

Program to Intensively Attract Foreign Direct Investment in Regional Japan

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

1. Basic Idea

Japan has actively promoted foreign direct investment (FDI) in Japan. The investment environment has steadily improved and FDI volume has increased. However, investments have been concentrated in certain major metropolitan areas such as Tokyo.

Regions throughout Japan possess various regional resources and outstanding labor forces, including unique companies with technical capabilities, distinctive industrial clusters, agricultural, forestry, and fishery products and tourism resources. It is vital to link the strengths of these regions to the sales channels, technologies, human resources, and know-how of foreign companies. Doing so will generate new demand both in Japan and overseas and innovation, raise productivity, create quality employment opportunities, eventually leading to sustained energization of regional economies.

With this awareness, the Council for Promotion of Foreign Direct Investment in Japan decided last year to launch the Support Program for Regional Foreign Direct Investment in Japan (hereinafter, “Support Program”) in order to ascertain the distinctive aspects of each region and strategically attract foreign companies in the most effective manner for each region. In fiscal year 2018, the Ministry of Economy, Trade and Industry and the Japan External Trade Organization (hereinafter, “JETRO”), working with related entities, provided support to 24 local governments¹ for their activities to attract foreign companies, including formulating related strategies.

Some of those local governments have reached the implementation stage of activities to attract foreign companies, including formulating specific strategies to attract foreign companies. Strengthening the Support Program and providing

¹ In October 2018, the Ministry of Economy, Trade and Industry and JETRO decided to support the following 24 local governments: Miyagi Prefecture; Fukushima Prefecture; Ibaraki Prefecture, Chiba Prefecture; Aichi Prefecture; Mie Prefecture; Wakayama Prefecture; Fukuoka Prefecture; Kumamoto Prefecture; Hokkaido Asahikawa Regional Industries Invigoration Council; Sendai city, Miyagi; Tsukuba city, Ibaraki; Yokohama city, Kanagawa; Komoro city, Nagano; Nagoya city, Aichi; Matsuzaka city and Iga city, Mie; Kyoto city, Kyoto; Osaka city, Osaka; Kobe city, Hyogo; Fukuoka city, Kitakyushu city and Kurume city, Fukuoka; and Karatsu city, Saga. It was decided to add Hokkaido in April 2019.

intensive support to these local governments will lead to a steady building up of actual achievement in attracting foreign companies. It is also important to work on various fronts, including encouraging local governments to formulate strategies to attract foreign companies. These measures will further promote regional FDI.

In addition, we will work to further improve Japan's overall business environment. By doing so, we aim to achieve the goal of doubling the inward FDI stocks to 35 trillion yen by 2020.

2. Concrete support and promotion measures

(1) Strengthening the Support Program

[1] Providing preferential support for local governments that have reached the implementation stage of activities to attract foreign companies

Local governments often face three deficiencies, namely 1) deficiencies in name recognition outside Japan, 2) deficiencies in human resources that can implement activities to attract foreign companies, and 3) deficiencies in coordination between policy measures. Those deficiencies need to be overcome, especially by local governments that have reached the implementation stage of activities to attract foreign companies (hereinafter, "priority local governments"). For that purpose, the Japanese government and JETRO will work together to provide preferential support to priority local governments as follows:

(a) Strengthening of top-to-top promotion projects:

response to deficiencies in name recognition outside Japan

- I Governors of priority local governments will be given priority to participate in Invest Japan seminars held outside Japan. Efforts will be actively made to hold seminars and undertake foreign business invitation projects intended for countries/regions and fields that priority local governments are targeting at.
- I Priority will be given to support priority local governments so that they can hold Regional Business Conference (hereinafter, "RBC"). Foreign companies that local governments hope to attract are invited to RBC, and various activities take place, including top-to-top promotion by governors of priority local governments and matching between foreign companies and regional companies.

(b) Strengthening of human resources for attracting foreign companies:
response to labor shortage

- I Training for staff of priority local governments responsible for attracting foreign companies and consulting services for those activities and support for active use of foreign talents² to attract foreign companies will be provided.
- I Developing Specialists and reinforcing system of JETRO appropriate for handling countries/regions that priority local governments target, so that JETRO can strategically support those local governments.
- I Strengthen cooperation among JETRO, management support organizations (including regional financial institutions and business organizations), and other various entities³. This will strengthen collaboration between foreign companies and local businesses and enhance matching skills of local governments that enables foreign companies to secure local human resources.

(c) Strengthening of policy measures to attract foreign companies:
response to insufficient coordination between measures

- I The government and JETRO will actively propose to priority local governments optimal policy packages including effective use of subsidies for promoting regional reinvigoration⁴ and providing incentives to foreign companies. Those packages will include further coordination with other measures of stimulating inbound tourism demand and boosting agricultural, forestry, and fishery product exports, which will make the packages more effective in promoting regional revitalization.

[2] Promotion of formulation of strategies and participation in Support

² There is a case, for example, of a Coordinator for International Relation (CIR) who recruited through the Japan Exchange and Teaching (JET) Programme contributes to attract foreign companies, while a main mission of CIRs is to help international exchange-related operations. JET Programme is operated through the collaboration of the Ministry of Internal Affairs and Communications, the Ministry of Foreign Affairs, the Ministry of Education, Culture, Sports, Science and Technology, and the Council of Local Authorities for International Relations.

³ It is envisioned that in addition to various business organizations, this will involve “Yorozu Support Centers” (organizations for Small & Medium Enterprises and Regional Innovation), Professional Human Resource Offices, and Business Succession Support Centers.

