



# JETRO's Activities for Promoting Direct Investment in Japan

April 9th, 2015

**JETRO**

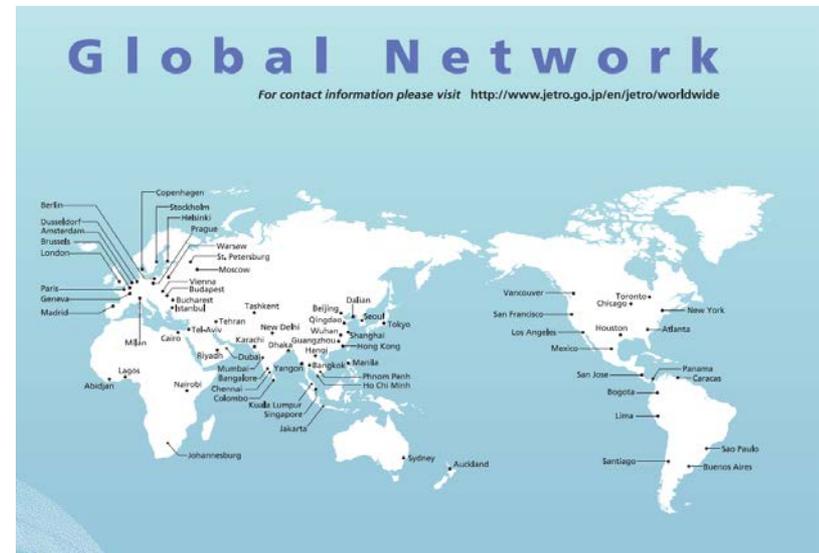
日本貿易振興機構(ジェトロ)

## JETRO: Japan External Trade Organization

- Government-related organization to promote mutual trade and investment between Japan and the rest of the world
- Established in 1958
- 76 offices worldwide, 43 domestic offices

### ➤ Main activities:

1. Promoting foreign direct investment into Japan
2. Supporting the overseas business of Japanese firms
3. Facilitating economic growth in developing countries through trade promotion





20 years of stagnation

Launch of the Abe Administration ~ Mar 2015

A new decade of revival

- Long-lasting economic stagnation and deflation
- High level of public debt

<Annual average economic growth rate for 20 years until 2012>  
(Average for 20 years)

**Nominal GDP growth: - 0.2%**  
**Real GDP growth: 0.8%**  
**Real GNI growth: 0.6%**

Source: Basic Policies for Economic and Fiscal Management and Reform (decided at Cabinet meeting on June 14, 2013)

- The process of ending deflation is in progress and a better economic cycle has started.

**Real GDP : Back to the positive (1.5%) after the consumption tax hike.**

**Improved business conditions and investment**

**New job openings ratio : 1.9**

**Unemployment : record low (3.3%)**

Source: Basic Policies for Economic and Fiscal Management and Reform (decided at Cabinet meeting on May 24, 2014)  
The Ministry of Health, Labour and Welfare

- Improved macroeconomic environment
- Improvement in corporate profits
- Revitalization of the economy, Fiscal consolidation

