerative medicine, various forms of support are being provided by developing new regulatory frameworks (e.g., enforcement of the Pharmaceuticals and Medical Devices Act (revised Pharmaceuticals Affairs Act) and the Act on the Safety of Regenerative Medicines, and launch of the Drug Discovery Support Network). Drug discovery ventures have also been steadily building a track record of out-licensing deals and successful launch of drugs to the market in recent years.

5. Sending out information contributing to FDI in Japan

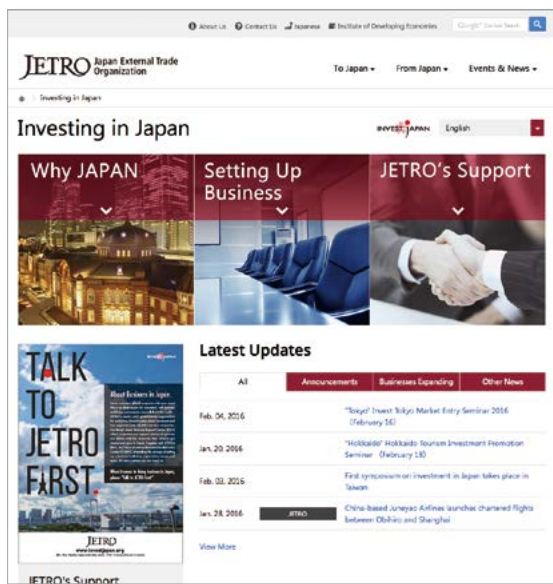
In addition to high-profile top-level sales showing interest in investment in Japan, **JETRO is sending out information through various media including websites, email newsletters, seminars and company visits.**

JETRO introduces the attractiveness of the Japanese market, incentive information and success stories of foreign companies investing in Japan, and actively provides information on procedures for setting up business and various support programs of JETRO through websites and other media. We also publish "Attractive Sectors," a PR pamphlet conveying the appeal of the environment/energy, life science and ICT markets through market overview of the respective industry.

Information provided on the website "Invest in Japan"

- Success Stories
- Incentive Programs
- JETRO's support
- Invest Japan Hotline
- Regional Information
- How to Set up Business in Japan/Initial Cost Estimation
- Invest Japan Business Support Center (IBSC)
- Email Newsletter "Success in Region"
- Industry Information/Report

Chart 4-11 JETRO Invest Japan Website



[Source] JETRO Website

"Laws & Regulations on Setting Up Business in Japan"

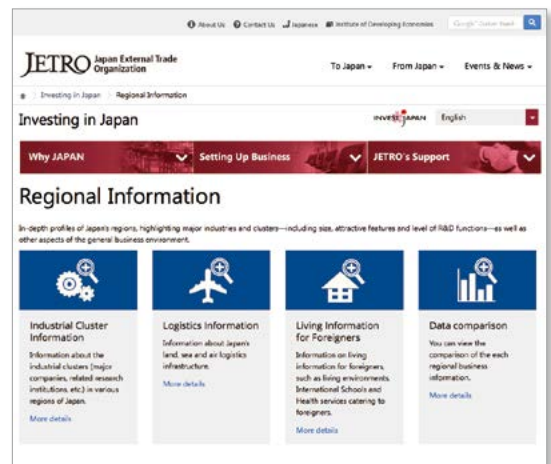
compiles information on registration, visas, taxes, human affairs/labor and trademark/design systems and procedures accompanying company establishment in Japan. Since there is a strong need for

such information, the site has been very popular. The total number of accesses to the Japanese and English sites in the first half of fiscal 2015 (Apr-Sep) exceeded 280,000.

(Both materials are compiled in Japanese, English, French, German, Chinese (simplified and traditional) and Korean.)

"**Regional Information**" enables search for local investment environment, industry information, incentives and supports by local governments, distribution infrastructure, living conditions for foreigners by prefecture and target industry. You can also view comparison of data of local governments.

Chart 4-12 Support for investing in regions
<http://www.jetro.go.jp/invest/region>



[Source] JETRO Website

Chart 4-12 "Success Stories"— stories of foreign companies successfully entering the Japanese market
http://www.jetro.go.jp/en/invest/success_stories



[Source] JETRO Website

6. Examples of foreign companies that have successfully entered the Japanese market (Pickups from JETRO's six strategic fields)

- JETRO's strategic fields in FDI

JETRO supports investment in Japan regardless of the field but emphasizes the following six fields that promise market growth, employment creation, utilization of resources and technologies and greater contribution to Japanese society (from JETRO's website "Success Stories" and "Business Activities of Foreign Affiliates")

1 Environment/Energy



**Next-generation automobile and new energy
(Lithium-ion battery, solar cell, etc.)**

Foreign companies (manufacturers of parts, components, etc.) complement formation of domestic industrial clusters of internationally competitive Japanese companies.

