

# Report on the Expert Group Meeting on Foreign Direct Investment in Japan

April 21, 2014

## Report on the Expert Group Meeting on Foreign Direct Investment in Japan (Summary)

April 2014

### Positioning of the report

- Following the instructions of the prime minister at the meeting of the Council on Economic and Fiscal Policy in January of this year, the Expert Group, under the direction of the Minister of State for Economic and Fiscal Policy, analyzed issues to promote foreign direct investment in Japan while listening to the opinions of foreign companies.
- From February to April of this year, the Expert Group held five meetings to hear the opinions of foreign companies and other parties concerned. Officials from its secretariat visited foreign companies individually to collect their opinions.
- This report analyzes the opinions of these companies and other parties concerned and summarizes the results of analysis in an unvarnished manner.

### Challenges to increase foreign direct investment in Japan

- (1)Low profitability: Challenges include systems and practices peculiar to Japan, lack of human resources that play an active role in the global arena, and corporate governance.
- (2)High costs: Cited as issues on the reverse side of low profitability are business costs, tax burdens, high time and labor costs.

## Specific policies proposed by foreign companies and other parties

- (1) Harmonization with the global systems
  - (a) Tax system  
Reduction of the corporate tax rate, carryover and carryback of retained loss
  - (b) Securing human resources, employment systems, etc.  
Fostering globally competitive human resources, ensuring the flexibility of employment agreements and termination rules, and so forth
  - (c) Corporate governance  
Improvement of the independent external director system, and so forth
  - (d) Corporate merger system  
Greater deferred tax charges for forward triangular mergers
  - (e) International harmonization of regulations and administrative procedures  
Provision by administrative agencies of one-stop services, making English versions of laws and other instruments available, and so forth
- (2) Promotion of economic partnerships, social security treaties, etc.
- (3) Improvement of living conditions  
Promotion of labeling in English and alphabets along with Japanese, increasing the number of medical staff who can speak English, and so forth
- (4) Challenges related to individual business sectors
  - (a) Health care and pharmaceuticals
  - (b) Agriculture
  - (c) Food items
  - (d) Energy
  - (e) Tourism and hotels
  - (f) Retail sales
- (5) Support and preferential measures for foreign direct investment to Japan  
Expansion of the project to promote the location of global corporations in Japan, JETRO's stepped-up efforts to provide one-stop services, and so forth
- (6) Promotion of the appeal of Japan  
Publicity by the prime minister and other ministers of state, cooperation between the national and local governments in publicity, and so forth

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## **1. Introduction**

While the balance of foreign direct investment (FDI) to Japan increased in the 2000s, it peaked out in 2009 and sagged to 3.4% of nominal GDP in 2012, which is an extremely low level compared to the OECD average of approximately 30%.

In the Japan Revitalization Strategy (decided by the Cabinet in June 2013), the government indicates that it “will develop an environment where all companies and human resources enjoy the benefits of the global economy and facilitate full-fledged globalization in Japan in order to attract outstanding overseas manpower and technologies to Japan and to create employment and innovation” and states that it “will also aim to double inward FDI stocks to 35 trillion yen in 2020 (17.8 trillion yen at the end of 2012)”.

It is against this background that in January 2014, Prime Minister Abe ordered in the Council on Economic and Fiscal Policy the establishment of an agenda targeting promotion of foreign direct investment in Japan under the supervision of the Minister of State for Economic and Fiscal Policy, considering the opinions of foreign companies. To this end the Expert Group Meeting on Foreign Direct Investment in Japan (hereinafter, the “Expert Group Meeting”) was organized. The Expert Group Meeting held five sessions during the period between February and April 2014, and, in addition to presentations by members, organized hearings from plural foreign companies, etc. Its secretariat also visited foreign companies individually to hear their views.

In this report, such views are sorted and compiled in an unvarnished manner. Challenges and concrete policy recommendations presented in this report reflect frank opinions of foreign companies which seek business opportunities in Japan.

The expansion of foreign direct investment into Japan is a very important issue which will lead to a reinforced growth dynamic of Japan’s economy, and if careful attention is not given to the opinions of foreign companies, Japan would simply be removed from the choices of investments with their investments directed to other countries. With these and other arguments in mind, the government should give positive consideration to the opinions of foreign companies. It is strongly desired that the challenges and proposals analyzed in this report be further discussed and that many of the outcomes of such discussions be realized in the near future.

