Business opportunities in Japan

Japan External trade Organization (JETRO)
Toshihiko Sakaguchi
CONTENTS

What JETRO can do for you

Japanese Economy
Japan is Back by Abenomics
What JETRO can do for you

- What’s JETRO?
- JETRO’s business flow
- JETRO’s Achievements (FY2003-2014)
- Recent cases supported by JETRO
- JETRO’s Global Network
What is JETRO?

**JETRO: Japan External Trade Organization**

- Established in 1958
- Government-related organization
- Promoting business between Japan and the rest of the world (assisting companies’ global business)
Jetro’s Global Network

73 Offices Worldwide

46 Domestic Offices

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What does JETRO do to promote FDI?

1. Providing information on Japanese business environment
   - Invest in Japan website
   - Seminars and symposia

2. Finding and developing businesses interested in investing in Japan
   - Approach by Invest Japan attaches
   - Visiting companies and exhibitions
   - Individual consultation
   - Providing information

3. Supporting business startups through the IBSC
   - Temporary offices (IBSC)
   - Advice from specialists

4. Increasing business opportunities with Japanese companies
   - Business matching events

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What’s JETRO?

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What’s JETRO?

Invest Japan Website

Example of using the JETRO HP: Research about how to set up business in Japan.

JETRO HP in Chinese:

Invest Japan Website

What's JETRO?
Seminars and Symposia: London seminar

Invest in Japan – A Regional Roadmap

✓ “A friendlier and more exciting Japan for investors”
✓ Four local government leaders promote allure of Japanese regions
✓ Appeal of business and investment in Japan

Organized by
Japan External Trade Organization (JETRO)
Ministry of Economy, Trade and Industry (METI), Hiroshima Prefecture, Mie Prefecture, Kobe City, Fukuoka City

Co-organized by
Embassy of Japan in the UK, Japanese Chamber of Commerce and Industry in the UK (JCCI UK), Japan Society, Council of Local Authorities for International Relations (CLAIR), Japan National Tourism Organization (JNTO), UK Trade & Investment (UKTI)

Supported by

Date
May 1, 2014

Venue
Institute of Directors, London

No. of attendees
119 from local companies, organizations, etc.
Consulting Services

- Translation of subsidy application
- Requesting Deregulation
- Market and industry information
- Networking with potential business partners
- Taxation, labor, legal issues
- Arranging meetings with government authorities
- Information on incentives from national and local governments

- Information on legal systems
- Establishing an office
- Finding human resources
- Finding an office location
- Cost estimates

Market information

Consultation
<table>
<thead>
<tr>
<th><strong>Eligibility</strong></th>
<th>Foreign companies which consider to start business in Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Period</strong></td>
<td>up to 75 business days</td>
</tr>
<tr>
<td><strong>Fee</strong></td>
<td><strong>Free</strong> of charge (up to 50 days in principle)</td>
</tr>
<tr>
<td></td>
<td>• Deposit &amp; communication fee are required</td>
</tr>
<tr>
<td></td>
<td>• tenancy fee will be charged for additional 25 business days</td>
</tr>
<tr>
<td><strong>Equipment</strong></td>
<td>Desks, chairs, telephones, WiFi</td>
</tr>
<tr>
<td><strong>Facilities</strong></td>
<td>Conference rooms, multipurpose hall, business library, PC room</td>
</tr>
<tr>
<td><strong>Location</strong></td>
<td>Tokyo, Yokohama, Nagoya, Osaka, Kobe, Fukuoka</td>
</tr>
</tbody>
</table>
Achievements (FY2003-2014)

Project Supported

Over 12,000 projects

Foreign companies’ successful startups supported

Over 1,200 companies

Share of successful cases by region

North America 32%
Europe 31%
Asia 30%
Pacific 5%
Middle East & Africa 1%
South-Central America 1%

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### Achievements (FY2003-2014)