4 Service



Large-scale retailers (fast fashion, membership-based mass retailers, etc.) e-commerce, BPO

Contributing to domestic demand expansion and employment creation through provision of new business models and added values.

2 Life science



Pharmaceutical products, medical appliances, regenerative medicine

Foreign companies play an important role in the field where domestic demand is growing.

5 ICT



Data centers, cloud solutions, software packages

Foreign companies play an important role in the field where domestic demand will grow.

3 Tourism



**Investment targeting foreign tourists
(Airlines, hotels, travel agencies, etc.)**

Domestic demand is expanding thanks to increasing flow of people from abroad and it is greatly contributing to regional vitalization.

6 Manufacturing/Infrastructure



Aircraft-related industry, auto parts, airport, water and sewage, road operation, etc.

Foreign companies (manufacturers of parts, components, etc.) complement formation of domestic industrial clusters of internationally competitive Japanese companies.



Ciel Terre Japan

France

The French company Ciel & Terre, which is involved in floating solar power generation, established Ciel Terre Japan, KK in Tokyo in 2013. Through expanding its business in Japan and Asia, the company aims at the spread of floating solar power generation.

Business Description

Since its establishment in 2006, Ciel & Terre has managed the installation of over 55 solar power plant on roofs and grounds around the world. It is involved in various aspects of solar systems: land development, solar platform sales, design, operation, finance, etc. With that experience, it is aggressively expanding its presence overseas by operating through local subsidiaries, representative offices or agents in Japan, the UK, US, Brazil, Southeast Asia, etc. Ciel & Terre installs the Hydrelia floating solar platform it developed (it obtained patents for this technology, and by setting solar panels on the floating units, one can generate power on water). At the first floating solar PV project in Japan, Ciel & Terre delivered a floating platform and provided technology, using a reservoir in Okegawa City, Saitama Prefecture; this started operating in July 2013.



Photo provided by: Ciel Terre Japan

Japan Entry Outline

While land availability for mega solar projects in Japan is limited, there are many reservoirs and artificial lakes dotting around the country. Thus, Ciel & Terre established its Japanese subsidiary this time in anticipation of the exploration of new business opportunities and the deployment of this technology. In addition, one of the reasons why the company decided to enter the Japanese market is the existence of an FIT (Feed-In Tariff) scheme for renewable energy. Under the scheme, the purchase of electricity generated with renewable energy is guaranteed at fixed prices for an extended period of time. Thus, renewable energy operators' risk of entering the business is sharply reduced.

Future Development

The success of the project in Okegawa City (1.2MW) in July 2013 has been a major topic in various quarters, and has attracted interest from all over Japan. In 2014, Ciel & Terre deployed 3 projects, in Kawagoe City in Saitama Prefecture, Ono City in Hyogo Prefecture and Yasugi City in Shimane Prefecture. In 2015, it started manufacturing in Okayama, and participated in 14 projects in Hyogo Prefecture, Saitama Prefecture, etc. Ciel & Terre also does business with major Japanese companies such as Kyocera, JFE Electrical & Control Systems, and Mitsubishi Chemical Engineering, and is working to build its system for cooperating with such companies. In 2016, it plans to participate in the world's largest floating solar power plant (13.5MW), the Yamakura Dam project at Ichihara City in Chiba Prefecture. Ciel & Terre has worked on over 20 projects in Japan until now.

JETRO's Support

When Ciel & Terre was establishing its business in Japan, JETRO provided free temporary office space in Tokyo, and information on the market for solar systems in Japan, the Feed-In Tariff system, forms of entry into Japan (differences between a branch and Japan corporation, and an outline of costs to establish them), incentives for entry into Japan (local government assistance projects, solar PV related, funding related), etc. JETRO also provided consultation on labor and human resources recruiting by a Labor and Social Security Attorney, and consultation on consumption tax, duty-free operators, and tax refund procedures by a tax accountant, etc.

