

WHY JAPAN ?

"5 Reasons to Invest in JAPAN"



As of November 2020

JETRO

Japan External Trade Organization (JETRO)

www.investjapan.org

Copyright © 2020 JETRO. All rights reserved.

WHY JAPAN ?

"5 Reasons to Invest in JAPAN"

Reason 1

World's third-largest economy

Reason 2

Open as an innovation hub

Reason 3

Excellent business environment

Reason 4

Stable infrastructure

Reason 5

Livable society

Reason1. Japan is the world's third-largest economy

GDP

World

No. 3

The Global Competitiveness Report 2019
(World Economic Forum)

Domestic Competition

(Market competitiveness evaluated on the
extent of market dominance, competition
in services, etc.)

World

No. 5

The Global Competitiveness Report 2019
(World Economic Forum)

Reason1. Japan is the world's third-largest economy

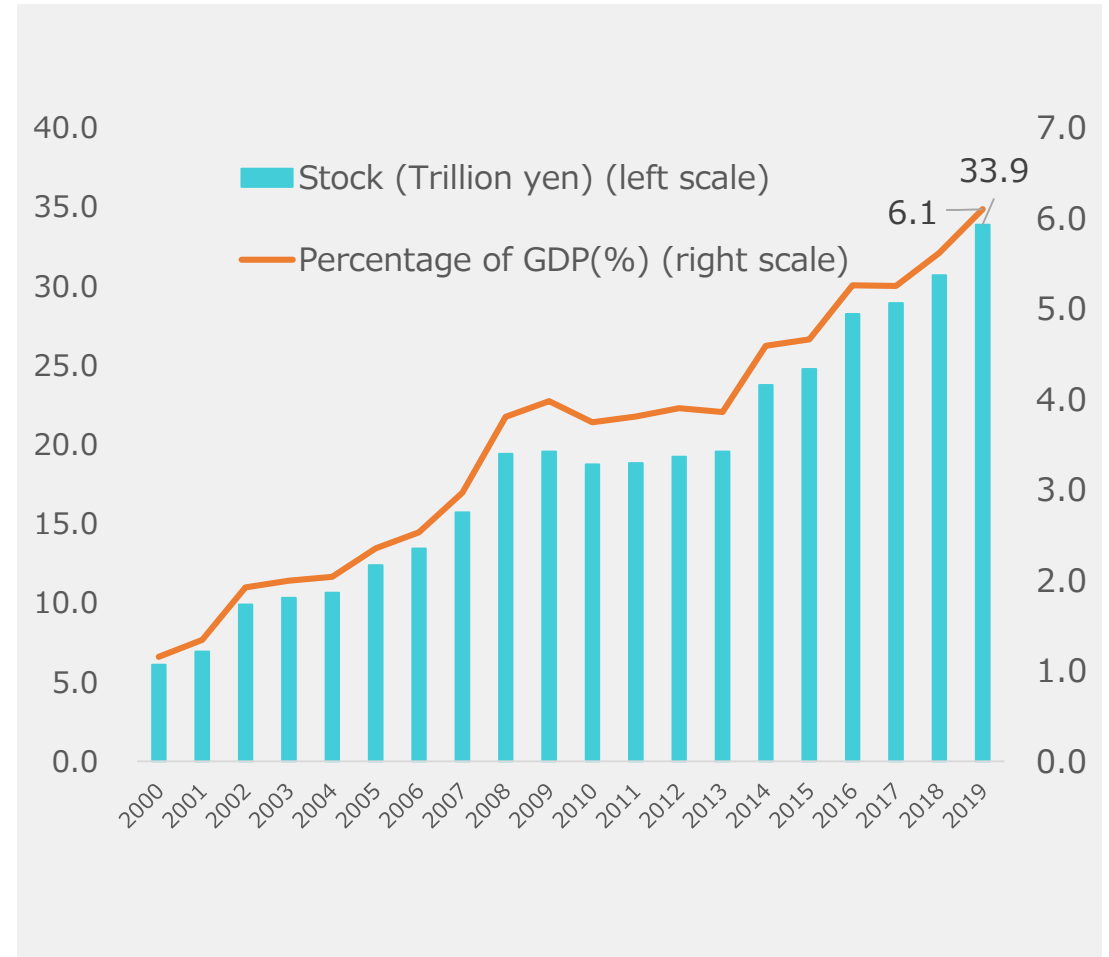
(in billion US\$)

Rank		Nominal GDP	Rank		Nominal GDP
1	United States	213,744	6	United Kingdom	28,271
2	China	143,429	7	France	27,155
3	Japan	50,818	8	Italy	20,012
4	Germany	38,456	9	Brazil	18,398
5	India	28,751	10	Canada	17,364