## **2. Challenges in Increasing Foreign Direct Investment in Japan**

In the Expert Group Meeting, as factors which lead to a positive evaluation of Japan as an attractive destination for foreign investment, such points were listed as 1) Japan's large-scale market; 2) excellent technologies of Japanese companies; (iii) skillful and experienced manpower; (iv) its potential as a leading country for challenges such as the issue of super-aging societies; (v) safety and convenient infrastructure; and (vi) its low capital cost.

On the other hand, problems pointed out by foreign companies, etc. are largely summarized into two categories: (1) issues related to low profitability and (2) those related to high costs, which are inextricably associated with the first category.

### **(1) Low Profitability**

The level of return on equity (ROE) of Japanese companies is generally lower than that of European and US companies. The primary purpose for enterprises to make investments lies in the pursuit of profits, and for business managers making investment decisions, the rate of return that they can expect in the market is extremely important. It is thus necessary to improve the environment so that companies can realize higher productivity and improve the return rate in Japan.

#### **1) Systems and Practices Peculiar to Japan, etc.**

As problems behind the low profitability in Japan, foreign companies, etc. pointed out the following challenges related to the systems and practices peculiar to Japan, etc.

First, various regulations restrict corporate activities in Japan. These regulations sometimes require foreign companies to meet Japan's unique standards, and in addition, there are cases in which the regulations introduced in the past have become out of date.

Second, Japan's labor market has a low fluidity and M&A activities in the country are sluggish owing to a sense of caution against M&A. As a result of this limited fluidity of production factors such as the labor force or capital, the Japanese market lacks dynamism, resulting in excessive competition where a number of companies with small shares compete against each other.

Third, the Japanese market is said to be closed against foreign companies as it has unique trade practices, and Japanese companies tend to feel uncomfortable at the prospect of forming an alliance with, and becoming a subsidiary of, a foreign-owned corporation. As a result, change or innovation is often impeded in the Japanese market.

Fourth, the wage system in Japan does not necessarily reflect the labor productivity and the high-risk-high-return contingency fee system is not common, either. As just described, the environment in which motivated and capable human resources can fully demonstrate their ability is not sufficiently developed in Japan.

#### **2) Lack in Globally Competitive Human Resources**

In order for foreign companies to achieve high earnings in Japan, it is essential to secure qualified human resources locally. Some foreign enterprises stated that they would be able to survive in Japan despite the high wage level if they could secure excellent human resources and realize high efficiency.

However, many foreign companies feel that it is difficult for them to secure excellent human resources as Japan lacks globally competitive human resources, particularly those with sufficient English skills.

As the reasons for this, they pointed out the following:

First, the country lacks fluidity in human resources. Since a system of allowing workers to enhance their career by changing jobs is not widely established in Japan, it is difficult for foreign companies newly entering the Japanese market to secure experienced workers.

Second, Japanese young people are becoming increasingly inward-looking. The number of Japanese students studying at first-rate overseas universities is lower than that of their Chinese and South Korean counterparts. In addition, some foreign companies operating in Japan pointed out that even if they try to send young Japanese employees to the company's home country for a certain period of time so that they develop a cosmopolitan sensibility, they tend to dislike going abroad.

Third, women's participation in society is still limited. Some foreign companies mentioned that they wanted to hire more Japanese women.

### **3) Corporate Governance**

In order to improve the rate of return, it is important to appropriately pursue a shareholder profit. It was pointed out that Japanese-style corporate governance, in which enterprises comprehensively consider the positions of various stakeholders, such as employees and business counterparts, lacks transparency compared to those in foreign companies, which reflect the position of shareholders more directly. Such corporate governance contributes to the lower return rates of enterprises.

## **(2) High Costs**

Another challenge which is inextricably linked to low profitability is the issue of high costs.

In their site selections, global companies tend to select a low-cost country if other conditions are equal. Some pointed out that to make investments in Japan, there must be something which cannot be achieved in countries other than Japan despite its high costs.

### **1) Business Costs**

The following points were pointed out in terms of business costs.

Businesses in Japan take on high costs in various areas, including energy costs, distribution costs arising from a complex distribution system, costs required to meet safety or quality standards, and costs related to personnel and offices.