Comment by the Company

"Even now, I often read the materials provided by JETRO over again. Without JETRO's support, we could not have concentrated on our work at the beginning of the establishment of our Japanese subsidiary, and would not have been able to build a foundation this fast in Japan" (Mr. Hajime Mori, Representative Director of Ciel Terre Japan)

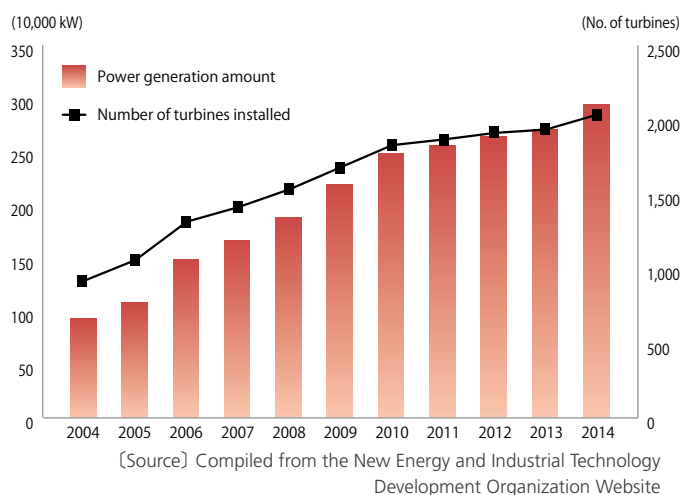
"Environment & Energy" Sector Topics

Introduction of wind power is progressing

Since the Feed-In Tariff system started in 2012, the amount of wind power generation in Japan has been increasing. At the end of fiscal 2014, the amount of its power generation reached 2,940,000 kW, with about 2,000 turbines installed.

Along with efforts to encourage its spread, foreign companies are entering the market one after another. Since earlier, foreign companies have been participating in wind power projects and the turbine parts sector. In May 2015, Zurich Insurance announced it would start selling insurance products for renewable energy power generation facilities construction. Other foreign companies are also participating: Statoil (Norway), RES Japan (UK), Pattern Energy (US), IDEOL (France), etc.

Wind Power Generation Volume and Number of Turbines in Japan



Demonstration projects by the government

As part of its "Japan Revitalization Strategy," the government raised "realizing clean and economical energy demand and supply" as its Strategic Market Creation Plan. To do this, in 2010 it implemented large-scale smart city demonstration projects in various cities (Yokohama City in Kanagawa Prefecture, Toyota City in Aichi Prefecture, Kansai Science City in Kyoto Prefecture and Kitakyushu City in Fukuoka Prefecture). In these 4 cities, its investigations ranged from technology for smart grids and smart cities, to systems and business models, and implemented an electricity fee type demand/response demonstration project in each city.

Awaiting full scale deregulation of retail electricity sales, based on these demonstration results, the government created its "Guideline on Negawatt Transactions" in March 2015. In fiscal 2015's negawatt transaction demonstration projects, it confirmed their effectiveness. Foreign companies that built experience in Europe and the US are also newly active in showing moves to enter the Japan market.



2 Life Sciences

Jiangsu Hengrui Medicine

China

Jiangsu Hengrui Medicine is engaged in the production and sales of generic drugs (such as antineoplastic and angiomyocardial drugs). As the pharmaceutical industry is expected to expand due to the aging of the population and government policies in Japan, the company entered Aichi Prefecture, Japan, to manufacture, sell, import and export pharmaceutical products.

Business Description

Since its establishment in 1997, the company has engaged in the production and sales of generic drugs (such as antineoplastic and angiomyocardial drugs). The company has been approved by the US Food and Drug Administration (FDA) for some of its products, and has become the first Chinese company permitted to sell pharmaceutical products to the US and Europe. The company also won the "Asia's 200 Best Under A Billion Award" from Forbes Asia in 2013, an award granted to 200 blue-chip companies in the Asia-Pacific region.



Photo provided by: Jiangsu Hengrui Medicine

Japan Entry Outline

In addition to the head office, Jiangsu Hengrui has R&D bases in China and the US. As the pharmaceutical industry is expected to expand due to the aging of the population and government policies in Japan, the company plans to manufacture, sell, import and export pharmaceutical products. It established its Japan subsidiary in May 2014, and commenced business operations on a full scale starting in July 2014 when its pharmaceutical business was authorized.

JETRO's Support

To support the company in setting up their Japanese subsidiary, JETRO provided a range of services such as free temporary office space and consultation with experts in the fields of company registration, tax and labor matters. JETRO also introduced them to the local government and provided information on its subsidies as well as on real estate information.