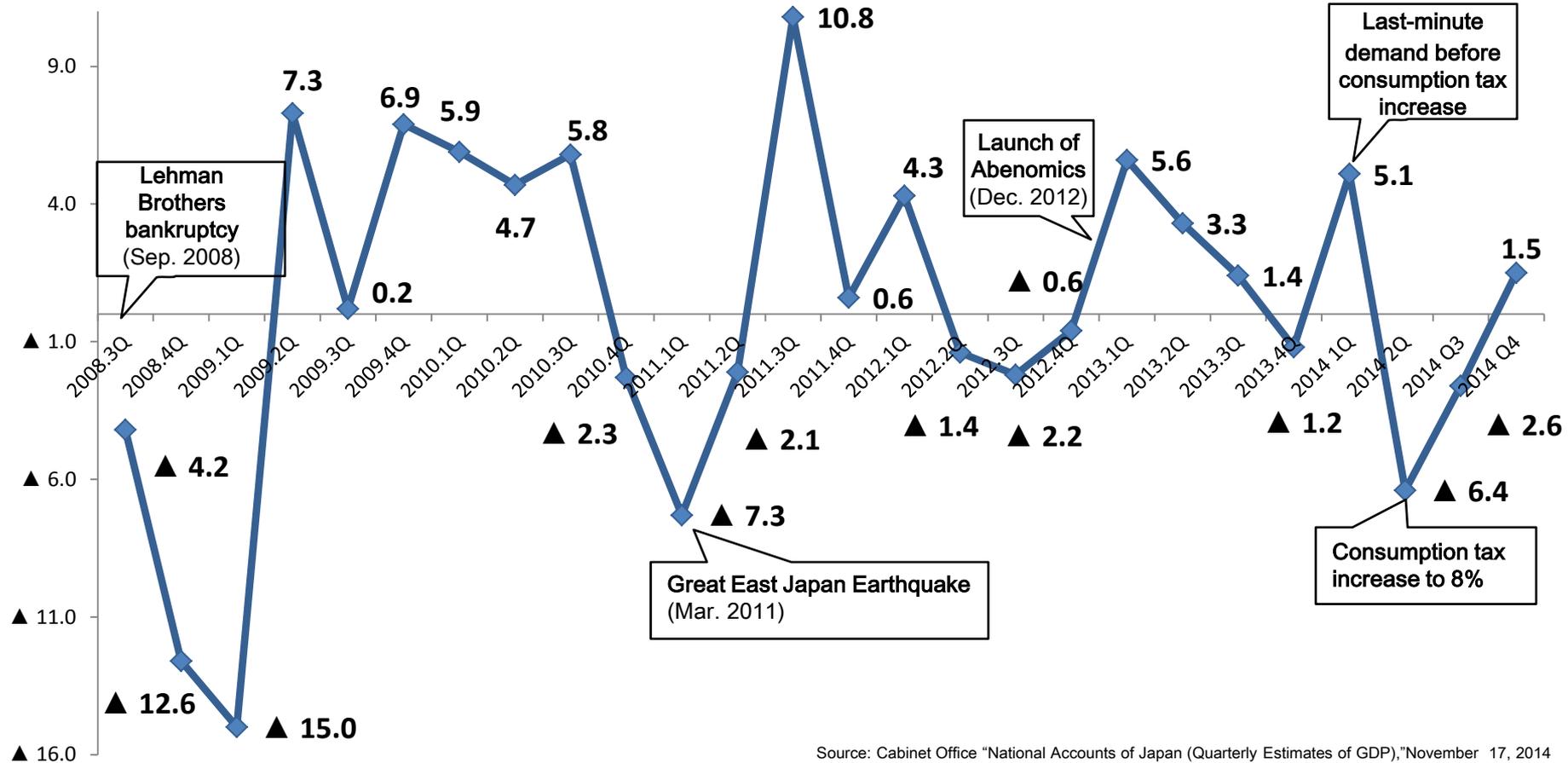
<Annual average economic growth rate for 10 years since 2013> (Target of the government)

**Nominal GDP growth: 3.0%**  
**Real GDP growth: 2.0%**  
**Real GNI growth: 3.0%**

Source: Basic Policies for Economic and Fiscal Management and Reform (decided at Cabinet meeting on May 24, 2014)

The “Three Arrows” policy is bringing Japan out of deflation, and has started a positive economic cycle. In order to end deflation completely, and spread the benefits of this positive cycle, the government will continue with the first two arrows, and launch the third arrow to ensure sustained economic growth.

## Japan's real GDP growth rate (quarterly, annual rate, seasonally-adjusted)



Source: Cabinet Office "National Accounts of Japan (Quarterly Estimates of GDP)," November 17, 2014

Since the launch of the Abe administration, the Japanese economy has achieved a high standard of growth even on a global scale. **Stock prices, unemployment and business conditions have all improved.** The GDP growth rate has also recovered, after turning negative in the 2<sup>nd</sup> and 3<sup>rd</sup> quarter, following the consumption tax hike last April.

