

**Policy Package for Promoting Foreign Direct Investment into Japan
to Make Japan a Global Hub**

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Adopted by the Council for Promotion of Foreign Direct Investment in Japan

The Abe administration has been pushing forward its economic policy of implementing the “three arrows,” namely, aggressive monetary policy, flexible fiscal policy, and growth strategy that motivates private sector investment, which is beginning to generate a steady virtuous cycle for the economy. In particular, this growth strategy has helped prepare a better business environment for foreign companies by, for example, cutting down effective corporate tax rates to the 20-30% range, fundamentally reinforcing corporate governance, and executing reforms in bedrock regulations in areas such as agriculture, regenerative medicine, and energy. Partly as a result of these measures, Japan’s rating as an investment destination by foreign companies has improved, leading to an increase in foreign direct investment (FDI).

Against this backdrop, 12 countries in the Asian Pacific region including Japan have reached an agreement on the Trans-Pacific Partnership (TPP). Going forward, when the TPP is enforced, tariffs imposed on a wide range of goods will be significantly reduced, domestic markets will open to entrants from outside, and FDI will be appropriately protected in the participating countries. Mid-tier enterprises and small and medium-sized enterprises (SMEs), which have hesitated to advance into global markets, are expected to have increased opportunities to undertake business overseas, including through exports. In addition, it is also believed that the TPP will stimulate trade and investment in countries other than TPP signatories, prompting the restructuring of global value chains. Given these circumstances, some domestic companies that had previously shifted their production bases abroad are moving their bases back into Japan to capitalize on the advantages of being located within the TPP region. Their moves are also anticipated to make their suppliers and partners more interested in investing in Japan.

With the aim of leveraging such effects of TPP to revitalize the Japanese economy, the government adopted the Comprehensive TPP-related Policy Framework in November 2015. Under this framework, a policy to make Japan a global hub for trade and investment is upheld, for which it is crucial to further promote foreign investment in Japan and disseminate the effect to regional areas as well as mid-tier enterprises and SMEs.

Toward the goal of turning Japan into a global hub, the Japanese government will implement

the following measures to further encourage FDI in Japan.

1. Measures to attract foreign companies by leveraging Japan's strengths

For Japan to be chosen as a destination of investment by foreign companies, it is crucial to extensively publicize the marked improvement in the country's business environment and other beneficial factors it can offer, including its R&D capacity. It is also necessary to provide finely-tuned support to foreign companies seriously seeking to invest in Japan. At the same time, focus should also be placed on widely conveying across the nation, including in regional areas, the message that advancement of foreign companies into Japan will create new business and employment opportunities and promote proliferation of new technologies, human resources and know-how.

Furthermore, mid-tier enterprises and SMEs that have rarely come into contact with overseas markets will acquire opportunities to enhance their growth capacity by obtaining new sales channels and strengthening technological expertise through partnering with foreign companies. TPP is thus anticipated to promote globalization of Japanese mid-tier enterprises and SMEs, allowing their distinguished technological expertise to become widely known throughout the world, and also raise interest in Japan among foreign companies. It is important to capitalize on these opportunities to promote partnerships between foreign companies and mid-tier enterprises and SMEs in Japan.

- (1) Communication and information dissemination
 - (i) Strengthening PR overseas
 - Advertisements will be posted in five or more leading media sources outside of Japan by the end of fiscal 2016 to publicize the improvements made in Japan's business environment.
 - The Japan External Trade Organization (JETRO) will host around 50 seminars by the end of fiscal 2016, including top-level sales by key government figures to attract FDIs.
 - Communication and information dissemination will be strengthened by utilizing the Contact Point for Promotion of Foreign Direct Investment in Japan, which was established on Japan's 126 diplomatic missions abroad and started the operation in April 2016.
 - (ii) Promoting understanding among SMEs in Japan
 - Successful case examples of investment partnerships between foreign companies and Japanese SMEs will be compiled for communication to help Japanese SMEs understand the significance of forming alliances with foreign companies. In

addition, around five symposium events themed on FDI in Japan will be held in Japan by the end of fiscal 2016 to provide foreign companies and Japanese mid-tier enterprises and SMEs with opportunities to form partnerships and engage in exchange.

(2) Supporting matching between foreign companies and SMEs

- JETRO and SME-support organizations such as the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support, JAPAN) collaborate to help foreign companies and Japanese mid-tier enterprises and SMEs form partnerships under an initiative named the Promotion Scheme for Global Alliances launched in September 2015. The scheme will be reinforced through the following measures.

(a) Strengthening the collaboration between JETRO and regional financial institutions, etc.

With the aim of identifying Japanese mid-tier enterprises and SMEs seeking to collaborate with foreign companies, collaboration between JETRO and regional financial institutions, etc. that understand the needs of local mid-tier enterprises and SMEs will be strengthened through the following initiatives, among others.

- ◇ Leveraging its 43 regional offices, JETRO will collaborate with regional financial institutions, etc. to newly host seminars aiming to encourage partnerships between foreign companies and Japanese mid-tier enterprises and SMEs.