Johnson & Johnson

US

Tokyo Science Center (TSC) was established in August 2014 as a research and training facility by the leading US medical device manufacturer Johnson & Johnson. Accepting doctors not only from Japan, but also from abroad, the center is becoming a global hub of the medical device field.

Business Description

Johnson and Johnson (J&J) has more than 265 operating companies in over 60 countries throughout the world, with approximately 126,500 employees in total. In its 2014 business year, the company posted sales of approximately 74.3 billion US dollars. It is one of the largest healthcare companies in the world. Since the start of its business in Japan in 1961, J&J has been providing a wide range of products including consumer goods, medical devices and pharmaceuticals. For medical devices, J&J covers diverse medical fields from surgery to internal medicine, as well as contact lenses.



Photo provided by: Johnson and Johnson

Japan Entry Outline

In August 2014, J&J established the TSC in Kawasaki City in the King Skyfront Strategic Zone, an area designated as a national strategic special zone. TSC is a research and training facility for healthcare professionals, with state-of-the-art medical training equipment such as a simulation device for minimally-invasive surgery, a training simulator for the treatment of cardiovascular disease and the musculoskeletal system, and remote video conference systems, etc. These devices enable healthcare professionals to learn cutting-edge medical technology. TSC functions as a center that collects knowledge and experiences from domestic and Asian healthcare professionals for further improvement of medical devices, as well as to reflect them in product development that address the needs of those countries. As of the end of November 2015, the facility saw more than 29,000 visitors from Japan and abroad. It is expected to become a hub in Asia as well as globally.

JETRO's Support

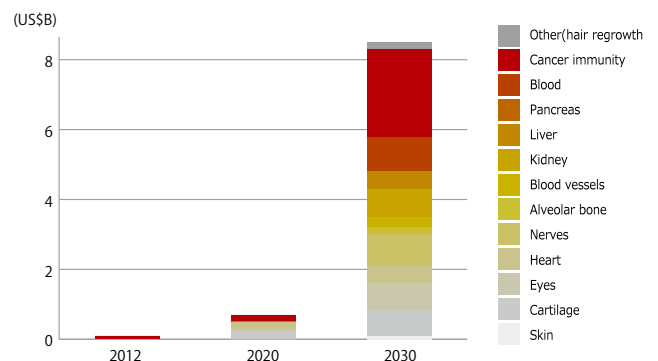
For the establishment of TSC, JETRO provided a variety of incentive information. As a result, J&J applied to and was selected for the Subsidy Program for Projects Promoting Asian Site Location in Japan for fiscal year 2011.

Life Science Sector Topics

The Ministry of Economy, Trade and Industry is studying a target to expand the market size of Japan's bio industry to about 20 trillion yen by 2030, about 6 times its current size. This ministry's 2013 report estimates that the market size of regenerative medicine will be about 1 trillion yen by 2030.

The Pharmaceutical and Medical Device Act and Regenerative Medicine Safety Assurance Act were enforced starting November 2014, and regenerative medicine (not medical equipment nor pharmaceuticals) is now categorized independently as a cell therapy item. Commercial sales are now approved with the condition that it is at the stage where its safety is recognized and effectiveness can be estimated. Initially, it used to take 6 years until commercial sale, but the third trial was eliminated, and regenerative medicine products can be released in a minimum of 2 to 3 years, which is the fastest approval system among Japan, the US and Europe.

The Size of Japan's Regenerative Medicine Market



[Source] "Final Report on the commercialization and Industrialization of Regeneration Medicine" (Ministry of Economy, Trade and Industry), 2013

3 Tourism



Ctrip JAPAN

China

Ctrip is the largest online travel agency in China, and it is listed on NASDAQ. The company is working to expand its operations in Japan, in order to meet the needs of the quickly increasing number of Chinese visitors to Japan.

Business Description

Ctrip is an online travel agency established in Shanghai, China in 1999. Users can book hotels, flights, package tours and more via the company's website or smart phone application. It was listed on the NASDAQ (a US stock exchange) in 2003. Currently, the company is one of the largest travel agencies in China with over 300 million members mostly in the mainland, 17 locations throughout the country including Beijing, Guangzhou and Shenzhen, and approximately 30,000 employees.