**GDP**  
(Real GDP growth rate)

**-0.6%**  
2012 Oct-Dec (before  
Abenomics)



**1.5%**  
2014 Oct-Dec

**Stock prices**  
(Nikkei Stock Average)

**10,230 yen**  
Dec. 26, 2012  
Launch of the Abe  
Administration



**19,435.08yen**  
Apr 3, 2015 (closing price)

**Unemployment  
rate**

**4.3%**  
2012 average



**3.3%**  
2014 Oct-Dec

**Business conditions**  
(Tankan "current situation")

Large firms **-3**  
Medium-sized firms **-5**  
SMEs **-12**



Large firms **12**  
Medium-sized firms **16**  
SMEs **1**

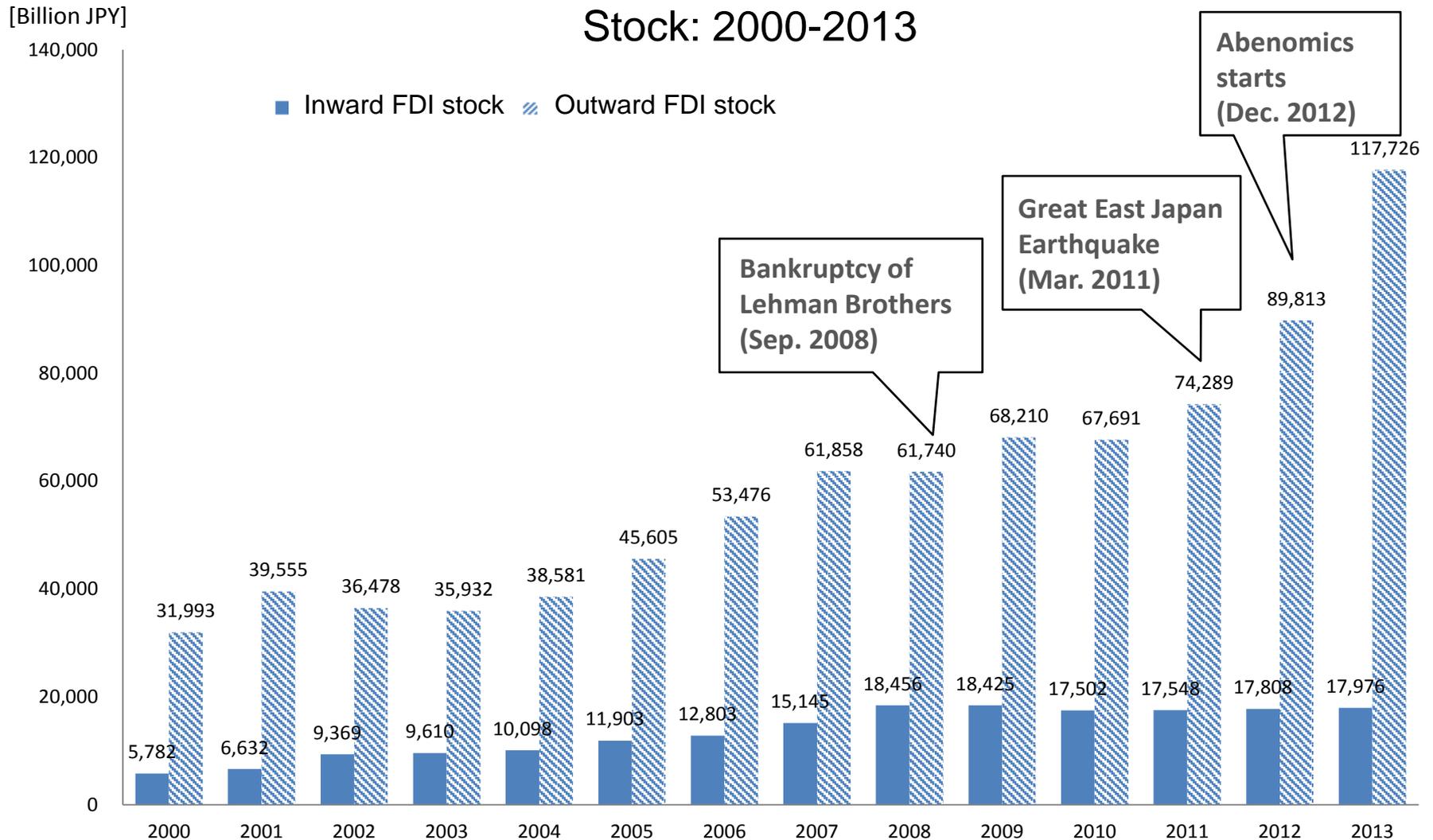
Survey in Dec. 2012

Survey in Dec. 2014

## Japanese Government aims to attract 35 trillion yen in inward FDI by 2020

Drastically strengthening the government's support framework  
for attracting foreign companies

- JETRO to cooperate with embassies in approaching the executives of foreign companies, and to strengthen the function of attracting foreign investment.
- JETRO to work with relevant ministries to build up a one-stop support functionality and to create opportunities for foreign and Japanese companies to form partnerships.
- JETRO will also aid local municipalities which are actively inviting foreign companies to set up establishments.



Sources: Ministry of Finance, Bank of Japan, Cabinet Office

## Inward FDI in Japan, stock : 2013

Unit: 100 Million JPY

### Europe

Europe ⇒ Japan 83,192

(Country / Region)	(Industry)
Netherlands 29,150	Finance & Insurance 20,381
France 15,014	Electric Machinery 17,212
UK 13,819	Transportation Equip. 13,899
Switzerland 10,715	Chem. & Pharm. 11,179
Germany 6,783	Wholesale & Retail 7,085
Luxemburg 3,548	General Machinery 2,126
Sweden 1,356	Services 1,930
Italy 897	Petroleum 1,393

83,192  
(46.3%)

### North America

NA ⇒ Japan 56,780

(Country & Region)
USA 55,216
Canada 1,564

(Industry)
Finance & Insurance 33,425
Wholesale & Retail 5,862
Electric Machinery 4,197

56,780  
(31.6%)

**JAPAN**

### Central & South America

C&S America ⇒ Japan 11,996

(Country / Region)
Cayman Is. 9,912
Brazil 54
(Industry)
Finance & Insurance 4,706