Reason1. Japan is the world's third-largest economy

Inward FDI Stock

33.9 trillion yen

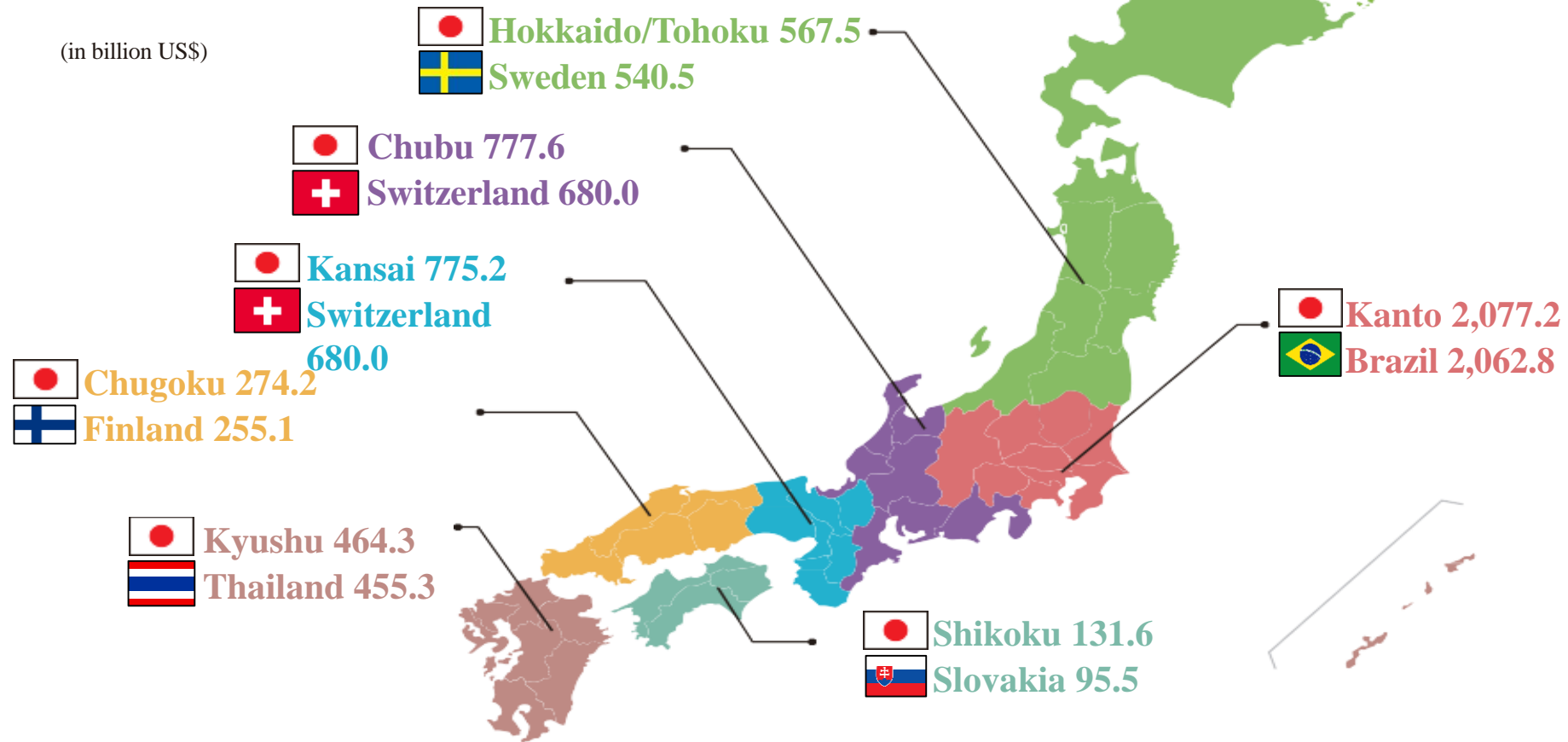


[Source] Ministry of Finance and Bank of Japan "International Investment Position", Cabinet Office "National Accounts of Japan"

1. Japan is the world's third-largest economy

Japan's regional economies have GDPs as big as those of other countries

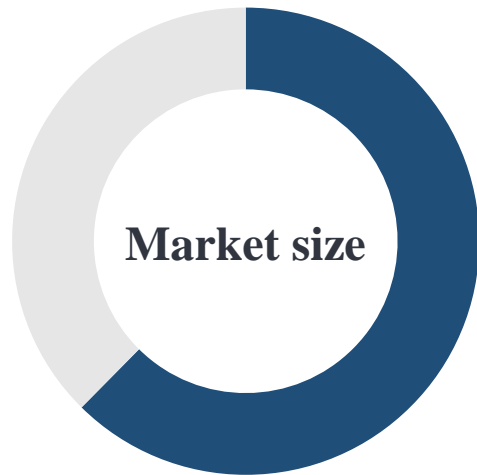
International comparison of Japanese regional gross production (nominal, fiscal 2017)



[Source] Cabinet Office, Fiscal 2017 Prefectural Accounts, October 2020.

1. Japan is the world's third-largest economy

Evaluation by Foreign Affiliates: “The Greatest Attractiveness of Japan is its market”



High income levels and large customer base for products and services
(Large market size)

62.4%



Sensitive to the added value and trends of products and services and can verify new products' and services' competitiveness.

46.0%

1. Japan is the world's third-largest economy

As Japan faces various social issues such as the declining birthrate and aging population, and regional disparities, there is a strong need for digital innovation and diverse businesses.

Frontrunner in facing social issues

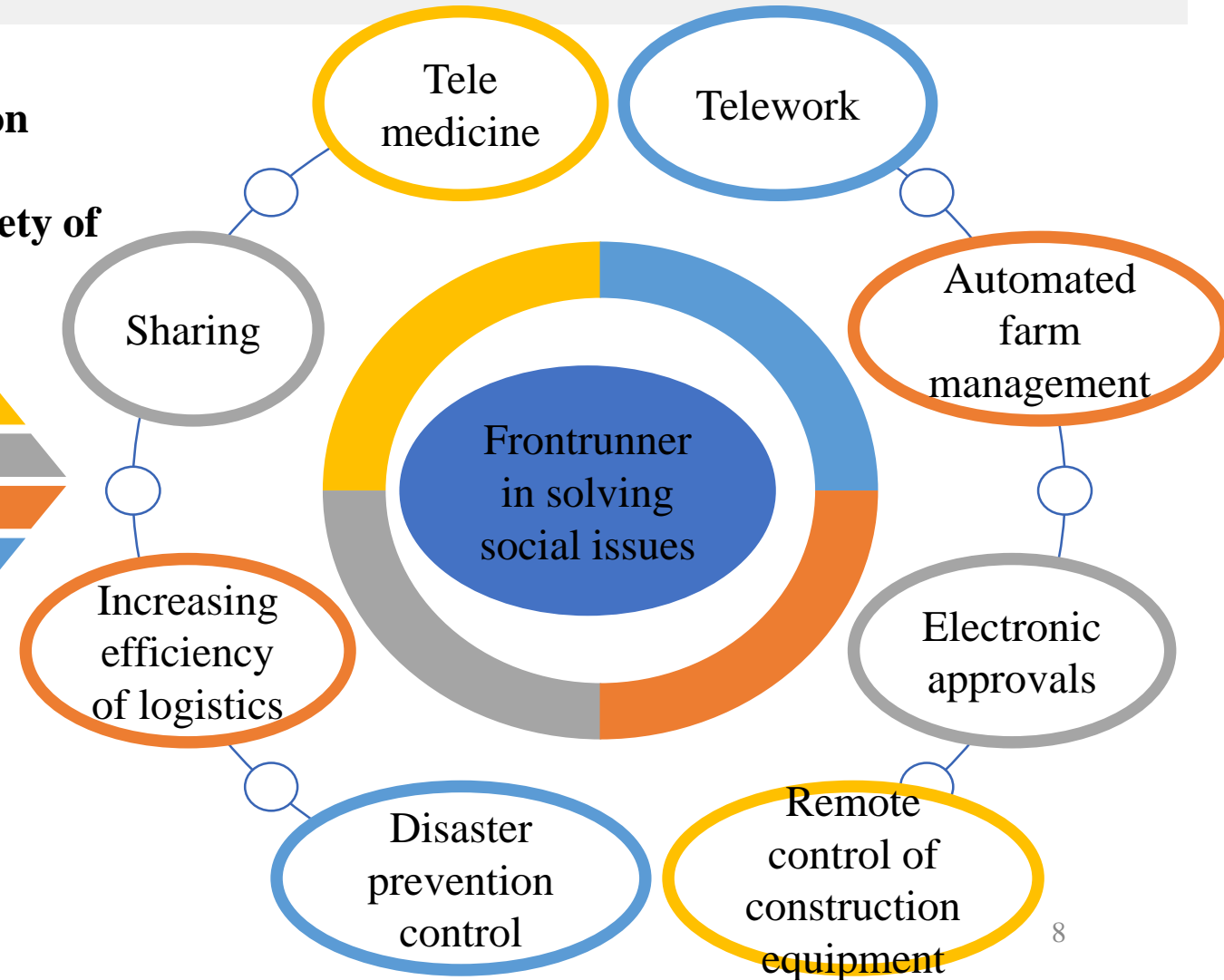
Declining birthrate
Aging population

Deflation
Low productivity

Regional disparities
Manpower shortage

Aging infrastructure
Natural disasters

Digital Innovation
+
Acceptance of a variety of businesses



Reason2. Japan is open as an Innovation Hub

Industrial Cluster

(Tokyo-Yokohama)

World

No. 1

「THE TOP 100 SCIENCE AND TECHNOLOGY CLUSTERS」 (World Intellectual Property Organization)

Research & Development

(Evaluated on R&D expenditures as a percentage of GDP, the number of scientific publications and citations, etc.)