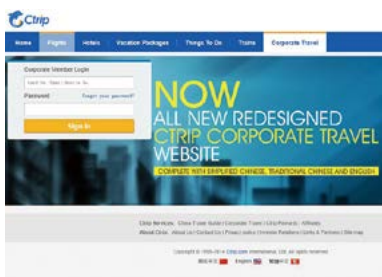


Photo provided by: Ctrip JAPAN

Japan Entry Outline

Ctrip began sending Chinese tourists to Japan in 2007. At that time, group tours were the mainstream, but from around 2012 the needs for independent travelling to Japan significantly increased due to the more relaxed visa requirements for Chinese citizens and other factors. And the fact that Tokyo was chosen to host the 2020 Olympics made the company decide to start operations in Japan. Ctrip started preparing for operations in Japan in 2013, and established Ctrip Japan in Tokyo in May 2014. Currently, the Japan subsidiary functions as the point of contact for negotiating with Japanese companies such as hotels, tourist facilities and airline companies throughout Japan, and supports the headquarters in China. In order to meet the needs of the quickly growing number of Chinese visitors to Japan, Ctrip Japan has been going into more partnerships in addition to those already established, by entering into direct contracts with hotels and other travel-related companies.

Recent Initiatives

Ctrip has started new initiatives in Japan as well. One of them is the souvenir shopping service being provided in partnership with the Japan Post Group, which enables users to order items online beforehand and have them delivered to their hotels, to save on their time spent shopping while travelling. The company established a new department called the Destination Services Department, which collects information for tourists such as that on restaurants, sightseeing spots and optional tours throughout Japan, and sends it out on the website and smart phone app.

JETRO's Support

When the company established its Japanese arm, JETRO provided temporary office space and various support to the company, including consultation on incorporation in Japan, such as on tax matters, and corporate registration and permits by a Certified Administrative Procedures Legal Specialist. It also introduced services providers such as a Certified Administrative Procedures Legal Specialist and tax accountant, and provided support for opening a corporate bank account.

Comment by the Company

"We had difficulties when opening a bank account in particular, but succeeded thanks to the support from JETRO." (Mr. Liang, Representative Director and President)

4 Services



GUESS JAPAN

US

The US apparel brand Guess opened its first Japanese shop in Harajuku, Tokyo. It continues to be proactive in opening new locations. Guess aims to show its presence in the Japan market, and enhance its value as a global brand.

Business Description

Guess was founded in 1981 by the Marciano brothers who immigrated to California from France. They created a new style of jeans by integrating their European style with traditional American fabric, and received support from customers both in the US and all over the world. At present, the company offers a wide range of products such as bags, watches, accessories and fragrances in addition to apparel products such as denim, its main product, thus offering a total coordination.

Japan Entry Outline

Guess opened its first Japanese shop in Harajuku, Tokyo in February 2014. It has since avidly gone on to establish new shops in Namba, Osaka and Urayasu, Chiba in April and in Hakata, Fukuoka in May. Ahead of the opening of its first shop in Harajuku, Guess established Guess Japan LLC in Tokyo in February 2013.



Photo provided by: Guess Japan

At present, for Guess, which is advancing its global business with approximately 1,623 shops in 92 countries worldwide, it was a great loss to have no base in Tokyo. Thus, it was just a matter of time before Guess entered the Japanese market. Guess expressed its expectations for the Japanese market as follows: "Japan ranks second in the world for the average number of jeans owned per person (about 0.7 pairs) after the US (about three pairs) on a country basis. In addition, Japanese customers are highly sensitive to fashion and have a great deal of knowledge on brands and a strong willingness to buy. Thus, we believe that the Japanese market is an easier market for a new brand like us to compete."

Future Development

Going forward, Guess plans for aggressive expansion, targeting "40 directly-managed shops in five years with six billion yen in sales." The company plans to conduct continuous publicity toward fashion-conscious Japanese consumers and further promote awareness of its brand through a number of activities such as selling a limited collection of prints of adopted animals at certain stores.

JETRO's Support

In order to set up its Japanese subsidiary, JETRO provided the company with a range of support and services, such as offering free temporary office space in Tokyo, consultations with expert advisors in the fields of tax and labor matters related to establishing a corporation, provided information on apparel markets by apparel industry advisors, and introductions to a tax accountant and Certified Administrative Procedures Legal Specialist. JETRO also helped with opening a corporate bank account, and arranged meetings with Japanese companies where GUESS wants to open their shops.

Comment by the Company

"We greatly appreciate JETRO's support in simplifying cumbersome procedures on the establishment of a subsidiary and with other areas. Introductions provided, such as to a business property provider, were also helpful." (Mr. Tatsuo Yata, Country Manager)

5 ICT



ACE JAPAN

Myanmar

ACE Data Systems Ltd. (ACE), a company in Myanmar which provides software development and offshore IT outsourcing services for corporations, established ACE Japan KK in Tokyo in January 2014, as a joint venture with USE Information System Development Co., Ltd. (USE), a systems development company in Japan.