⁴ Changes are being made from fiscal year 2019 to improve how the system operates, including revision of the upper limit on applications.

Programs

- I JETRO will continue to support local governments to formulate strategies to attract foreign companies.
- I JETRO will uncover successful cases where attracting investment from overseas has contributed to the revitalization of regional economies, analyze the factors behind those successes, compile casebooks of these cases, and broadly disseminate them among local governments. This will spread awareness that FDI is an effective measure for ongoing efforts to revitalize regional economies and encourage local governments to participate in Support Programs. The casebooks will also be actively distributed at various events, including RBC and Japan Business Conference, an all Japan version of RBC expected to be held in 2020.

(2) Efforts to further improve Japan's business environment

- [1] Foster opportunities for cooperation and partnerships with foreign companies through knowledge of successful FDI examples [Cabinet Office, Ministry of Economy, Trade and Industry, JETRO]

In order to eliminate the tendency of entities to hesitate to partner, collaborate, or work with foreign companies simply because they are foreign companies and promote better understanding of doing business with foreign companies, efforts will be made to broadly disseminate the casebooks of successful cases discussed in (1) [2] above to management support organizations (including regional financial institutions and business organizations), local companies, and other various entities.

- [2] Promote the introduction of online one-stop service for incorporation [Japan Economic Revitalization Bureau]

Efforts will be made to ensure that by the end of FY2020 it will be possible to incorporate a company with one set of procedures in a single day by completing a system where all necessary procedures can be completed via a single website.

- [3] Accelerate and expand the translation of Japanese laws and regulations by measures such as using AI. [Ministry of Justice]

An examination will be made of measures to fundamentally accelerate the translation of laws and regulations into foreign languages by measures such as using AI. A system for providing translations more suitable for users will also be considered.

[4] Communicate the state of efforts for Corporate Governance Reform [Financial Services Agency]

Efforts by companies and investors based on the Corporate Governance Code and the Stewardship Code will be validated from the viewpoint of raising corporate value in the medium- and long-term. Information about this validation will be actively communicated to parties both in Japan and overseas, including overseas institutional investors.

[5] Work toward improving Japan's business environment [Japan Economic Revitalization Bureau]

Efforts will continue to be made to improve Japan's business environment and to have Japan's business environment properly evaluated, taking into consideration Japan's ranking in the World Bank's Doing Business Ranking. This includes promoting online one-stop service for incorporation ([2]).

[6] Ensure that past plans adopted by the Council for Promotion of Foreign Direct Investment in Japan are steadily implemented

Council for Promotion of Foreign Direct Investment in Japan have in the past adopted three plans, namely "Five Promises for Attracting Foreign Businesses to Japan" (March 17, 2015), "Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub" (May 20, 2016), and "Council for Promotion of Foreign Direct Investment in Japan Working Group for Revising Regulations and Administrative Procedures Final Report" (April 24, 2017). Efforts will be made to ensure that measures decided in those plans, especially those that have deadlines, those deadlines are met (see below for details).

² With regard to multilingual speech translation service by mobile telephones and other communication devices, R&D and social experimentation will be conducted over the next five years. After that, the usable languages will be expanded from the current four

languages (Japanese, English, Chinese, and Korean) to ten (adding Spanish, French, Thai, Indonesian, Vietnamese, and Burmese). Furthermore, in addition to travel conversation, speech translation shall be realized for conversation in areas such as procedures in everyday living and healthcare on a practical level. With these initiatives, the goal is to widely disseminate multilingual speech translation systems. ⁵ [Ministry of Internal Affairs and Communications]

2 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 2013⁶. Toward this goal, the following measures will be taken. ⁷ [Ministry of Education, Culture, Sports, Science and Technology; Ministry of Health, Labour and Welfare]

I 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

⁵ Follow up to “Five Promises for Attracting Foreign Businesses to Japan” (Adopted by the Council for Promotion of Foreign Direct Investment in Japan; March 17, 2015).

⁶ 36.0% as of the end of Fiscal Year 2016.

⁷ Follow up to the “Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub” (Adopted by the Council for Promotion of Foreign Direct Investment in Japan; May 20, 2016).

⁷ Follow up to the “Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub” (Adopted by the Council for Promotion of Foreign Direct Investment in Japan; May 20, 2016).

Foreigners will be further improved.

- 2 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.⁸ [Ministry of Education, Culture, Sports, Science and Technology]
 - I 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.⁹
 - I 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.
- 2 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 year¹⁰)¹¹ [Ministry of Education, Culture, Sports, Science and Technology]
- 2 The preparations to start online procedures for status of residence in FY2018 will be proceeded after considering the whole vision of the online procedures such as the range of target procedures and the details of the online system approximately by the first half of 2017.¹² [Ministry of Justice]

⁸ Follow up to the “Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub” (Adopted by the Council for Promotion of Foreign Direct Investment in Japan; May 20, 2016).

⁹ As of December 2018, 13,044 had been assigned.

¹⁰ Around 80% as of end of Fiscal Year 2016.

¹¹ Follow up to the “Policy Package for Promoting Foreign Direct Investment into Japan to Make Japan a Global Hub” (Adopted by the Council for Promotion of Foreign Direct Investment in Japan; May 20, 2016).

¹² Follow up to the Council for Promotion of Foreign Direct Investment in Japan Working Group for Revising Regulations and Administrative Procedures Final Report (Adopted by the Regulation and Administrative Procedures Working Group of the Council for Promotion of Foreign Direct Investment in Japan; April 24, 2017). Acceptance of requests for utilization from affiliated organizations etc. using online services have started to be accepted starting since March 2019, and acceptance of online applications is expected to start in July 2019.