

Program for Promoting Japan as an Asian Business Center and Direct Investment into Japan

December 16, 2011

Finalized at the Conference on Promoting Japan as an Asian Business Center
and Direct Investment into Japan

I. Basic Philosophy

(Revitalizing the competitiveness of Japan as a business location)

Japan's competitiveness as a business location has recently been weakened significantly due to the sharp appreciation of the yen and other factors. To make matters worse, many countries in the world are now intent on strengthening their competitiveness as a business location and thus luring foreign businesses. This might in turn prompt the accelerated exodus overseas of businesses that support the economic growth of Japan. These circumstances make it crucial for Japan to review its laws and regulations in a strategic and proactive manner so as to make its investment environment more attractive to businesses in Japan and abroad and thus regain its locational competitiveness.

(Encouraging FDI into Japan is key to Japan's revitalization)

Increasing FDI into Japan will help Japan boost its productivity and create employment through the inflow of management resources such as expertise in business management as well as technologies and human resources. The inflow of such funds over the mid to long term is expected to boost the growth potential of Japan whose population is shrinking and contribute to sustainable economic growth and increasing job opportunities. Encouraging capital inflows through increasing FDI is all the more important amid concerns that Japan might slip into a current account deficit.

(Towards realizing the New Growth Strategy)

Based on such recognition, the Program focuses on measures for making Japan's business and living environment attractive on a global level with a view to encouraging FDI into Japan. The idea is to draw in the growth potential of Asia and other emerging regions so as to vitalize Japan's economy as endorsed in the "New Growth Strategy"¹ and the "Interim Report on Strategies to Revitalize Japan"².

(Revitalizing Japan as an Asian Business Center)

To that end, the Program focuses on attracting high value-added sites such as Asia Regional Headquarters and research and development facilities with high levels of intelligent integration while taking advantage of Japan's strengths. The Program also aims to accelerate the flow of people, goods, and money and increase the sustainable and stable FDI in Japan by, for example, promoting high-level economic partnerships with other countries, so as to ensure that employment opportunities will be created.

¹ Cabinet decision in June 2010

² Cabinet decision in August 2011

(Building a Japan that launches out in the world)

To achieve these goals, the Program has three targets to be achieved by 2020 with focus on the “quality” of FDI as described in Section II. To attain these three targets, the Program sets out five central initiatives as shown in Section III.

(Creative innovation for the future)

A series of programs³ have succeeded in easing some of the regulations described as obstacles to FDI into Japan. Efforts have also been made to improve the framework for investment support, including provision of information for foreign investors. Based on these successful outcomes, Japan continues its efforts to make Japan a globally attractive place to locate a business. Such efforts include identifying issues to be addressed to attract FDI into Japan as well as ensuring that the Program is implemented properly.

II. Three Targets

The Program sets out three targets to be achieved by 2020⁴ as shown below:

1) Increase the Number of High Value-Added Sites

The aim is to increase the number of high value-added sites (Asia Regional Headquarters and research and development facilities) by 30 each year by luring FDI. As of the end of FY2009, there were approximately 500 high value-added sites in Japan.⁵

2) Double the Number of Employees of Foreign Affiliates (from 750,000 to 2,000,000)

The aim is to increase the number of employees of foreign affiliates (defined as those with a foreign ownership ratio of more than one-third) from about 750,000 in 2006 to 2,000,000 by 2020.⁶

3) Double Direct Investment into Japan

This target calls for appropriate indicators that well reflect such factors as the global economic climate and the growth of Japan’s economy. Specific measures to attain this target will be considered after the New Year.

³ They include the Program for the Promotion of Foreign Direct Investment in Japan (as endorsed by the Japan Investment Council or JIC in 2003) and the Program for Acceleration of Foreign Direct Investment in Japan (as endorsed by JIC in 2006 and amended by JIC Expert Committee in 2008).

⁴ The three targets have already been endorsed by the Cabinet in the New Growth Strategy.

⁵ Progress will be monitored based on the Survey of Trends in Business Activities of Foreign Affiliates by the Ministry of Economy, Trade and Industry (METI).

⁶ Progress will be monitored based on the Economic Census for Business Frame and the Economic Census for Business Activity, both conducted by the Ministry of Internal Affairs and Communications (MIC). (The number stood at about 860,000 as of the end of 2009.)

III. Five Central Initiatives

The Program sets out five central initiatives and identifies specific measures under these initiatives.