Foreign companies pointed out that even when products are manufactured in the same production line for all other markets around the world, they are obliged to have a separate production line for the Japanese market in order to meet the quality standards which are unique to Japan. They also indicated that in particular, the wages that foreign companies need to pay to hire human resources with English skills is extremely high in Japan compared to other countries.



In addition, in some markets, such as those for agricultural products, access to the market is limited, and prices are fixed. As a result, material prices are high, and it works as a factor preventing relevant foreign companies from entering the market.

## **2) Costs Related to the Taxation System**

In terms of costs related to the taxation system, the following points were raised.

The corporation tax rate in Japan remains high compared to other developed countries except the United States. In particular, the Japanese rate is remarkably higher compared to Asian countries which are geographically close to Japan. The country is thus unfavorable in terms of the taxation system in regard to site selections by global companies. As to the carry-over system of losses, while businesses are allowed to add up losses for nine years under the current Japanese system, European and American countries allow businesses to carry over losses for 20 years or for an indefinite period. Therefore, the relative shortness of the Japanese carry-over period was pointed out.

## **3) Costs Related to Time and Effort**

In addition to monetary costs, which directly affect the amount paid in a transaction, the following issues were pointed out in relation to hidden costs in terms of the time and effort required for doing business in Japan.

First, the administrative procedure required for a business start-up is inefficient owing to the large volume of paperwork to be submitted and the absence of one-stop services. Likewise, companies are required to clear various requirements under regulations, etc. and screening and other processes by the government take a long time. Some mentioned that they were extremely welcomed initially when they contacted the government regarding the possibility of making a new investment, but when they tried to proceed to discussions at a practical level, they could not advance the discussions easily owing to various restrictions or rules. Such time and effort needed to do business in Japan is a huge burden for foreign companies which are not familiar with such procedures.

Second, in terms of the tax payment procedure, it is not limited to the declaration of corporate income tax but also involves various other paperwork, such as tax withholding or year-end adjustments of income tax payment of employees. Research shows that the related paperwork in Japan takes longer than in other countries because, for example, relevant processes are not fully computerized/standardized in Japan.

Third, within a company, decision-making may take a long time owing to the complex relationship among stakeholders, etc. Foreign companies also consider such practices as costs when they consider going into business together with a Japanese company.

Fourth, apart from administrative procedures, the Japanese language barrier is considered as a hidden cost in various situations in business and daily life.

### **3. Concrete Policy Recommendations by Foreign Companies, etc.**

As concrete policy recommendations to promote foreign direct investment to Japan, foreign companies, etc. presented the following feedback. The government needs to give more consideration to these points, closely examining the details, etc. of the current system.

#### **(1) Harmonization with the Global System**

With regards to differences between the Japanese system and the global system, many comments were received from foreign companies, etc. regarding the need for harmonization. Among such comments, cross-sectoral points are as follows. (Comments related to individual sectors are listed in (4)).

##### **1) Tax System**

Concerning the tax system, many pointed out that the corporation tax rate is an extremely important consideration in investment decisions by foreign companies, and that it is important to reduce tax burdens, particularly the effective tax rate which remains at a higher level compared to other countries.

##### **i) Reduction of the Corporation Tax Rate, etc.**

- Japan should reduce the effective tax rate for corporate income tax (currently at about 35%). With regards to its level, while it is difficult to clearly determine the level which would be deemed sufficient, it is important to introduce a level which is not inferior to other major countries, including neighboring Asian nations (about 25% in China and South Korea and 17% in Singapore).
- In case Japan chooses not to reduce the tax rate, it should allow the inclusion of dividends in deductible expenses as a measure which brings about a substantive reduction effect of the corporate income tax.

##### **ii) Carryover and Carryback of Retained Losses**

- Regarding the carry-over period of retained losses of the corporate income tax, which is currently set to 9 years, Japan should extend it to an indefinite period or approximately 20 years as in other major countries.
- It should also allow the carryback of retained losses (It is a system which allows businesses which fell into the red in that business year to receive a refund of its corporate income tax paid for the previous year, summing up with the profits in the previous year).

##### **iii) Simplification of Tax Declaration Procedures**

- With regards to the declaration procedure for corporate income tax that companies need to go through and the income tax of employees withheld at source, etc., Japan should simplify declaration procedures, which are said to take a longer time compared to other major countries, by making e-file services more convenient or other means.