- ◇ In collaborating with regional financial institutions, etc., JETRO will make use of its existing contact points, including the new exporting power Consortium established in February 2016.

(b) Utilizing J-GoodTech

J-GoodTech, a website run by “SME Support, JAPAN” with the aim of introducing distinguished technologies from domestic SMEs and matching them up with large companies, will be improved in the following ways to expand use by foreign companies.

- ◇ Facilitate registration of foreign companies recommended by overseas organizations that have concluded MOUs with “SME Support, JAPAN,” and also allow registration of foreign companies supported by JETRO.

- ◇ With the aim of encouraging information sharing among registered

companies, develop new system functions by the end of fiscal 2016 to enable foreign companies to browse through information posted by Japanese companies and make suggestions in response.

In addition, communication will be executed by utilizing business negotiation sessions which are hosted by JETRO and “SME Support, JAPAN”, and through Japan’s diplomatic missions abroad, in order to encourage partnerships between foreign companies and Japanese SMEs through the application of J-GoodTech.

(3) Promotion of investment in Japan, including regional areas

- JETRO will host ten training sessions for local government officials by the end of fiscal 2016 to enhance their know-how on inviting foreign companies to invest in Japan. Measures taken by other countries to promote inward FDI will be introduced in the program.
- Local governments will be encouraged to implement initiatives to strategically entice FDI, disseminate information, and provide foreign companies with follow-up support after their advancement into Japan, etc. by utilizing regional vitalization grants.
- Toward the goal of creating global value chain hubs in Japan, JETRO’s system will be strengthened and its sales and support capacity for individual projects will be reinforced, for example, in terms of approaches to prospective foreign companies and proposing business models, in order to encourage the establishment of R&D bases and regional headquarters by foreign companies. (The target will be set at attracting 15 or more Specified Target Company.)
- For the purpose of encouraging the establishment of R&D centers for highly promising fields of investment in Japan (IoT and regenerative medicine), subsidies will be granted to partially cover the expenses incurred by foreign companies for establishing R&D centers, conducting experimental studies, and undertaking feasibility research in collaboration with Japanese companies, universities, and research institutes, etc. Whether support should be strengthened in light of the support status, among other factors, will be examined.

2. Measures to resolve issues hindering the foreign companies’ entrances into Japan

While improvement has been observed in Japan’s rating as an investment destination by foreign companies, various issues that hinder investment in Japan are still being pointed out, such as the complexity of regulations and administrative procedures, difficulty in securing globally

competitive human resources, and the inconvenience experienced in daily living, including language barriers.

As part of the government's measures to address these issues, the Council for Promotion of Foreign Direct Investment in Japan adopted the Five Promises for Attracting Foreign Business to Japan in March 2015. In addition to proceeding with the initiatives upheld in the Five Promises, the following initiatives will also be launched.

- (1) Improvements in regulations and administrative procedures
 - (i) Simplify regulations and administrative procedures
 - For the purpose of fundamentally simplifying regulations and administrative procedures associated with FDI in Japan, the Council for Promotion of Foreign Direct Investment in Japan will discuss and draw conclusions within one year as to how regulations and administrative procedures that are deemed too complex for foreign companies can be reviewed and simplified. Matters on which conclusions can be reached early on will be addressed ahead of others by deciding on concrete measures by the end of this year and promptly implementing them.
 - (ii) Expand translations of Japanese laws and regulations into foreign languages
 - In 2006, the government established a Japanese law and regulations translation scheme, under which translations of a total of 508 laws and regulations, including Civil Code, Commercial Code, and laws pertaining to finance, taxation and intellectual property were published by the end of fiscal 2015. Going forward, under the leadership of the Liaison Conference of the Relevant Ministries and Agencies for Developing a Foundation for Promoting Translation of Japanese Laws and Regulations into Foreign Languages, a check scheme will be established for translations of laws and regulations, including government ordinances, announcements and notices to maintain high quality, while at the same time, an additional 500 laws and regulations at minimum will be translated into foreign languages and published by fiscal 2020.
 - Furthermore, from the perspective of complementing the government's translations of laws and regulations, JETRO will prepare and post easy-to-understand English explanations on procedures associated with establishment and operation of companies, including application formats, on its English website.
 - (iii) Ensure a one-stop procedure
 - For the purpose of further encouraging both Japanese and foreign nationals to start businesses, the Tokyo One-Stop Business Establishment Center, which opened in

April 2015, will prepare itself to support business starters by launching an electronic application system for six administrative procedures required for launching a business, including company registration, tax affairs and pension administration. In addition, the range of applications accepted over the counter, which is currently limited to those pertaining to immigration control and others, will be expanded to cover all administrations in order to fundamentally enhance the convenience of using the center.

- Furthermore, from the perspective of facilitating immigration procedures for foreign nationals who need to enter Japan to work for business start-ups launched in the country, the center will expand the scope of residence status that can be applied for by adding “engineer / specialist in humanities / international services” to its current lineup comprising “business manager” and “intra-company transferee.” In addition, applications for residence status, which are currently accepted at the center for a period of six months from establishing a corporation, will be accepted over an extended period of time.
- Moreover, to promote usage of the center, services offered there will be closely aligned with the government’s support measures for SMEs and venture businesses. In addition, JETRO’s business establishment consultation service counter, among others, will proactively introduce their clients to the center, and the center will be extensively promoted among prospective business starters in Japan and overseas as well as foreign companies.