Electric Machinery 1,936
Wholesale & Retail 1,478

11,996  
(6.7%)

### Asia

Asia ⇒ Japan 25,822

(Country / Region)	(Industry)
Singapore 14,077	Finance & Insurance 9,329
Hong Kong 5,742	Wholesale & Retail 2,810
Taiwan 2,395	Services 2,088
R. Korea 2,190	Real Estate 1,435
P.R. China 607	General Machinery 1,159
Malaysia 507	Communications 1,086

25,822  
(14.4%)

### Oceania

Oceania ⇒ Japan 1,691

(Country / Region)
Australia 1,301
New Zealand 373

1,691  
(0.9%)

## JETRO Invest Japan Business Support Center (IBSC)

JETRO IBSC is a one-stop center for establishing a business base and starting your business in Japan.

### Consulting

Free individual consultation  
for your company

- Legal system
- Cost estimations
- Taxation
- Market regulations
- Business practices
- Human resources
- Location finding
- Subsidy application

### Facilities

Temporary office space  
offered free of charge

- Conference rooms / shared reception
- PC room with printer/scanner
- Event hall
- 50 working days free
- Located in 6 major cities
- Fully equipped



### Information

A wide range of  
information needed  
for your business

- Market reports
- Business advisors
- Online database
- Platform of professional service providers
- Connection to ministries and regulatory authorities
- Deregulation requests

- **Maximum period of use: 75 business days**  
(free of charge up to 50 business days)
- **Office hours: 8:00 a.m. to 10:00 p.m.**  
(excluding Saturdays, Sundays, and national holidays)
- **Desks, chairs, telephones, fax, internet connection**  
(telephone / fax charges borne by tenant)
- **Receptionists, advisory service (on the Japanese market, industry, legal and accounting issues, human resources, etc.)**  
(advisory service on appointment basis)



Private office space

- 13.5 m<sup>2</sup> (two-person office)
- 18.0 m<sup>2</sup> (three-person office)
- 36.0 m<sup>2</sup> (six-person office)



Conference room



Refreshment space

You can file applications necessary for company establishment and obtain visas in one place.