##### **iv) Reduction of Burden of Individual Income Tax**

- The maximum tax rate for individual income (currently at 50%, including the local tax rate) in Japan, which remains higher compared to other Asian countries with which Japan competes, should be reduced. (It is 20% in Singapore, for example.)
- As foreign citizens are required to declare their overseas incomes in Japan if their residency in Japan exceeds five years, many of them return to their home country within five years. The country should also amend such restrictions.

**v) Treatment of the PE (Permanent Establishment) Taxation**

- Non-resident investors who invest in investment funds established as an investment partnership in Japan may be taxed in Japan when they are considered as being engaged in a joint business with the general partner in Japan and having a permanent establishment (PE) in Japan. While a reform measure was taken to avoid this problem in revision of the tax system in fiscal 2009, it has remained under-utilized mostly because the requirements for its application were unclear in many respects, and the problem remains unsolved. Japan should thus reform the system more comprehensively to make it clear that non-residents shall not be subject to the taxation.

**vi) Promotion of Long-term Investments**

- In order to promote long-term investments, including inward direct investments, Japan should take measures such as increasing the rate of tax on short-term investments while reducing the tax related to long-term investments in the capital gain taxation.

**2) Securing Human Resources, Employment System, etc.**

Foreign companies and related entities provided considerable feedback regarding problems related to the difficulty in securing human resources in Japan, the employment system and labor market. The following are concrete suggestions regarding these points.

**i) Fostering Globally Competitive Human Resources, etc.**

- It is necessary to foster Japanese human resources who are capable of responding to the needs of global businesses, and for that purpose, Japan needs to focus on education fostering human resources with English skills, analytical abilities and communication skills. As a part of such efforts, the country should expand subsidy programs, etc. to support corporate executives or youth who wish to study or participate in internship programs abroad.
- So that students who studied abroad can obtain jobs appropriate for their abilities, it should be made possible for companies to recruit year around students who graduated from universities.
- In order to receive an educational corporation license, foreign universities wishing to provide education in Japan from a global perspective are required to meet strict criteria regarding their capital or assets and the predictability of the time needed for the recognition procedure is low. The country should resolve these issues and make it easier to establish foreign national schools.

**ii) Ensuring the Flexibility and Transparency in Employment Agreement and Termination Rules**

- Japan should clarify the requirements for cases in which employers (business owners) lay off employees for unavoidable reasons.
- For the cases of dismissal without sufficiently legitimate reasons, it should introduce a monetary compensation system which replaces the current system, which allows dismissed employees to return to the job.

**iii) Easing of Regulations Regarding Dispatched Workers, etc.**

- Japan should relax regulations regarding dispatched workers, such as by exempting small-and-medium-sized businesses employing dispatched workers from the regulation regarding the dispatching period, etc.
- It should also establish a tax incentive for host companies which directly employ the dispatched workers.

**iv) Hosting Overseas Personnel**

- Some projects such as plant constructions may require hundreds of workers. As it will be impossible to secure such a large number of workers in Japan, the country should introduce a system which offers greater flexibility in receiving overseas personal so that companies can employ overseas workers for a fixed time, on the premise that such workers leave Japan upon completion of relevant projects.
- When personnel with expertise are dispatched from a home country to Japan, it is likely that their spouse also has a profession. In that case, if the spouse is not able to work in Japan, he or she may decide not to take the position in Japan as the spouse may not find a suitable job in Japan, preventing the couple from coming to Japan together. In order to prevent such a problem, along with the residence status for intra-company transferees, Japan should allow their spouses to easily obtain a residence status that permits employment.

**v) Others**

- The Japanese labor law system does not correspond fully to various working styles such as telecommuting or working flexible hours. It should promote diversity in working styles in order to increase the fluidity of those with potential capacity.
- In terms of the issue of shortfalls in human resources and facilities for childcare or nursing care, Japan should improve flexibility regarding the employment of human resources for household labor or nursing care support to increase the employment ratio of women.

**3) Corporate Governance**

With regards to the corporate governance, concrete recommendations from foreign companies and others are as follows. It has been pointed out that if such changes are brought about, corporate governance in Japan will be equivalent to that in major countries' economy and the trust from investors vis-à-vis the Japanese market will improve.

- At least one third of directors should be independent outside board members. And also, it should be clarified which board members are such independent outside board members.
- The Companies Act should define "independent outside board member" so that Japan's independent outside board member system follows the global best practices.
- The corporate policy regarding the training of board members should be disclosed.