World

No. 1

The Global Competitiveness Report 2019
(World Economic Forum)

Patent applications

(per million population)

World

No. 1

The Global Competitiveness Report 2019
(World Economic Forum)

Reason2. Japan is open as an Innovation Hub

R&D expenditures as a percentage of GDP

No. 1 among G7 countries

Ranking	Country	R&D expenditures as a percentage of GDP
1.	Japan	3.3%
2.	Germany	3.1%
3.	U.S.	2.8%
4.	France	2.2%
5.	U.K.	1.7%
6.	Canada	1.5%
7.	Italy	1.4%

[Source] "Global Innovation Index2020"(World Intellectual Property Organization"

Number of Researchers per million population

5,311

Number of researchers per million population (G7 countries)

Ranking	Country	Number of researchers per million population (G7 countries)
1.	Japan	5,311
2.	Germany	5,212
3.	France	4,715
4.	U.K.	4,603
5.	U.S.	4,412
6.	Canada	4,264
7.	Italy	2,307

[Source] "Global Innovation Index2020"(World Intellectual Property Organization"

Number of domestic universities

780

86 national universities
90 public universities
604 private universities

(As of October, 2020)

[Source] "Ministry of Education, Culture, Sports, Science and Technology Statistical Directory (2018 Edition)" (Ministry of Education, Culture, Sports, Science and Technology)

Reason2. Japan is open as an Innovation Hub

Japan will support [startup ecosystems](#) in eight cities under seven strategies over the next three years.

Strategy 1

Formation of start-up ecosystem base cities

Strategy 2

Strengthen ecosystems centered on universities

Strategy 3

Providing world-class [Acceleration Programs](#)*

Strategy 4

Promoting Gap funds** for tech startups

Strategy 5

Government and municipalities to encourage challenges as customers of startups

Strategy 6

Enhancement of ecosystem networks and fostering momentum

Strategy 7

Increasing the mobility of R&D human resources

Kitakyushu City SDGs Startup Ecosystem Consortium

Fukuoka Startup Consortium

Hiroshima Regional Innovation Strategic Meetings

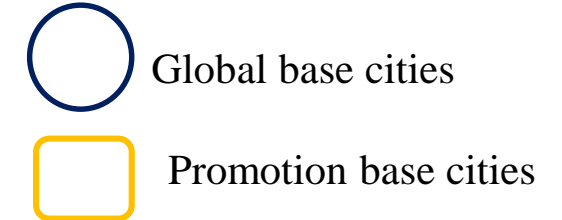
Osaka, Kyoto, Hyogo Kobe Consortium

Startup Ecosystem Tokyo Consortium

Central Japan Startup Ecosystem Consortium

Sendai Startup Ecosystem Promotion Council

Sapporo and Hokkaido Startups Ecosystem Promotion Council



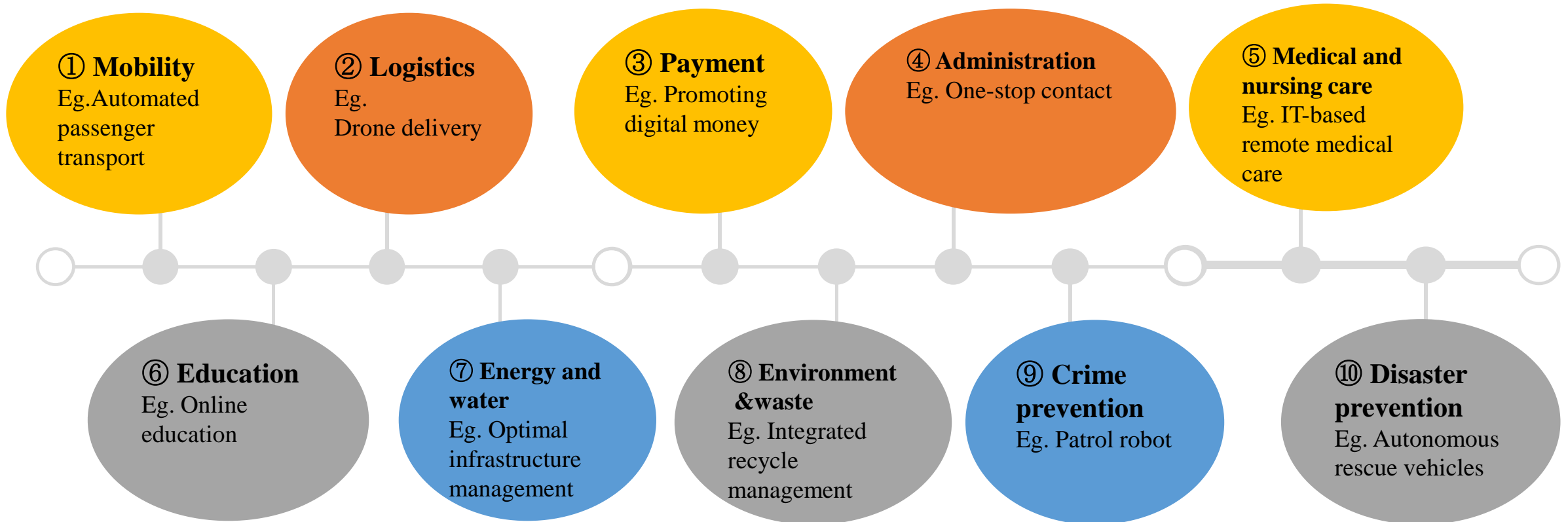
* Programs to support refining startups' business models and accelerate growth.

** Funds to fill the gap between basic research and commercialization, such as prototype development costs

[Source] Prepared from materials from the Integrated Innovation Strategic Meetings (7th) and the Comprehensive Science, Technology and Innovation Event (50th)