The five central initiatives are:

- 1) The initiative to boost profitability to promote **investment**
- 2) The initiative to utilize a special zone system to attract **investment**
- 3) The initiative to improve the **investment** environment and create structure for **investment** support
- 4) The initiative to make the living environment at **investment** sites more comfortable
- 5) The initiative to enrich the dissemination of information welcoming **investment**

Progress in the implementation of the Program will be monitored based on the framework of PDCA.⁷

⁷ Plan, Do, Check, and Act.

IV. The Five Initiative and Selected Measures

For each initiative, selected measures are categorized under A, B, and C.

A: Measures already completed or underway

B: Measures officially set for implementation

C: Measures that should be augmented for future implementation

1) The initiative to boost profitability to promote investment

<Aim>

This initiative is aimed at proactively luring businesses from abroad by boosting the competitiveness of Japan as a business location and creating a world-class investment environment. This will be achieved by providing more incentives such as subsidies and preferential tax treatment. Specific tools include location subsidies for both domestic and foreign businesses alike based on the non-discriminatory principle and corporate tax breaks for global businesses.

<A: Measures already completed or underway>

A-1: The government allocated two billion yen in the FY2010 supplementary budget for the Subsidy Program for Projects Promoting Asian Site Location in Japan to launch its support for high value-added sites. It accepted applications in English as well and selected five businesses. [METI (Japan External Trade Organization or JETRO)]

<B: Measures officially set for implementation>

B-1: The government allocated 0.5 billion yen in the FY2011 budget for the Subsidy Program for Projects Promoting Asian Site Location in Japan. Applications in English were accepted. The government will select businesses by the end of the year. [METI (JETRO)]

B-2: The government has earmarked a total of 500 billion yen for location subsidies in the FY2011 supplementary budget. It will disburse these subsidies to businesses at home and abroad based on the nondiscriminatory principle for setting up sites for production or R&D in high value-added sectors. [METI]

B-3: The government is working to establish the Law for Promoting Japan as an Asian Business Center. The law will allow for cuts in the corporate tax for qualified businesses and other measures to lure R&D facilities and “Asian headquarters” of global businesses in anticipation of job creation among other benefits. [METI (or the Ministry of Finance or MOF)]

B-4: The government will reduce the effective corporate tax rate by five percentage points in 2012 in accordance with the FY2012 tax reform. At the same time, the government will introduce a temporary surtax on the corporate tax for financial resources of earthquake reconstruction for a period of three years, after which tax burden on corporations will be mitigated. [MOF, METI]

B-5: The government will lure 30 high value-added sites annually by improving support for global businesses in high value-added sectors through an early establishment of the Law for Promoting Japan as an Asian Business Center (B-3), the continuation and expansion of location subsidies (B-1 and B-2), and other means. [METI]

<C: Measures that should be augmented for future implementation>

C-1: The government considers it important to vitalize domestic business activity to maintain and create employment. To that end, it will make good use of the tax system as a major policy tool to implement the New Growth Strategy and thus revitalize Japan. [MOF]

2) The initiative to utilize a special zone system to attract investment

<Aim>

This initiative is aimed at luring investment from businesses in Japan and abroad by taking advantage of the comprehensive special zone system (involving International Strategic Comprehensive Special Zones and Local Vitalization Comprehensive Special Zones) and the "Environmental Future City" Initiative and the Recovery Special Zone System. Through these means, the central government will be strategically aligned with local governments to create jobs in these communities.

<A: Measures already completed or underway>

A-2: The government now accepts suggestions concerning exceptions to regulations in special zones for structural reform and approves such zones for facilitating the acceptance of talented researchers from abroad. It also accepts suggestions concerning support measures for regional revitalization and approves regional revitalization programs. [Regional Revitalization Office]

<B: Measures officially set for implementation>

B-6: By the end of the year, the government will make the first round of designation of International Strategic Comprehensive Special Zones and Local Vitalization Comprehensive Special Zones, where it take bold measures to boost the international competitiveness of Japan's industry and promote regional revitalization, including offering exceptions to regulations as well as tax, fiscal and financial incentives. In the first round, the government will carefully select around five areas with potential for gaining a competitive edge at the global level and designate them as International Strategic Comprehensive Special Zones, where the clustering of foreign businesses is encouraged. After the New Year, the government will swiftly start consultations in designated local governments and at councils between the central and local governments and approve a wide range of comprehensive special zone programs formulated by designated local governments for implementation. [Regional Revitalization Office (MOF)]

B-7: The government will, by the end of the year, select model cities for the "Environmental Future City" Initiative, which is aimed at creating world-class best practices in future-oriented technologies, mechanisms, service delivery, and community

development and disseminate them in Japan and abroad. After the New Year, the model cities will launch Environmental Future City programs and attract investment from businesses in Japan and abroad using inter-city networks for best practice. [Regional Revitalization Office (government offices concerned)]