Business Description

ACE develops software for money transfers, payment, human resource management and customer management for its clients in Myanmar such as national and private banks and distribution companies, and sells such software to these clients. The company also provides offshore IT outsourcing services to overseas companies. Since its foundation in 1992, the company has been steadily expanding its business to become one of the largest IT companies in Myanmar with approximately 420 employees and annual sales of about 22 million dollars within the group (2014 business year). ACE has grown to be one of the largest IT companies in Myanmar.

Japan Entry Outline

ACE gives "a growing need for offshore development services among Japanese companies" as a reason why it expanded its business in Japan. There are many Japanese companies who wish to partner with ACE having a high profile in the Myanmar offshore market. ACE and USE cooperated together in



Photo provided by: ACE Japan

a project by a major research institute in Japan, which led to the establishment of the joint venture this time. The companies agreed on making "building a win-win relationship," the top priority in their management attitude, and have built a medium-to-long-term relationship by signing an MOU before the establishment of the Japanese subsidiary. This relationship of mutual trust that the companies built came to fruition as "establishment of ACE Japan".

Future Development

The company is receiving more and more inquiries about offshore services in Myanmar. The company currently has six Myanmar employees working in Japan, but in the future, in order to expand the offshore business in Myanmar with Japanese companies, the company will increase the number of Myanmar employees working in Japan up to 10 to 20. In addition, they are planning to work on the development of infrastructure in Myanmar through the projects of the Japanese government, such as ODA.

JETRO's Support

In order to set up its Japan subsidiary, JETRO provided the company with a range of support and services, such as consultations with experts in the fields of company registration, visa, tax and labor matters. JETRO also introduced a Certified Administrative Procedures Legal Specialist.

Comment by the Company

"JETRO's advice on establishing a company was a great help to us. On every occasion, they were very considerate in their guidance so that we could complete the procedures smoothly." (Ms. Funabashi, CEO of USE and President and CEO of ACE Japan)

6 Manufacturing & Infrastructure



Airbus Helicopters Japan

France, Germany

Japanese subsidiary of French and Germany based helicopter manufacturer has established an R&D center in Japan. It is the first R&D base established in Japan by the foreign affiliated aircraft manufacturer.

Business Description

Airbus Helicopters Japan (former Eurocopter Japan) provides total services for helicopters ranging from sales, logistic service, maintenance, repair, overhaul, conversion, technical support and technical publications to training. The company holds a 55% share of the turbine helicopters in Japan. They are used for a variety of purposes such as firefighting, disaster prevention, media coverage, emergency medical services, policing, coast guard and maritime lifesaving activities, transport of personnel and supplies. They are also deployed by Ground Self Defense Forces as VIP carriers and by Maritime Defense forces for training purposes.



Photo provided by: Airbus Helicopters Japan

Japan Entry Outline

Eurocopter Japan was established in April 2009. In April 2012, the company set up an R&D center on the ground of the aircraft maintenance facilities and training center in Kobe Airport. It plays a key role in developing optional equipment for special-mission helicopters, designing onboard installation and installing equipment. Special-mission helicopters are currently used for a variety of purposes including firefighting, disaster prevention, search and rescue, search and media coverage.

Since the Great East Japan Earthquake in 2011, demand for the special-mission helicopters from local governments has been mounting in order to reinforce disaster prevention measures. The R&D center has been handling the helicopters for search and rescue as well as helicopters equipped with cameras for policing and media coverage.

Future Development

Special equipment and designs are necessary for the activities in the demanding environment and securing safe flight, as is in the case in firefighting against fires in skyscrapers or mountains and maritime search and rescue operations. In Japan, local manufacturers of aviation parts, equipment and systems undertake to provide special processing and high-mix low volume production, which is normally demanded for such high value added products. Airbus Helicopters Japan aims to meet the growing and expanding needs of the Asian market, accelerating the development and design of the products through alliances with these local manufacturers.

JETRO's Support

For the establishment of the base in Japan, JETRO provided information on incentives and others. As a result, Eurocopter Japan (current Airbus Helicopters Japan) applied for and was granted the Subsidy Program for Projects Promoting Asian Site Location in Japan.

Comment by the Company

Thanks to JETRO's kind support, including provision of information and advice on subsidy, we went through a smooth procedure for setting up a base. (Mr. Olivier Tillier, Head of Operations)

The attractiveness of the Japanese market -Voices of Executives-

AXA Life Insurance Co., Ltd.