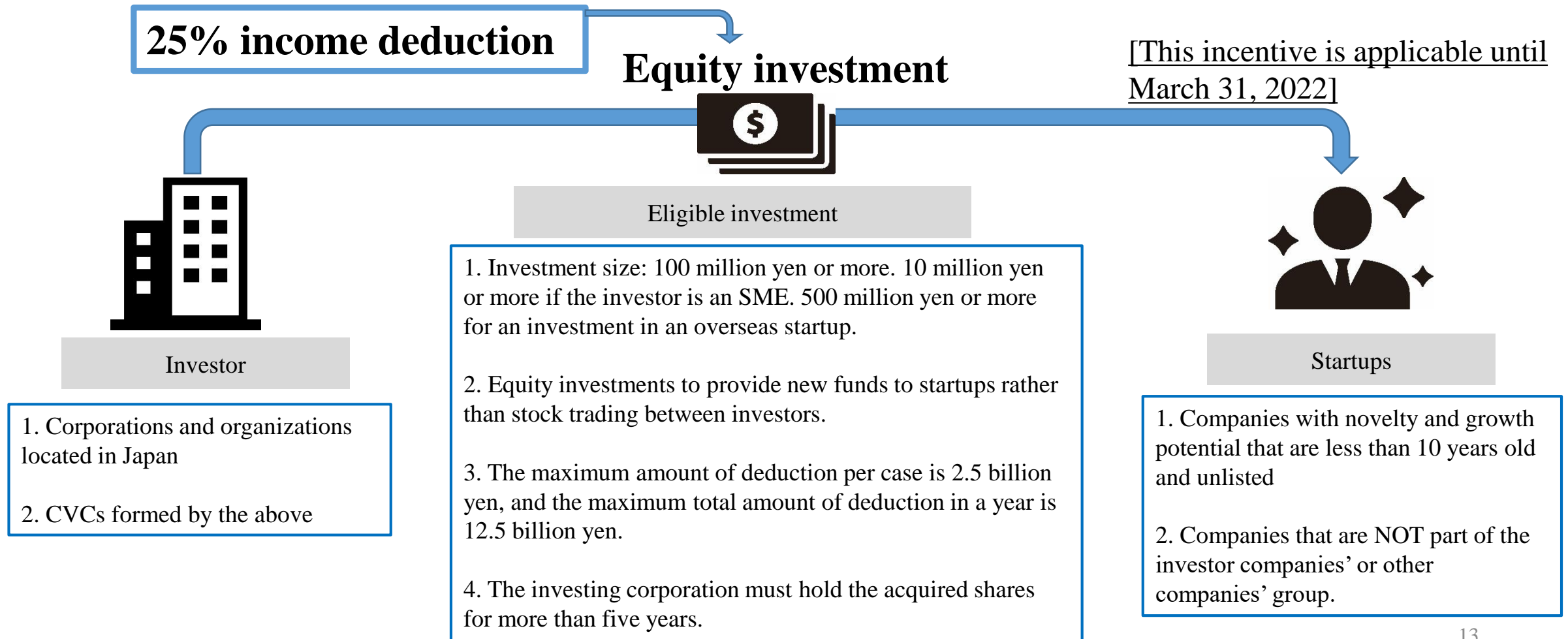
Reason2. Japan is open as an Innovation Hub

The National Strategic Special Zones Law has been revised with the purpose of realizing the concept of “supercities” by smartizing cities. It aims to provide highly convenient and efficient services by introducing advanced services such as drone delivery, tele medicine and nursing care, and autonomous driving.



Reason2. Japan is open as an Innovation Hub

Established a tax incentive to promote open innovation. If a Japanese corporation or corporate venture capital (CVC) invests more than a specified amount in unlisted startups less than 10 years old for the purpose of conducting open innovation, it is eligible for a 25% income deduction.



Reason2. Japan is open as an Innovation Hub

JETRO supports collaboration between Japanese companies and overseas companies working on open innovation. We have also launched a DX portal and support companies seeking to collaborate with companies that utilize digital technologies in ASEAN, India, Israel, and other countries.

DX platform-based support

We aim to develop cooperation and collaboration projects through online webinars, matching, hackathons, and other events.

Support for demonstration projects (pilot projects)

By promoting demonstration projects between ASEAN and Japanese companies, we support companies in implementing digital technologies in their fields.

DX Related News & Related Measures

This section provides information on DX-related businesses and related measures.

Global Acceleration Hub

We have established the JETRO Global Acceleration Hub to support the global expansion of Japanese startups in collaboration with leading local accelerators and other partners in advanced startup ecosystems around the world.

Open Innovation-related events

We support cooperation and collaboration (open innovation) between promising startups around the world and Japanese companies.

"J-Startup" public-private intensive support program for startups

To boost the global expansion of Japanese startups utilizing overseas funding, human resources, and technology, we will establish J-Startup pavilions at five leading overseas startup-related events to support Japanese startups' participation.

Reason3. Excellent business environment

Adequacy of regulatory
and administrative
systems

World

No. 2

The Global Competitiveness Report 2019
(World Economic Forum)

Transparency and efficiency
in import and export

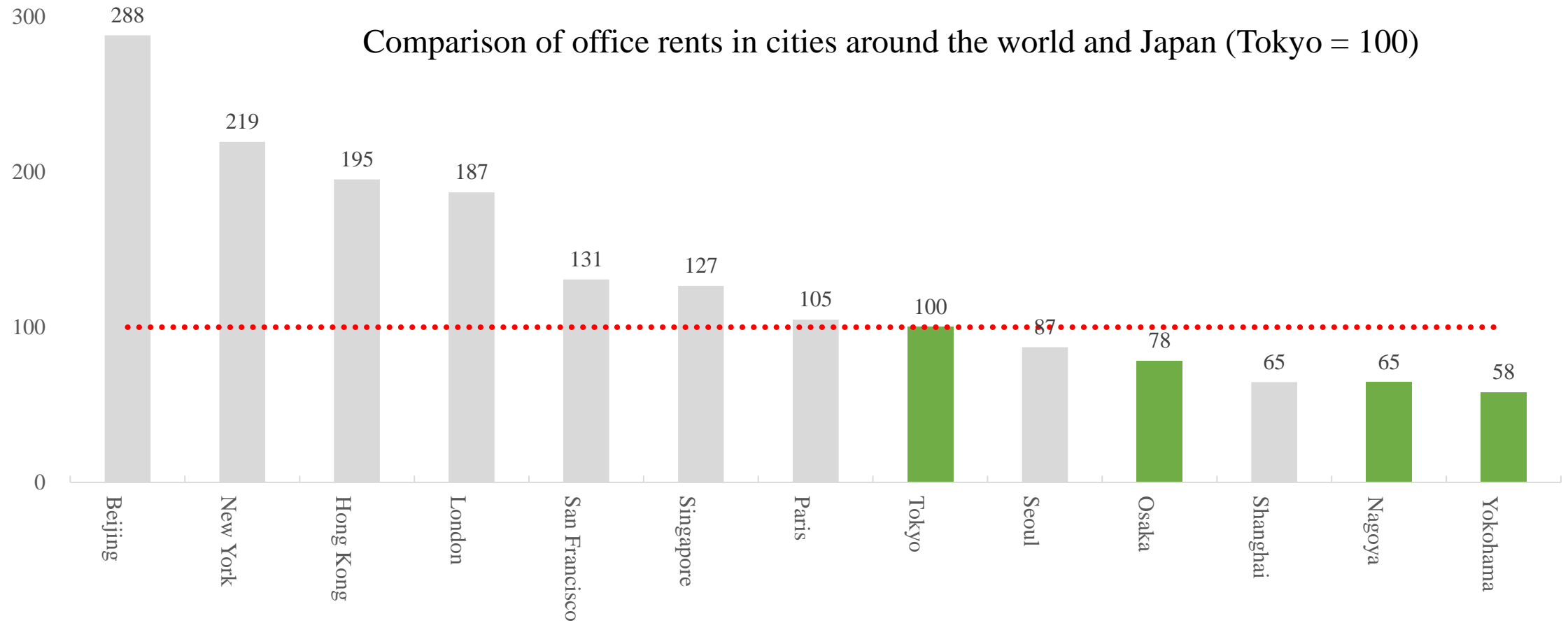
World

No. 3

The Global Competitiveness Report 2019
(World Economic Forum)