B-8: The government will introduce the Recovery Special Zone System that offers one-stop access to exception to regulations as well as tax, fiscal and financial incentives for local communities affected by the Great East Japan Earthquake. The idea is to mobilize the collective wisdom of the world towards “open reconstruction” while respecting local initiatives. Beginning this fiscal year, the government will start to approve reconstruction programs for such zones. Under the Recovery Special Zone System, the government will offer preferential treatment to attract investment from businesses in Japan and abroad, including a 5-year exemption from the corporate tax for businesses newly set up in such zones. [Secretariat of the Reconstruction Headquarters (MOF)]

3) The initiative to improve the investment environment and create a new framework for supporting investment

<Aim>

This initiative is aimed at making the flow of human and material resources more efficient and expedient by such means as cultivating global human resources, establishing hubs for state-of-the-art research and education, and building social capital including airports and seaports for the overall goal of increasing the flow of people, goods, money. Another objective is to review regulations that pose as obstacles to FDI in Japan.

Other objectives include improving the transparency of related administrative procedures and the convenience of accessing information and providing English translations of such procedures.

<A: Measures already completed or underway>

A-3: The government is implementing the Comprehensive Industry Attraction Plan to remove obstacles to industry locations and investments and reduce burdens on businesses in Japan and abroad. [METI]

A-4: The government has established a new framework for investment support for foreign businesses with the use of the Invest Japan Business Support Center (IBSC) at the Japan External Trade Organization (JETRO). Exclusive staff members and advisors on tax and labor affairs at JETRO offer consultations on establishing business sites. JETRO offers information in English at its website, including the webpage on “Regional Information.” [JETRO]

A-5: To foster Global Human Resources who will play a major role in supporting the future growth of Japan and establish a framework in which such human resource can be active, the government is working strategically to achieve the target of sending 300,000 Japanese students and workers abroad and accepting 300,000 foreign students in Japan for study and training along with enhancing the internationalization of colleges and universities and improving English education. It is also developing hubs for

state-of-the-art research and education that attract businesses and people from around the world. [Ministry of Education, Culture, Sports, Science and Technology (MEXT)]

- A-6: The government has been promoting measures designed to build vibrant and high-quality financial capital markets that are fair, transparent, and open to businesses, both domestic and abroad. Among these measures are the developments of disclosure system for rights offering in Japan and the expansion of scope of English-language disclosure system for foreign companies. [Financial Services Agency (Financial Services Agency or FSA)]
- A-7: The government has been making steady efforts to increase the number of departure and arrival slots at Narita Airport and Haneda Airport in accordance with the New Growth Strategy for more efficient cross-border flow of human and material resources. The government selected International Container Strategic Ports in 2010 and International Bulk Strategic Ports in 2011 as part of efforts to strengthen the capacity of airports and seaports as social capital through the process of selection and concentration. Haneda Airport started full-fledged operations for international regular flights in 2010 for the first time in 32 years. [Ministry of Land, Infrastructure and Transport (MLIT)]
- A-8: The government has been working to build a framework of “Open Skies” including metropolitan airports with top priority given to Asia. So far, Japan has made arrangements on “Open Skies” with the Republic of Korea, Singapore, Malaysia and so on. [MLIT (Ministry of Foreign Affairs or MOFA)]
- A-9: The government has taken steps to create a favorable environment for welcoming more business jets in Japan. [MLIT]
- A-10: With the establishment of the Japan Tourism Agency in October 2008, the government has been working closely with the private sector to forge ahead with the Visit Japan Promotion Project and attract/host MICE⁸ – including international conventions, exhibitions and so on – to Japan that will lead to the creation of more business opportunities. [MLIT]

<B: Measures officially set for implementation>

- B-9: JETRO will support 600 or more businesses with priority projects annually on the average by focusing on luring foreign businesses in sectors with a significant impact on the economy, including high value-added sectors with high levels of intelligent integration such as life science, information and communication, energy, and the environment, in addition to projects that help promoting Japan as an Asian business center. [JETRO]
- B-10: The government and JETRO will further strengthen one-stop services regarding administrative procedures for registration, tax and labor applications by foreign businesses in making FDI in Japan, in coordination with government offices concerned. It will also provide more opportunities for foreign businesses to conduct site visits in Japan or business matching services. In addition, the government and JETRO will share

⁸ MICE is the general term for meetings (organized by businesses and other entities), incentives (offered by businesses and other entities, including study tours), conventions (international conventions), and exhibitions/events (including trade fairs).