**4) Corporate Merger System**

With regard to the system for corporate mergers, it has been improved through a reform in 2007, which allowed forward triangular mergers. However, it has been pointed out that the system will be all the easier to utilize if further improvements are made on the following points.

- In a forward triangular merger, when shareholders of the resolving company receive shares of the parent corporation of the continuing company, if the continuing company has not been engaged in business in Japan, capital gains arisen from such shares will be taxed. Deferred tax charges should be allowed for such taxation.

**5) International Harmonization of Various Regulations and Administrative Procedures**

Many of the regulations in Japan are stricter than those in foreign countries. In addition, administrative procedures are complicated. There were comments that Japan should

harmonize these regulations and procedures with international standards. In addition to the points listed below, concrete suggestions include those listed in (4) Challenges Related to Individual Business Sectors.

- The processes for approvals and licenses, etc. take an extremely long time. It takes a certain amount of time to clear the examination by an administrative section and takes time again when proceeding to the next stage. Various sections are involved in a process and a final conclusion cannot be made unless a consensus is reached among these sections. Japan should thus enhance interdepartmental functions in the administration and create systems allowing speedy assessments, by establishing one-stop services and giving them certain authority for decision-making.
- While promoting the translation of laws and various documents, Japan should let administrative offices receive applications in English. Likewise, in terms of inspections or certifications of products, the number of inspection or testing agencies accepting e-mail communications or issuing test reports in English is very limited. Japan is behind even China in this regard and it should promote such services in English.
- With regard to the interpretation of laws, Japan should create a system to respond to inquiries in writing (in English), so that foreign companies do not need to repeat discussions every time the person-in-charge changes.
- The country should relax the criteria for residency of corporate representatives in Japan at the time of incorporation.

## **(2) Promotion of Economic Partnership Agreements, Social Security Treaties, Tax Treaties, etc.**

From the perspective that economic partnerships pursued by governments, etc. are important for investment decisions by companies, the following opinions were raised.

- Japan should promptly conclude major economic partnership agreement negotiations such as the TPP, EPA with the EU, and RCEP.
- The country should promote conclusion of bilateral social security agreements, so that foreigners working in Japan do not need to bear the double burden of social security premiums (such as pension premiums).
- Know-how in some manufacturing technologies is classified as confidential information from a security perspective, and such information is often untransferable to foreign companies. As it poses an obstacle for joint developments with foreign companies, Japan should promote conclusions of intergovernmental agreements which enable such information transfer.

## **(3) Improvement of Living Conditions**

With regards to the improvement of living conditions for foreigners entering the country in connection with foreign direct investments to Japan, the following opinions were received.

- Japan should promote labeling in English and alphabets along with Japanese for domestic products.
- The country should increase the number of medical staff who can speak English.
- Japan should provide more opportunities of education and a better educational environment for the children of foreign citizens posted to Japan.

#### **(4) Challenges Related to Individual Business Sectors**

Among concrete policy recommendations, those provided as opinions regarding individual business sectors are as follows.

##### **1) Health-care and Pharmaceutical Sectors**

- Japan should work on regulatory reforms concerning home and remote medical care, and in addition, proper reflection of services in medical treatment fees should be made.
- With regards to large quantities of medical data, the usability of data will be limited if personal information is overly protected. Japan should clarify the rules for personal information protection so that such big data can be fully utilized while protecting the privacy of patients.
- In order to realize open innovations in drug development, Japan should promote PPPs (public-private partnerships) and improve systems for cooperation between government, industry and academia, including universities, hospitals and small-scale biotech companies.
- Doctors are allowed to prescribe new drugs only for two weeks per prescription during one year from their release and it poses a significant burden on patients and doctors. Thus, this regulation should be relaxed.
- While the period required for the approval of new drugs already used in other countries (“drug lag”) has been significantly reduced, from around 2 to 3 years to around 12 months, it should be shortened further.
- In EPA negotiations, Japan should agree to introduce mutual authentications of drugs and vaccines, as well as standardized guidelines so that companies do not need to conduct the same tests redundantly.
- For the approval of quasi-drugs in Japan, companies are required to submit data which is not required in other countries. In this regard, Japan should promote the harmonization of systems with major countries.