Reason3. Excellent business environment

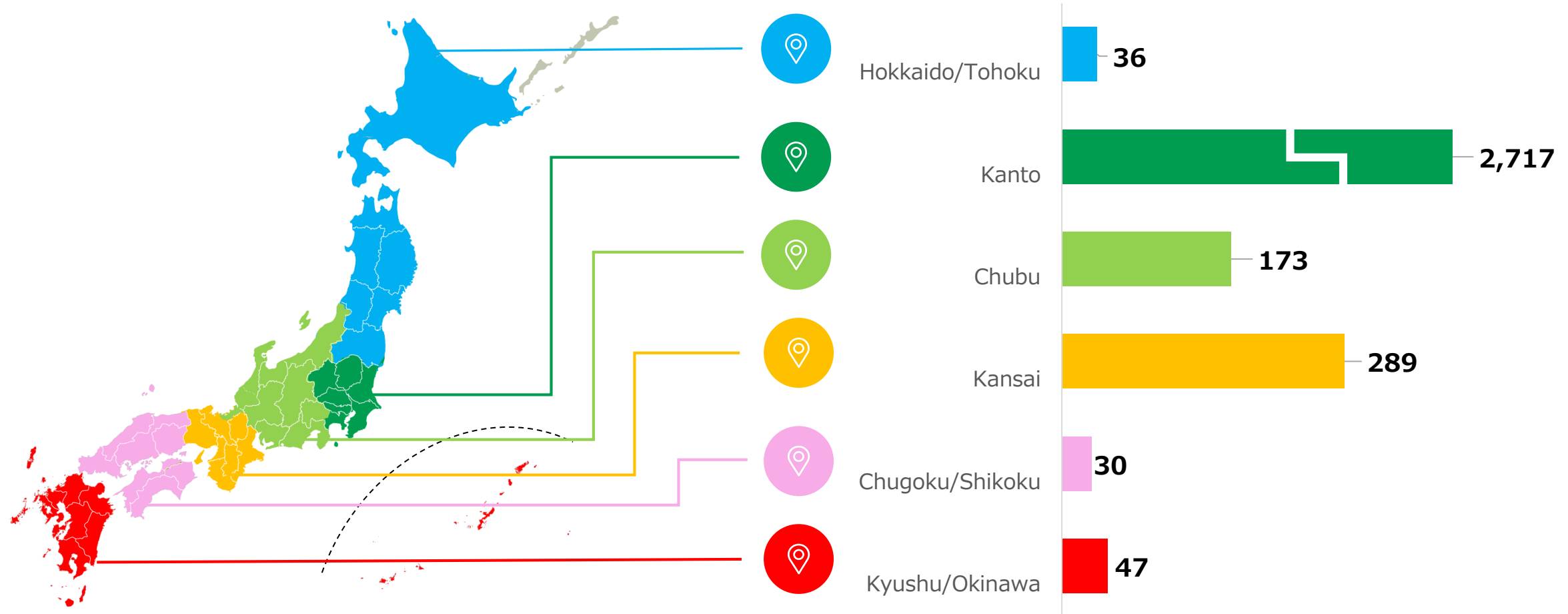
Office rents around Japan are cheaper than in major cities around the world



(NOTE) For a city with variance in rents, the mid-point value (of the highest and lowest) is used.
[Source]: Comparison of investment costs (JETRO).

Reason3. Excellent business environment

Foreign affiliated companies operating in each region (3287 companies that responded to the survey)



[N.B.] The number of foreign affiliates by region and prefecture responding to the following survey (n=3287). It does not cover all foreign affiliates with bases in Japan.
[Source] Survey of Trends in Business Activities of Foreign Affiliates (conducted in connection with business for FY2018)" (METI)

Reason3. Excellent business environment

The Japanese government is actively creating various systems to improve the business environment.

Incentives related to Special Zones

Name	Outline
National Strategic Special Zone(Link)	Special regulatory measures, tax treatment (for corporate income tax), and financial/monetary support are available for companies in National Strategic Special Zones.
Comprehensive Special Zones(Link)	Special regulatory measures, tax treatment (for corporate income tax), and financial/monetary support are available for companies in designated zones. CSZs have two types: those for international competitiveness and those for local revitalization. CSZs aim at providing tailored, integrated support for comprehensive and strategic challenges in selected regions.
Special Zones for Reconstruction(Link)	Special measures such as deregulation, tax incentives, etc. are available for companies in disaster afflicted areas.

[Incentive \(Link\) based on the Industrial Competitiveness Enhancement Act](#)

Name	Outline
System to Remove Gray Zone Areas(Link)	A system to enable businesses to check in advance the application of regulations in line with their business plans and conduct new business activities with peace of mind even when the current regulations' scope is unclear.
System of Special Arrangements for Corporate Field Tests(Link)	A system that applies special regulatory measures on an individual company basis, subject to securing safety, etc., in response to proposals for special regulatory measures by companies seeking to engage in new business activities.

[Incentives \(Link\) based on the Act on Special Measures for Productivity Improvement](#)

Name	Outline
Regulatory Sandbox in Japan(Link)	The Regulatory Sandbox framework in Japan enables quick verification and data collection that can lead to regulatory reforms by establishing an environment where new technologies and business models can be demonstrated without adhering to existing regulations under certain conditions, such as by limiting participants or duration.
Connected Industries Tax System (IoT(Link) Tax System (Link)) (Link)	Tax measures supporting the introduction of systems, sensors, robots necessary for boosting productivity through collaboration and utilization of data with certain cybersecurity measures.

Reason3. Excellent business environment

The project-based "Regulatory Sandbox" system has been established. By limiting the number of participants and the period, the participant can demonstrate new technologies and business models without being constrained by existing regulations. The government aims to review regulations based on the demonstration results.



New technologies: IoT, blockchain, etc.
New businesses: Platformer-type businesses, etc.