information on incentives offered by local governments in a timely manner. The central government and JETRO will work closely with local governments to lure foreign businesses on such occasions as sales promotion conducted by local government heads. [JETRO (government offices concerned)]

- B-11: The government will continue to respond appropriately to prior inquiries regarding conditions for deferred taxation for restructuring (including reverse triangular mergers) for improved transparency. It will also publish inquiries and answers to them that may enhance predictability in a FAQ format. [MOF]
- B-12: The government will put together an interim draft proposal for amending the Civil Code by the beginning of 2013 in order to develop contract rules that are highly transparent compared to global standards given deepening globalization of the economy. [Ministry of Justice or MOJ]
- B-13: The government will introduce a system of offering preferential treatment in immigration control for highly-skilled foreign professionals utilizing the points-based system to encourage the inflow of such people. [MOJ (Ministry of Health, Labour and Welfare or MHLW, METI)]
- B-14: The government will study immigration procedures that allow for speedy, smooth but rigorous immigration screening with input offered by organizations and local governments concerned at meetings of the Council on Immigration Control Administration in the Era of 25 million Visitors from abroad, a private panel of the Minister of Justice. It will take related measures as they become practical. [MOJ]
- B-15: The government will develop a technical information network linking with the government offices concerned as part of efforts to create an environment that allows efficient acceptance of foreign nationals through more rigorous and streamlined visa screening (strengthening the framework for visa examination) as late as next fiscal year. [MOFA]
- B-16: The government will continue to expand the framework of “Open Skies” involving metropolitan airports to include other Asian countries and other regions so as to further enhance the international airline network. [MLIT (MOFA)]
- B-17: The government will promote high-level economic partnerships in a strategic and multifaceted manner based on the Basic Policy on Comprehensive Economic Partnerships. [MOFA, METI, MOF, Ministry of Agriculture, Forestry and Fisheries or MAFF (government offices concerned)]
- B-18: The government will continue to forge ahead with the Action Program for Speeding Up Approval Review of Medical Devices, which was formulated in FY2008. It will also study ways to review the procedures to approve drugs and medical devices, including defining them more clearly, within this fiscal year and put the outcomes of the review into action as appropriate. [MHLW]

<C: Measures that should be augmented for future implementation>

- C-2: The government will continue work to translate Japanese laws and regulations into

English based on the translation development plan. It will also share best practices in translating administrative procedures, including those concerning permits and licenses, so as to facilitate the activity of foreign businesses. Furthermore, the government will provide foreign language training to employees in charge of procedures for granting permits and licenses for foreign businesses. [all the government offices participating in this conference]

- C-3: The government will continue to promote measures designed to build vibrant and high-quality financial capital markets that are fair, transparent, and open to businesses, both domestic and abroad. [FSA]
- C-4: The Organization for Small & Medium Enterprises and Regional Innovation will study ways to promote investment from foreign capital into limited partnerships for venture capital investment that will contribute to the promotion of domestic venture businesses. [METI]
- C-5: The government will proceed with a discussion at such occasions as “the Council on Promotion of Human Resource for Globalization Development” and work to build a framework for cultivating “global human resources”. [Cabinet Secretariat or CAS (MEXT, MOFA, MHLW, METI)]
- C-6: The government will upgrade the promotion activity overseas to invite more visitors to Japan and improve the environment for accepting them with the eventual goal of increasing their number to 30 million. At the same time, the government will conduct more effective promotion and marketing for MICE – which leads to the creation of more business opportunities – and thus increase the number of MICE hosted in Japan. [MLIT]

4) The initiative to make the living environment at investment sites more comfortable

<Aim>
This initiative is aimed at creating a better living environment with focus on education, health care and other fundamental services and enhancing the convenience for foreign nationals with a more efficient environment for accepting them.

<A: Measures already completed or underway>

- A-11: The government has been working to internationalize the research environment and accept talented researchers from other countries. Efforts have also been made to allow foreign nationals residing in Japan to adapt smoothly to the living environment in this country, including managing consultative meetings with the government of the countries foreign pupils and students come from and encouraging them to enroll in school as well as promoting Japanese language education. The government has also been making efforts to improve the nation’s hospitality to foreign nationals through, for example, education for international understanding. [MEXT]
- A-12: The government has been working to develop an environment that will enable those foreigners to access to health care without anxiety who visit Japan on business or live in

Japan as well as visit for international exchange in the health care sector. [MHLW]

A-13: The government has been working to develop the framework for better accepting foreign patients at hospitals by, for example, training interpreters in the health care sector. [METI]