(2) Attracting and fostering globally competitive human resources

(i) Highly-skilled foreign professionals

- Necessary measures will be taken as swiftly as possible to establish a “Japanese-version green card” system for highly-skilled foreign professionals. The residence period requirement for highly-skilled foreign professionals to apply for permanent residence permission will be significantly shortened from the current five years, which will make this “green card” one of the most quickly obtainable permanent residence permissions in the world. At the same time, the points-based system for highly-skilled foreign professionals will be reviewed to revise requirements with the aim of making the system more accommodating. The system will also be more widely publicized.
- Requirements for application for permanent residence permission by significant investors and foreign nationals who contribute significantly to Japan in growth areas such as IoT and regenerative medicine will be examined to enable decisions

to be made as swiftly as possible.

- Systems for gathering employment status of foreign nationals will be improved by the end of next year by unifying the description methods of Notification of the Employment Status of Foreign Nationals and Resident Card, and the residency management of foreign nationals will be further examined to pursue appropriateness. Necessary preparations will be undertaken to facilitate and expedite the procedure for residence status applications starting fiscal 2018, including accepting applications online.
- Pursuant to the law amendment in July 2015, an employment project for foreign housekeeping support workers has been authorized to be carried out in the National Strategic Special Zones, including Kanagawa Prefecture and Osaka City, which have been certified to undertake the project. Tokyo and other areas will also implement the project in response to demand.

(ii) Employment support for international students

- The proportion of international students employed in Japan after graduation (with a bachelor's, master's and / or doctoral degree) should be increased to 50% by fiscal year 2020, up from approximately 30% by fiscal year 2013. Toward this goal, the following measures will be taken.
 - The number of courses on Japanese corporate culture, business Japanese language and etc. at universities and other educational institutions will be doubled, and the number of international students who have participated internship programs will be increased. To this end, international students who have completed specified programs certificated by the government, with Japanese language education, Japanese business culture education at universities and internships, with the appropriate involvement of the competitive ministry supervising the programs, will be given preferential treatment, including simplifying the application procedures in acquiring or changing their status of residence with less documentation requirement and less processing time. In addition, support will be provided for universities in developing and implementing such programs starting next fiscal year. At the same time, interview counseling sessions for international students will take place in suburban areas, and internship programs and awareness raising seminars on employment for international students at the Tokyo Employment Service Center for Foreigners will be further improved.
 - In order to encourage the business community to offer more employment and internship opportunities to foreign students. Furthermore Communication

will be strengthened by making use of the Career Support Network for International Students in Japan. Furthermore, job fairs will be held in cooperation with Japan's diplomatic missions abroad, JETRO, the Japan International Cooperation Agency (JICA), and other relevant organizations.

- Under the appropriate involvement of authorities concerned, those who have completed human resources development projects with public funds, including Official Development Assistance (ODA), will be given preferential treatment in acquiring and changing their status of residence.

(iii) Strengthening English language education for Japanese nationals

- The following initiatives will be implemented to ensure that all schoolchildren receive high quality English language instruction within their curriculum and that they have the opportunity to encounter high quality English outside the curriculum as well.
 - Deploy a total of 20,000 or more external human resources including assistant language teachers (ALTs) and those fluent in English at all elementary schools by the 2019 fiscal year.
 - Promote the utilization of external human resources with sufficient English skills at junior and senior high schools, including increasing the number of ALTs, employing special part-time instructors fluent in English, and granting special teaching certificates to eligible instructors.
 - Develop a core curriculum necessary for fostering teachers and reinforce their practical training.
 - Set English achievement goals specifying “what can actually be done in English” by the end of the 2020 fiscal year with the aim of ensuring that students at all junior and senior high schools are equipped with practical English communication skills.

(3) Improvement of the living environment for foreign nationals

(i) Educational support for foreign schoolchildren

- Japanese language support will be made available by 2020 to all elementary and junior high schoolchildren who require it. (It is currently available to approximately 80% of such schoolchildren as of the 2014 fiscal year.)
- Increase the proportion of elementary and junior high schools that introduce the Japanese as a Second Language (JSL) curriculum in areas where a large number of schoolchildren require Japanese language support, with a view to ensuring the Japanese language support under the JSL curriculum in such areas. (Concrete

policy targets will be set based on the results of a survey to be conducted this summer.)

- Promote initiatives such as “Super Global High Schools” where foreign schoolchildren can learn alongside Japanese schoolchildren.
- (ii) Offering procedures associated with daily life in foreign languages
- Increase the number of medical institutions to around 40 in Japan that are equipped with the capabilities to accept foreign patients by the end of fiscal 2016.
 - Relevant authorities will encourage medical institutions, banks, mobile phone operators, and electricity / gas suppliers to provide foreign nationals with easy-to-understand information on bases / contacts that offer services in foreign languages. Such information will be posted on JETRO’s website in an integrated manner by the end of 2016.