(November 2014)

Mr. Jean-Louis Laurent Josi
President and CEO of AXA Life Insurance Co., Ltd.

The first one is the market size. Japan's life insurance market is the second largest in the world, and Japan has the third largest GDP scale in the world. Japan is an important market for us, as we deploy business globally. I believe that we will be able to continue contributing to more customers.

We also consider the issue of aging population in Japan as a new business opportunity. Japan is a very important market when we consider how we will respond to the needs of the elderly segment, which will grow in the future. The aging population is an issue that other countries in Europe and Asia can potentially face in the future, and we will be able to utilize what we have learned in Japan. ...

We will further expand the business scale in Japan and continue to make investments.

Delta Air Lines, Inc.

(December 2014)

Mr. Vinay Dube
Senior Vice President – Asia Pacific for Delta Air Lines

One is that there are many demands for the travel industry, creating a big market. Such conditions have allowed us to steadily expand. We operate a hub at Narita. For passengers from the US, Narita is geographically well situated to connect to all cities in Southeast Asia, not just to Japan. Another big benefit is that we can "export" the operation efficiency, safety and service quality offered by our Japanese staff to other countries. Every customer and colleague who has experienced Delta's service in Japan always comments on the level of operation efficiency, safety and service quality, from how customers are greeted and checked in to how issues are handled are exceptional. We are trying to establish this in Delta's bases throughout the world.

Coca-Cola (Japan) Company, Limited

(November 2014)

Mr. Tim Brett
Representative Director and President of Coca-Cola (Japan) Company, Limited

"Aquarius" sports drink is a product that was made in Japan for Japanese consumers, but has now traveled around the world and it's extremely successful in some markets in Europe, such as

Spain, etc., and also some markets in Latin America, as well as Asian countries.

"Georgia," which is a coffee drink, was invented and released in Japan in 1975. It's now a very core part of our business in Japan, and it's also sold in other markets. "Ayataka" green tea has also been very successful in other markets for the reason that it's a high quality good tasting product.

Another good example of Japan's original products is "I LOHAS," which is a mineral water bottle. This is a very eco-friendly plastic bottle, which uses plant-based materials, and can easily be crushed for recycling. This bottle technology was developed in our R&D facility in Tokyo and is now introduced throughout the Coca-Cola system around the World. This is an example of a great combination of Japanese great "desire to be eco-friendly" being combined with Japanese "innovation" and the two working very well together.

IKEA Japan KK

(January 2015)

Mr. Peter List
President and CEO of IKEA Japan

Japan is the second biggest retail market in the world. It also has the third largest GDP in the world. These two factors alone make it very appealing. Also, there is very high literacy level in Japan as well.

In addition, many people live in small spaces in Japan and we have a lot of business experiences for areas with small space living like Japan, for example, New York, Paris, London, and so we have opportunities to apply that know-how that we acquired in other countries into Japan. ... For example, we used to make our sofas in the same size around the world, but we made them smaller so that they fit life at home in Japan. I have visited homes across Japan so that we can develop our product range that is unique but relevant for Japan, based on their life styles and opinions. And it's a trend, and people like to have these sorts of products anywhere in the world. Not only sofas but also chopsticks and firmer mattresses, and cooling products developed in Japan are sold around the world. The Japanese market plays an important role in growing Ikea globally. So we can say that it's been a win-win relationship.

Merck Ltd.

(December 2014)

Dr. Karl Roeser

Representative Director, Chairman and President of Merck Ltd.

First of all, Japan is a big market in itself. It's the third biggest economy in the world, and there is a lot of buying power in the population. Also, people respect quality and intellectual properties. Now that the whole Japanese economy is matured, the Japanese GDP will not grow at double digits in the future, but with growing social needs for the aging society and treatments of chronic diseases, areas such as drugs and life science have significant growth potential. So I think that our company has many growth opportunities in the Japanese market.

Also, Japan has one of the most advanced scientific and technological capabilities in the world and can deliver unique technologies to the world. Many of the technologies used in our core products have been developed together with our Japanese partners such as universities and our customer companies.

Ticket Experience Co., Ltd.

(July 2015)

Mr. Javier Corbacho

representative of Ticket Experience Co., Ltd.