Difficult to commercialize due to regulations

JETRO

Liaison and coordination between foreign enterprises/affiliates and the government's Regulatory Sandbox Team



Consultation with the government's Regulatory Sandbox Team



Application for demonstration plan to the minister in charge of the regulation

Japanese government

Special regulatory measures

Regulatory Reform based on experiment results
Policy formation through dialogue with the market and demonstration

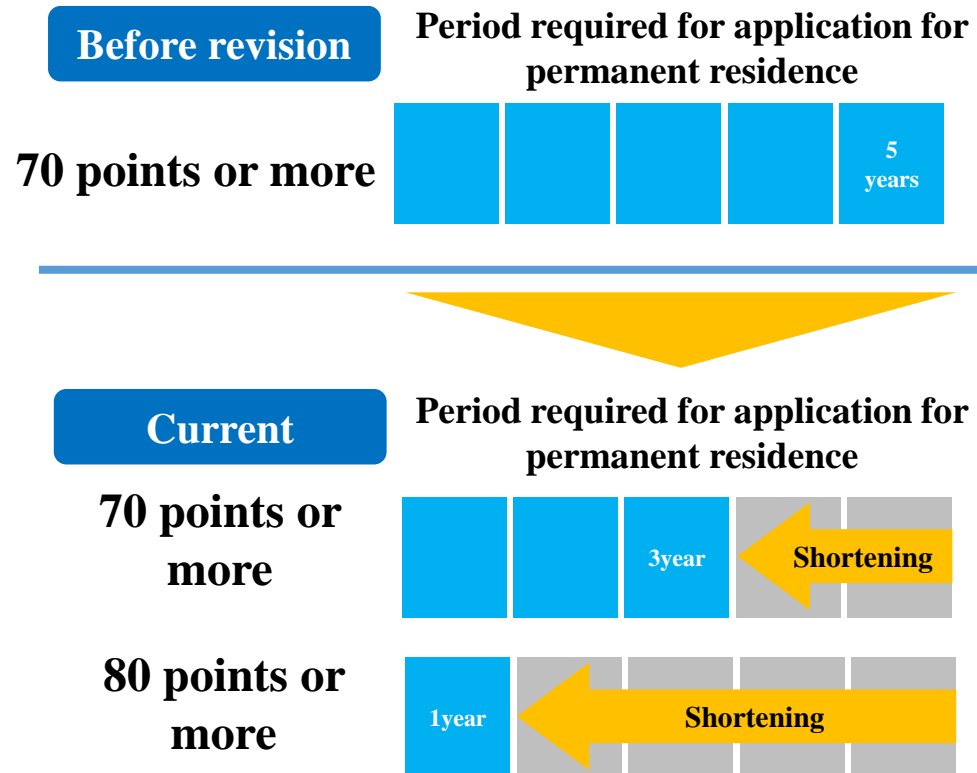


Demonstration experiments with limited duration and participants

Reason3. Excellent business environment

Established the “Japanese Green Card for Highly Skilled Foreign Professionals” system. Foreign professionals who score 70 points or more on the scoring sheet are recognized as “highly skilled foreign professionals” and eligible for preferential immigration treatment. The period of stay required for applications for permanent residence of highly-skilled foreign professionals will be shortened substantially.

Image of the Japanese version of Green Card for highly-skilled foreign professionals



Example of scoring



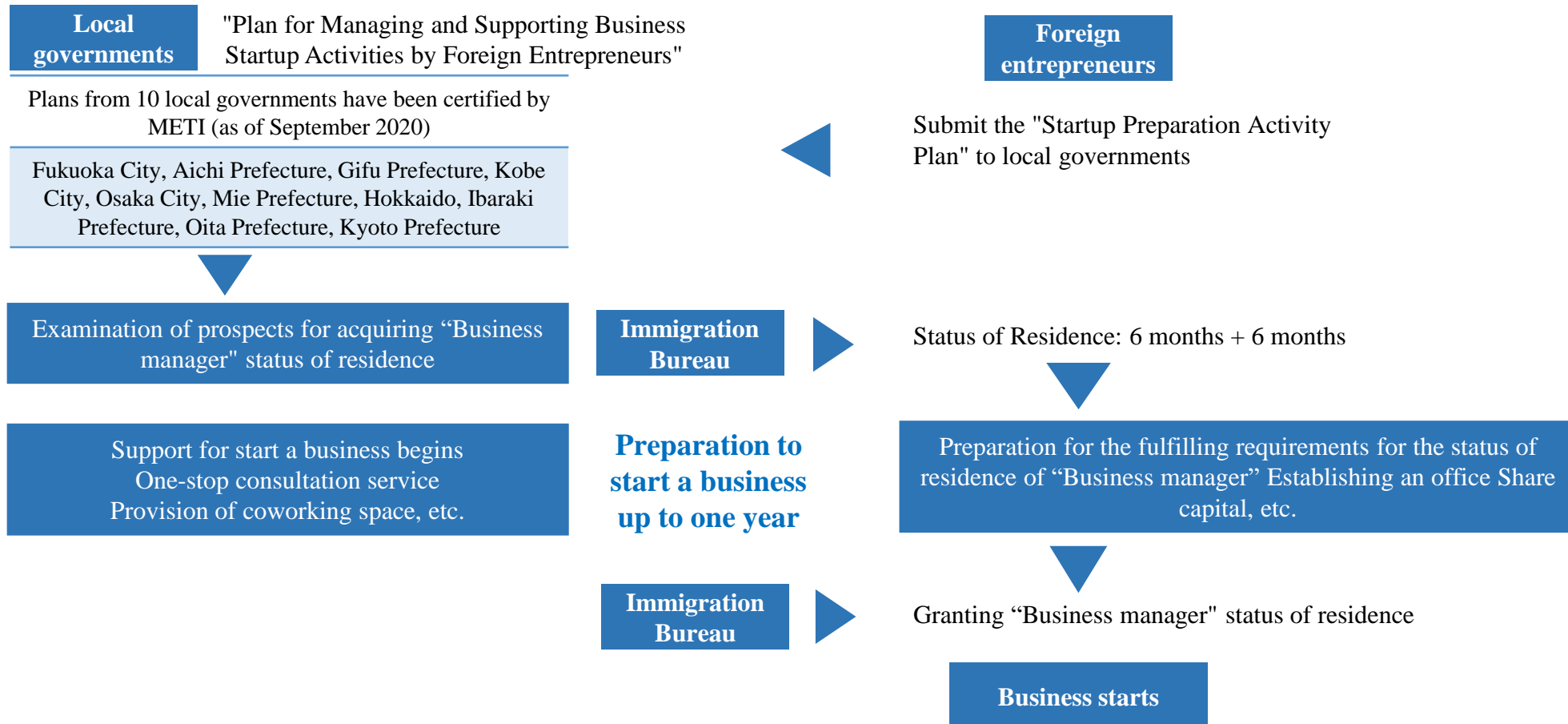
For engineers (age 33)

• 34 years of age or younger	10 points
• Annual income 6 million yen	20 points
• Master's degree	20 points
• Three-year career	5 points
• Inventions of patents	15 points
• Graduated from a high-ranked university	10 points
Total	80 points

Compiled from news reports.

Reason3. Excellent business environment

Established “Projects for Encouraging Foreign Entrepreneurs to Start Business ” (so-called “start-up visa”). A foreign national starting a business in Japan needs to obtain the status of residence of “Business manager” as a general rule. However, the system enables the applicant to obtain the status of residence without satisfying the requirements. Foreign entrepreneurs supported by local governments will be granted the status of residence of “designated activities” to set up a business for up to one year.