##### **2) Agricultural (Dairy) Sector**

- Japan should enhance the degree of freedom for producers (farmers, etc.) selling products, by allowing dairy farmers, in real terms, to freely select an agricultural cooperative or business operator and to determine a price through individual negotiations.
- The country should advance the improvement of systems for the export of dairy products from Japan. Specifically, the following measures are suggested.
  - Relaxation of conditions for the market access by foreign companies through application of Special Zone systems.
  - Support for the establishment of joint ventures or consortiums including foreign companies.
  - Development of infrastructure with a view to establishing factories for export.
  - Further simplification of export processes.
- Japan should promote a sustainable development of future business successors, for example, by facilitating corporatization of the dairy sector.
- The country should seek to improve production efficiency and reduce costs, for example, by promoting technological exchanges with developed countries in the dairy sector.
- Despite land limitations, the country should shift to a dairy husbandry centering on low-cost grazing to the greatest extent possible.
- The fluidization of land should be increased so that large tracts of land can be purchased.

##### **3) Food Items, etc.**

- Best-before dates for foods are determined by industry organizations, but the periods set are shorter than those in other countries, even for the same products of the same quality,

production method and test results. (For example, the best-before date for yogurt in Europe is 39th day after production, but that in Japan is 27th.) Japan should correct this situation while gaining the understanding of consumers and improve the efficiency of the food supply chain.

- Foods containing additives whose safety has been recognized by the World Health Organization (WHO) or the Food and Agriculture Organization of the United Nations (FAO) may not be approved under the Japanese standards. Such regulations should be harmonized with international standards.

#### **4) Energy**

- Japan should determine numerical targets and time frames related to the nation's energy mix in the Basic Energy Plan at an early date. In doing so, the country should set transparent and sustainable numerical values which help investment decisions.
- The environmental impact assessment for wind-power generation projects currently takes 3 to 4 years in Japan. It should be reduced to approximately 18 months as in other countries.

#### **5) Tourism and Hotels**

- Japan should develop foreign-tourist-friendly infrastructures, through multilingual traffic signals or multilingual labeling of various devices and systems, etc.
- The country should increase the number of Wi-Fi access points and allow international roaming of overseas cellphones.
- In Okinawa, which is expected to be designated as a National Strategic Special Zone, Japan should loosen regulations to enhance entertainment facilities and attractions, including casinos, and to promote the development and improvement of tourism resources where tourists can also enjoy entertainment during the night.

#### **6) Retail sales**

- In selling products in Japan, foreign companies are sometimes required to label them according to Japan's unique standards. There are also regulations unique to Japan with respect to safety and other product attributes. These labeling and safety standards should be harmonized with those of other countries. Since certification-related processes are complicated and time-consuming, they should be simplified mainly by promoting mutual certification with other countries.
- If newcomers attempt to purchase land for large retail stores, there are restrictions on changes of land use categories, and in addition, even if they can purchase land, it takes a long time before they obtain approval for such purchase. Japan should relax regulations in order to facilitate land acquisitions and improve the way regulations are applied.

### **(5) Support and Preferential Measures for Foreign Direct Investment to Japan**

With regards to support and preferential measures for foreign direct investments to Japan provided by the government, JETRO or local governments, the following comments were made.

- Japan should not limit the targets of preferential measures under The Subsidy Program for Projects Promoting Foreign Direct Investment, Site Location and Regional Development in Japan (Project of site location for global companies), to regional supervision bases and R&D facilities, but should expand it to include companies launching an office or facility in Japan for the first time.

- For the application for the subsidy program, a sufficient application period should be assured.
- As further efforts by JETRO, the following measures should be reinforced.
  - Development of one-stop services in a real sense, which are not limited to centralized counseling/supporting functions related to administrative procedures, but where people can deal with all administrative procedures in a centralized place.
  - Promotion of provision of detailed information related to legal regulations.
  - Promotion of the access of foreign investors to Japanese companies (particularly small-to-medium-sized companies) in need of new capital or a new market.
  - Fund-raising support by Japanese banks.

**(6) Promoting the Appeal of Japan.**

Appealing aspects of Japan are not sufficiently understood in other countries. It has been pointed out that Japan should actively publicize its appeal through measures as listed below.