It's not just that the Japanese e-commerce market is very large. It also has one hundred million online users and more than 75 million e-commerce users, and many startup companies are entering the market now. These factors made us think very positively about doing business in Japan. ... Japan, with its well-developed online market and numerous events, is a very important and attractive market for us. ... Currently, the number of foreign visitors to Japan is increasing. Japanese baseball, sumo, kabuki and J-pop are becoming very attractive contents not only for Asian visitors such as those from China and South Korea, but also for European and North American visitors. We would like to contribute not only to achieving the foreign-visitor target by the Japanese government, but also to the dissemination of Japanese media content to the world and to the increased number of foreign tourists attending events in Japan.

Schneider Electric Japan Inc.

(November 2014)

Mr. Philippe Bouchet

Vice-President of Schneider Electric Japan Inc.

It has been approximately 50 years since we started doing business in Japan. There are three reasons why we operate in Japan. Firstly, Japan has a large economy and a big demand for high-tech products. Secondly, there are wonderful partners that are operating domestically and internationally. And the third reason is that Japanese customers accept high-quality products and technologies.

The Japanese subsidiary is one of the top five companies within the Group in terms of sales, but this is not the only benefit that we receive by operating in Japan. First of all, we can improve the quality of our products and customer service as customers' demands are high in the Japanese market. What we experience in Japan becomes benchmarks in the global market. Also, partnering with technologically-accomplished Japanese companies enables us to expand the business into countries other than Japan, which is another benefit of operating in Japan. Furthermore, talking about recent trends, benefits brought by Japan in the energy sector are also significant. For companies focusing on the energy sector such as smart grids and smart cities, business development in the Japanese market will be an important step towards entering the global market as Japan is one of the leading countries in terms of energy.

ZF Japan Co., Ltd.

(June 2015)

Mr. Richard Kracklauer

President of ZF Japan

We have never felt any major obstacles when operating in Japan. We don't have any problems in terms of regulations either.

...Under the policy of making a long-term commitment in the Japanese market, we will set up a technical center in Japan. Moreover, we are also keeping the view of establishing an R&D base. Japan is facing the serious issue of a declining birth rate and an aging society and thus it has stronger needs for e-mobility than other countries, so we feel that we need to develop products with the perspective of technologies five to 10 years ahead. When thinking that there is a high possibility that other countries will also face the issue of a lower birth rate and aging population, it can be said that the Japanese market is offering many opportunities to us, because we can work on the world's issues before anyone else.

The governments efforts and JETRO's inward investment promotion activities The transition in 13 years

2003	January	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 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	March	The government set up a new goal to "double the inward FDI stock as percentage of 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	June	"New Growth Strategy" was approved by the cabinet (it's goal was to "double the flow of people, things and money into Japan")
2011	January	"Subsidy Program for Projects Promoting Asian Site Location in Japan" was created (the secretariat was placed in JETRO)
	August	The "Comprehensive Special Zone Law" was enforced (creating industrial clusters in regions through taking preferential measures such as tax and regulation reforms)
	December	The "Great East Japan Earthquake Reconstruction Special Zone Law" was enforced (providing incentives such as tax and regulation reforms regarding investment in the affected areas)
	December	"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 doubling the number of employees at foreign-affiliated companies
2012	April	The corporate tax rate was lowered (40.69% → 38.01%)
	May	The Points-based Preferential Immigration Treatment for Highly Skilled Foreign Professionals was started
2013	June	The "Japan Revitalization Strategy" was approved by the cabinet (it set up clear goal to increased the inward FDI stock to 35trillion yen by 2020, and included the strengthening of industrial specialist program and Invest Japan Hotline in JETRO)
2014	March	The reconstruction special tax was abolished. (corporate tax: 38.01% → 35.64%)
	April	The Council for Promotion of FDI in Japan was founded (it clearly stated the role of JETRO to cooperate with Japanese embassies and local governments to attract FDI into Japan)
	June	The "Japan Revitalization Strategy (Revised in 2014)" was announced
2015	March	The second meeting of the Council for Promotion of FDI in Japan was held, and Prime Minister Abe announced the "Five Commitments for Attracting Foreign Businesses to Japan"
	April	The "Tokyo One-Stop Business Establishment Center (TOSBEC)" was opened in the Tokyo Area of the National Strategic Special Zones
	June	The "Japan Revitalization Strategy (Revised in 2015)" was announced
	September	The "New Three Arrow" of Abenomics was announced, aiming to create a strong economy, more support for childcare and social security



JETRO HQ(Akasaka,Tokyo)



JETRO Invest Japan Business Support Center(IBSC)

Talk to JETRO First

about business in Japan!

[JETRO's Global Network]



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