4. Stable infrastructure

Efficiency of public
transport services

World

No. 1

The Global Competitiveness Report 2019
(World Economic Forum)

Access to electricity

World

No. 2

The Global Competitiveness Report 2019
(World Economic Forum)

Airport connectivity

World

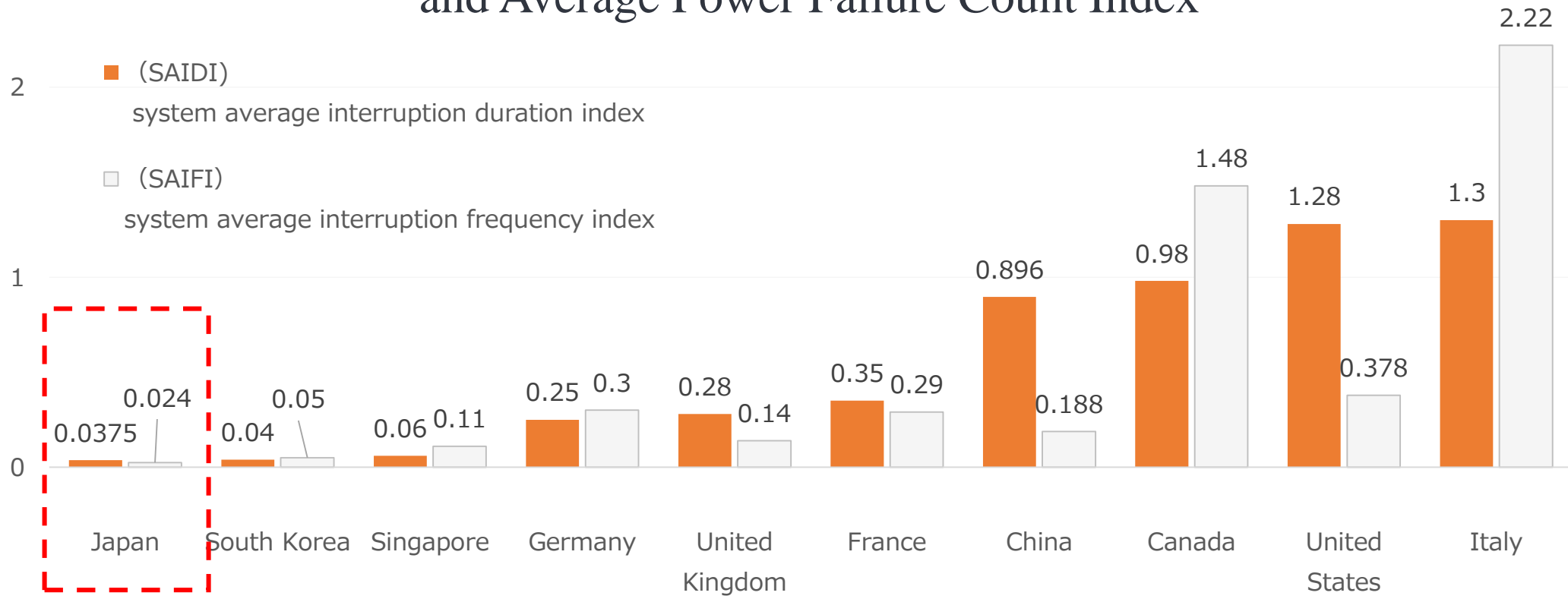
No. 3

The Global Competitiveness Report 2019
(World Economic Forum)

Reason4. Stable Infrastructure

Compared with other countries, power outage duration and frequency extremely small in Japan. With a stable and safe electricity supply and you can conduct business activities with peace of mind.

International Comparison of Average Power Failure Duration Index and Average Power Failure Count Index



[N.B.] 2020 figures. System Average Interruption Duration Index (SAIDI) shows the power outages duration per year, and System Average Interruption Frequency Index (SAIFI) tracks the number of power outages per year. Lower figures indicate better performance.

[Source] "Getting electricity: System average interruption duration index (SAIDI) (DB16-20 methodology)," "Getting electricity: System average interruption frequency index (SAIFI) (DB16-20 methodology)." (World Bank)

Reason4. Stable Infrastructure

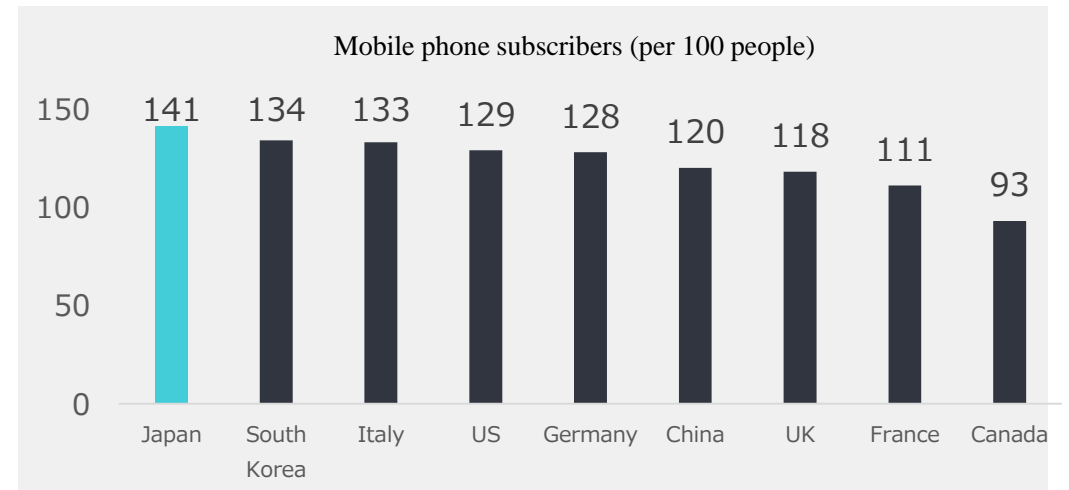
91 %

Internet utilization rate (as a percentage of the population)