### Applications and notifications

- Tax notices
- Social insurance notices

### Visas

- Certificate of eligibility
- Resident card



- ✓ Attracted 1,245 foreign companies to Japan through the support of more than 12,000 projects.
- ✓ Entry from North America, Europe and Asia accounts for 30% each; top three countries are US, China and Germany.

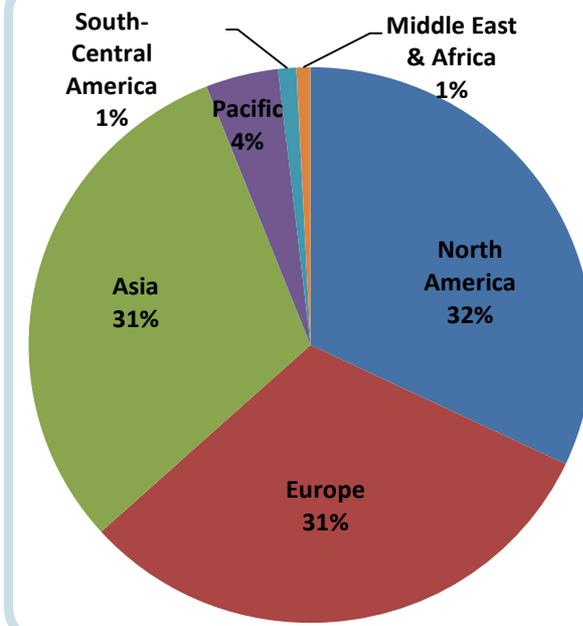
**Number of successful investment cases in Japan (only higher-ranking countries between FY2003 and 2014 are shown)**

**Share of successful cases by region**

**Total of 1,245 projects: North America: 399, Europe: 389, Asia: 382, other areas: 75**

FY	Number of cases
2003	93
2004	103
2005	110
2006	115
2007	125
2008	123
2009	121
2010	111
2011	69
2012	94
2013	72
2014	109
<b>Total</b>	<b>1,245</b>

Rank	Country	Number of cases	Rank	Country	Number of cases
1	United States	369	11	Italy	32
2	China	127	12	Canada	30
3	Germany	107	13	India	25
4	Republic of Korea	84	14	Netherlands	22
5	United Kingdom	76	15	Switzerland	14
6	France	64	15	Finland	14
7	Australia	44	17	Belgium	10
8	Singapore	38	17	Thailand	10
8	Taiwan	38	19	Spain	9
10	Hong Kong	34	19	Austria	9



- **Special Zones for Reconstruction are offering deregulation, simplified statutory procedures, tax breaks and financial incentives to accelerate reconstruction and investment**
- **147 plans for Special Zones for Reconstruction have been approved in Aomori, Iwate, Miyagi, Fukushima, Ibaraki, Tochigi and Chiba Prefectures (As of March 5, 2015)**

## **Regulations and procedures**

- Special permits for development in exclusive zones
- Relaxed requirements for licensing to facilitate business for manufacturing/sales of medical equipment, etc.

## **Tax breaks**

- Special depreciation/tax credits
- Tax credits equivalent to 10% of combined salaries and other expenses for employees from severely damaged areas
- Five-year corporate tax exemption for new enterprises, etc.

## **Financial and fiscal assistance**

- Interest rate compensation for reconstruction projects, etc.

Source: Reconstruction Agency website  
(<http://www.reconstruction.go.jp/english/topics/2013/03/special-zones-for-reconstruction.html>)

## (1) Tax benefits to help to create employment in the recovering areas

The following tax benefits are applicable to corporations in the “Special Zones for Reconstruction Industry Clusters\*\*” designated by municipalities (hereinafter, “the designated corporations”), when their reconstruction promotion plans are approved by the Government.

\* Areas determined by municipalities to be used to concentrate certain industrial sectors.

### 1) Special depreciation / tax deduction

Designated corporations are eligible for special depreciation or tax deduction when they acquire machines, installations, buildings, etc.