- The excellent business environment in Japan should be more actively publicized by top-level personnel, such as the prime minister and other ministers. The government should clearly state that Japan cordially welcomes foreign direct investment in the country.
- Local governments such as prefectures and municipalities are individually conducting public relations (PR) activities through their overseas offices, etc. However, in order to achieve further results, the government should lead PR activities abroad using its network.
- From a perspective of stepping up PR activities in Japan and abroad, statistics on inward foreign direct investments (sales by foreign companies, import and export figures, and R&D expenditures, etc.) should be enhanced as basic information.



#### **4. Future Promotion Schemes**

It is desired that policy challenges presented in this report be positively discussed in relevant ministries and meetings of the government. Under the ministerial-level Council for Promotion of Foreign Direct Investment to Japan (hereinafter, the “Council”), which will be convened under the leadership of the Minister of State for Economic and Fiscal Policy, the government should gather information on the status of discussions at relevant ministries and meetings of the government, and promote efforts as the whole government.

Likewise, it is important to actively promote projects of foreign direct investment to Japan around the world through diplomatic missions abroad and JETRO while working with enthusiastic local governments, and to improve the system in which the Japanese government consults foreign companies’ managers on a regular basis. The Council is expected to function as the headquarters for the promotion of projects while receiving periodical activity reports from diplomatic missions abroad and JETRO and allow relevant ministers themselves to listen to the opinions of foreign companies directly.

Through such efforts, it is expected that the environment to host foreign companies will be steadily improved and foreign direct investment to Japan will be expanded.

## List of members of the Expert Group Meeting on Foreign Direct Investment in Japan

### [Members]

Sakie Akiyama      CEO and Founder of Saki Corporation  
(Member of the Industrial Competitiveness Council)

Hiroyuki Ishige      Chairman and CEO of the Japan External Trade  
Organization

(Chairman)      Shujiro Urata      Professor, Graduate School of Asia-Pacific Studies,  
Waseda University

Sadakazu Osaki      Head of Research, Center for Strategic Management and  
Innovation, Nomura Research Institute, Ltd.  
(Member of the Council for Regulatory Reform)

Masayuki Oku      Chairman of the Board, Sumitomo Mitsui Financial Group

Norio Sasaki      Vice chairman of the Board, Toshiba Corporation  
(Member of the Council on Economic and Fiscal Policy)

Fumiko Hayashi      Mayor of Yokohama

### [Observers]

Jay Ponazecki      President of the American Chamber of Commerce in Japan

Danny Risberg      Chairman of the European Business Council in Japan

(The meeting consists of nine members as listed above)  
(Titles are omitted; official positions are as of February 19, 2014)

## Record of meetings of the Expert Group on Foreign Direct Investment in Japan

### **First meeting (February 27)**

- Present condition of foreign direct investment in Japan and initiatives for its promotion(briefing by the Cabinet Office)
- Initiatives by JETRO and the City of Yokohama
- Presentation by the American Chamber of Commerce in Japan (ACCJ)
- Presentation by the European Business Council (EBC) in Japan
- Hearing with a guest speaker (Mr. V. Sriram, Head of Japan Business, Infosys Ltd.)

### **Second meeting (March 5)**

- Hearings with guest speakers:
  - (a) Dr.-Ing Heinrich Hiesinger, CEO, ThyssenKrupp AG
  - (b) Mr. Shigeru Shiina, CEO, PricewaterhouseCoopers Co., Ltd.
  - (c) Mr. George Zarifi, Representative Director & President, Danone Japan Co., Ltd.

### **Third meeting (March 17)**

- Hearings with guest speakers:
  - (a) Mr. John G. Rice, Vice Chairman, General Electric Company
  - (b) Mr. Jez Moulding, Representative Director & President, Sanofi K.K. and Chairman of the European Federation of Pharmaceutical Industries and Associations, Japan
  - (c) Mr. Yasuhiro Saito, Representative Director & President, Fonterra Japan Co., Ltd.
  - (d) Mr. Arthur Ozeki, Representative, MacQuarie Capital Securities (Japan) Ltd.

### **Fourth meeting (April 3)**

- Hearings with the following guest speakers:
  - (a) Mr. Scott Callon, Partner and CEO, Ichigo Asset Management, Ltd.
  - (b) Mr. Peter List, Representative Director & President, IKEA Japan K.K.
  - (c) Mr. Ryuichi Terada, Director, Okinawa Kin Resort Ltd.
- Hearings with the secretariat
- The Interim Summary

### **Fifth meeting (April 15)**

- Draft report