The number of mobile phone users

Per 100

141

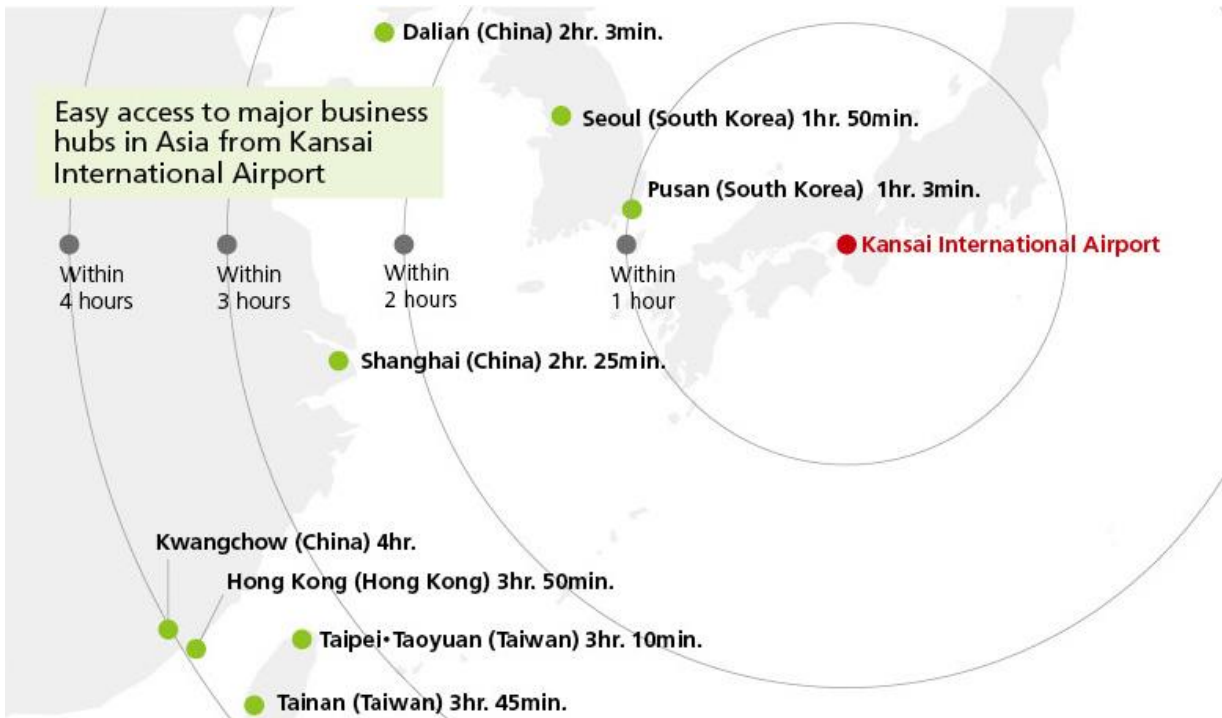


[N.B.] Figures for Japan and the U.K. in mobile phone subscribers are for 2018, and those for other countries are for 2019.

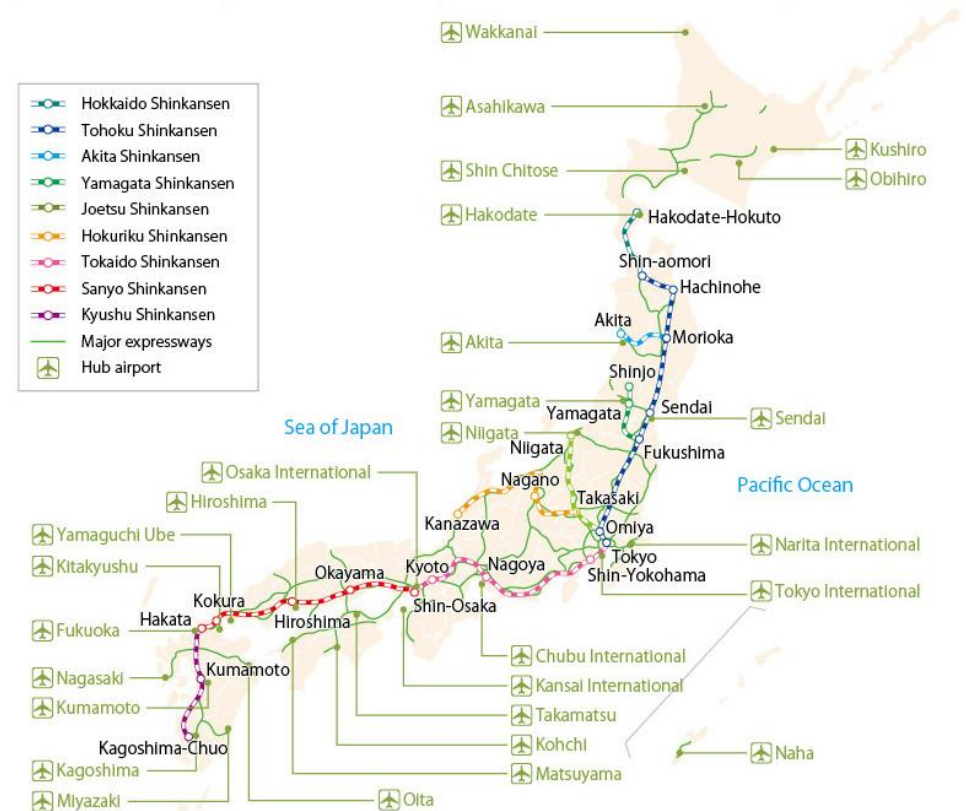
[Source] "Individuals using the internet (% of population)," "Secure Internet servers (per 1 million people)," "Mobile Cellular subscriptions (per 100 people)." (World Bank)

Reason4. Stable Infrastructure

Convenient access to major business hubs in Asia



Excellent nationwide transport network



Travel time on the Shinkansen

Sendai-Tokyo 1 hour 33 minutes, Tokyo-Shin-Osaka 2 hours 23 minutes Shin-Osaka 2 hours 25 minutes Hakata

Travel time on an airplane

Tokyo-Fukuoka 2 hours, Tokyo-Sapporo 1 hours 30 minutes, Sapporo-Fukuoka 2 hours 35 minutes

Reason5. Livable Society

City Safety

World

No. 1

Safe Cities Index 2019
(The Economist Intelligence Unit)

City you want to live in

Tokyo

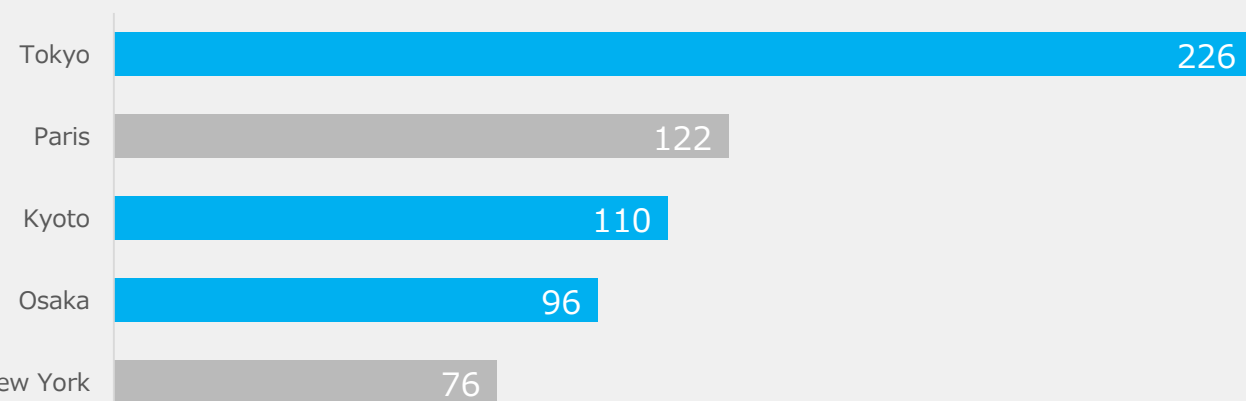
Osaka

4th

7th

Global Liveability Index 2019 (The Economist Intelligence Unit)

Cities for Foodies
(total number of Michelin stars)



[Source] Compiled based on Michelin Guide Tokyo 2020, Michelin Guide Kyoto, Osaka + Okayama 2021, and various press materials.

Reason5. Livable Society



Increasing English-speaking hospitals

Expanding medical institutions that can accept foreign tourists to Japan.

Assigning medical interpreters and starting the examination of foreign patients by foreign doctors.



Increasing Wi-Fi hotspots

Promoting the development of a free public Wi-Fi network.



International schools

Relaxation of licensing standards

Relaxation of the criteria for approving the establishment of international schools.