<u>Special depreciation</u>	To the end of March 2014	To the end of March 2016		<u>Tax deduction</u>	To end of March 2014	To end of March 2016
Purchase of machinery and equipment	Immediate depreciation	50%	↔ or	Purchase of machinery and equipment	15%	
Acquisition of buildings and constructs	25%			Acquisition of buildings and constructs	8%	

### 2) Special corporate tax credit

The designated corporations are eligible for tax credit equivalent to 10% of the combined amount of salaries and other payments for the employees from particularly affected areas.

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### 3) Taxation to promote establishment of new business facilities

Corporations are exempt from corporate tax for five years when they re-invest in the “Special Zones for Reconstruction of Industry Clusters” and continue their business in the designated industry sectors.

Reserve funds for newly established corporations can be regarded as deductible expenses (to a maximum of their revenues for a five-year period)

+

Corporations are eligible for immediate depreciation if they make a re-investment, etc. (to a maximum of their balance of reserves for re-investments, etc.)

•The designated corporations are allowed to choose one from the arrangements 1), 2) and 3).

### 4) Tax incentives for R&D

Corporations are eligible for immediate depreciation if they acquire assets for research and development activities.

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Corporations are eligible for tax credit equivalent to 12% (normally 8–10%) of the immediate depreciation expense of assets for research and development activities.

\* This tax break also applies to the designated corporations.

## (2) Exemption from local taxes / application of non-uniform tax rates

The designated corporations are also eligible for local tax exemption or reduced local tax rates for corporate enterprise tax, real estate acquisition tax and fixed asset tax in accordance with the provisions of relevant ordinances of local governments when the corporations acquire machines, buildings and other properties in the zones.



Consultation regarding investing in Japan and regulatory reform requests from foreign companies

## Invest Japan Hotline



03-3582-4684



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

Consultation regarding investing in Japan

JETRO will arrange meetings with the relevant authorities and provide comprehensive support.

Requests for regulatory reforms

JETRO will submit requests for regulatory reforms to the Cabinet Office and METI.

## First Solar (US)



- ◆ Global leader in the manufacturing of solar panels and development, construction, and operation of solar power plants
- ◆ Established a base for operations in Japan to support the supply of renewable energy to replenish the loss from non-operating nuclear power plants
- ◆ In November 2013, the company announced plans to invest approximately 10 billion JPY in Japan for the development of solar power plants.

### 【JETRO's support】

- ◆ Provided temporary office space at IBSC Tokyo
- ◆ Assisted with company registration
- ◆ Provided market information in Japan

## Sanofi (France)



- ◆ Major French Pharmaceutical company headquartered in Paris.
- ◆ In January 2013, Sanofi established its regional headquarters in Tokyo for its medical and pharmaceutical product business to manage the financing, human resources, strategies, and regulatory affairs in JPAC regions (Japan, Korea, Australia and NZ).

### 【JETRO's Support】

- ◆ Provided information on incentives and other support programs (Especially the Subsidy Program for Projects Promoting Asian Site Location in Japan)

## Shanghai Spring International Travel Services (China)



- ◆ Leading Chinese travel agency with its subsidiary Spring Airlines, a low-cost carrier (LCC).
- ◆ In November 2012, the company established a Japanese subsidiary, Japan Spring Travel Services, Ltd., in Tokyo.
- ◆ This comes amid rising expectations that more Chinese tourists will be visiting Japan in the future.

### 【JETRO's support】

- ◆ Provided a range of services such as free temporary office, consultation on company registration, taxation, and information on permitting processes for a travel agency license.



## Tommy Bahama (United States)



- ◆ With the brand concept of “Make Life One Long Weekend,” Tommy Bahama maintains an island-lifestyle apparel brand and runs more than 100 stores worldwide.
- ◆ In April 2013, Tommy Bahama opened its first Japanese freestanding store in Ginza, Tokyo. It is the first store with a bar and a restaurant outside the U.S.

### 【JETRO's Support】

- ◆ Consultation on entering the Japanese market
- ◆ Information on import regulations
- ◆ Introductions to service providers in Japan





[www.investjapan.org](http://www.investjapan.org)

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