<B: Measures officially set for implementation>

B-19: The Liaison Committee among Ministries and Agencies on the Problems Faced by Foreign Workers will follow up on the comprehensive measures for supporting foreign residents and make adjustments to these measures as necessary. [CAS (government offices concerned)]

B-20: The government will implement the measures based on the "Action Plan on Measures for Foreign Residents of Japanese Descent" that was finalized in March this year by the "Council for the Promotion of Measures for Foreign Residents of Japanese descent". It will also make modifications to the Action Plan as necessary. [Cabinet Office or CAO (Government offices concerned)]

B-21: The government will study problems foreign residents face and take necessary measures through International Workshops on Acceptance of Foreign Nationals and Their Integration into Japan and so on. In March 2012, the government will co-organize the International Workshop on Acceptance of Foreign Nationals and Their Integration into Japan for FY2011 with focus on the Great East Japan Earthquake and the Policy on Foreign Nationals. [MOFA]

B-22: The government will take necessary measures to prompt prefectural governments to take a flexible approach within this fiscal year in approving establishment of international schools as miscellaneous school based on the discussions at the Investigation Commission on Approval and Other Matters for the Establishment of Miscellaneous Schools and the Incorporation of Quasi-Educational Institutions of Schools for Foreign Children, which was launched in October this year. [MEXT]

B-23: The government will increase convenience for foreign nationals by such means as extending the maximum period of stay and introducing a special re-entry permit system in accordance with the introduction of a new foreign residence management system, (with the enforcement of the revised Immigration Control Law slated for July 2012). [MOJ]

<C: Measures that should be augmented for future implementation>

C-7: The government will try to promote the internationalization of the research environment in Japan and will consider creating an employment / labor environment and social / living environment attractive to highly-skilled people in light of the progress in the introduction of the points-based system. [MEXT, CAO (MOJ, MHLW, METI)]

5) The initiative to enrich the dissemination of information welcoming investment

<Aim>

This initiative is aimed at clearly indicating Japan's position as a country that welcomes direct investment into the country, with the government demonstrating leadership in conducting public relations showing the attractiveness of Japan as a place to locate a business. Other objectives include eliminating reputational damages, creating a strong impression of safety and security, and striving for an "Open Reconstruction" from the Great East Japan Earthquake.

<A: Measures already completed or underway>

A-14: The government has been appealing the attractiveness of Japan through its diplomatic missions overseas and JETRO's overseas offices and supporting business matching between foreign and domestic businesses. [MOFA, METI, JETRO]

A-15: The government and JETRO has been providing information on the progress of Japan's reconstruction at seminars in Japan and abroad as well as exhibitions overseas. [JETRO (government offices concerned)]

<B: Measures officially set for implementation>

B-24: The government will renew the website of the Office of Foreign Direct Investment Promotion of the Cabinet Office within this fiscal year, improve that of JETRO, and increase mutual links between related webpages of the government offices concerned so as to appeal the attractiveness of Japan in an integrated manner. [CAO, JETRO (government offices concerned)]

B-25: The government will organize a symposium in the provinces at least once a year that is designed to communicate the value of attracting FDI in Japan and thus promote public understanding of foreign investment and M&A. [CAO (METI, JETRO)]

B-26: The government will promote the Program for Promoting Japan as an Asian Business Center and Direct Investment into Japan on such occasions as international conferences and business trips overseas so as to demonstrate – in Japan and abroad – Japan's stance of welcoming FDI into Japan. The government will also make good use of its diplomatic missions overseas and JETRO's overseas offices for sustained promotional activity. [MOFA, METI, JETRO]

B-27: The government will provide accurate information on the post-quake business climate in Japan on such occasions as exhibitions and international conferences abroad to attract FDI in Japan. [METI, JETRO]

B-28: As part of efforts for "open reconstruction," the government will strengthen coordination with China and the Republic of Korea such by accepting reconstruction assistance missions from these countries for reconstruction and tourism promotion.

[MOFA]

B-29: The government will implement the Cool Japan Strategy through such means as attracting businesses to “content” special zones. It will thus attract people, goods, and money from Asia and thus revitalize regional economies while taking advantage of local resources including those for tourism. [METI]

<C: Measures that should be augmented for future implementation>

C-8: The government will make all-out efforts to offer information in English through the websites of government offices concerned and other media so as to facilitate the activity of foreign businesses in Japan. To that end, government offices will share best practices for qualitative and quantitative improvement. [all the government offices participating in this conference]

C-9: The government will proactively disseminate information on reconstruction programs and projects in Japan and abroad as part of efforts to achieve “open reconstruction” from the Great East Japan Earthquake. [Secretariat of the Reconstruction Headquarters]