**Share of successful start ups by countries**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Number of cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>369</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>127</td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
<td>107</td>
</tr>
<tr>
<td>4</td>
<td>Republic of Korea</td>
<td>84</td>
</tr>
<tr>
<td>5</td>
<td>United Kingdom</td>
<td>76</td>
</tr>
<tr>
<td>6</td>
<td>France</td>
<td>64</td>
</tr>
<tr>
<td>7</td>
<td>Australia</td>
<td>44</td>
</tr>
<tr>
<td>8</td>
<td>Singapore</td>
<td>38</td>
</tr>
<tr>
<td>8</td>
<td>Taiwan</td>
<td>38</td>
</tr>
<tr>
<td>10</td>
<td>Hong Kong</td>
<td>34</td>
</tr>
</tbody>
</table>

- **United States**: 30%
- **China**: 10%
- **Germany**: 9%
- **Republic of Korea**: 7%
- **United Kingdom**: 6%
- **France**: 5%
- **Australia**: 3%
- **Singapore**: 3%
- **Hong Kong**: 3%
- **Taiwan**: 3%
- **Others**: 21%

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Target Industry

Future Energy Systems

HealthCare

Tourism

Retail
Major French Pharmaceutical company headquartered in Paris.
In January 2013, Sanofi established its regional headquarters in Tokyo for its medical and pharmaceutical product business to manage the financing, human resources, strategies, and regulatory affairs in JPAC regions (Japan, Korea, Australia and NZ).

【JETRO’s Support】
- Provided information on incentive and other support programs. (Especially Subsidy Program for Projects Promoting Asian Site Location in Japan.)
First Solar (United States)

◆ A global leader in the manufacturing of solar panels and development, construction, and operation of solar power plants
◆ It decided to establish a base for operations in Japan to support the supply of renewable energy to replenish the loss from non-operating nuclear power plants
◆ In November 2013, the company announced to invest ca. 10 billion JPY in Japan for the development of solar power plants.

【JETRO’s support】
◆ Provided temporary office space in IBSC Tokyo
◆ Assisted company registration
◆ Provided with market information in Japan
Tourism

A leading Chinese travel agency with its subsidiary Spring Airlines, a low-cost carrier (LCC).

In November 2012, it established Japanese subsidiary, Japan Spring Travel Services, Ltd., in Tokyo.

This comes amid rising expectations that more Chinese tourists will be visiting Japan in the future.

【JETRO’s support】

Provided a range of services such as free temporary office, consultation on company registration, taxation, and information on permitting processes for a travel agency license.
With the brand concept of “Make Life One Long Weekend,” Tommy Bahama maintains an island-lifestyle apparel brand and runs more than 100 stores worldwide.

In April 2013, Tommy Bahama opened its first Japanese freestanding store in Ginza, Tokyo. It is the first store with a bar and a restaurant outside the U.S.

**JETRO’s Support**
- Consultation on entering the Japanese market
- Information about import regulations
- Introducing some service providers in Japan
The “Three arrows” strategy of Abenomics

1st arrow: Bold monetary policy

2nd arrow: Flexible fiscal policy

3rd arrow: Growth strategy promotes private investment
The Achievements of Abenomics in numbers

Stock prices (Nikkei Stock Average)
- **10,230 yen**
  - Dec. 26, 2012
  - Launch of the Abe Administration
- **17,722 yen**
  - October 1, 2015 (closing price)

Unemployment rate
- **4.3%**
  - 2012 average
- **3.4%**
  - 2015 August
Recovery of market sentiment
(perception of the state of the economy)

Returned to the level before the Lehman Brothers’ bankruptcy in 2008

Business Conditions DI (Tankan)

Source: Prime Minister of Japan and His Cabinet, "'Abenomics" is progressing!, September 2014"

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Governmental aim: double Japan’s investment balance to 35 trillion yen by 2020

The stock of inward FDI in Japan

(Unit: Billion Yen)

The Great East Japan Earthquake (Mar. 2011)
Launch of Abenomics (Dec. 2012)
The bankruptcy of Lehman Brothers (Sep. 2008)

Reason 1: Japan’s Re-emergence

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Source: The Bank of Japan
Reason 1: Japan’s Re-emergence

Reduction of the corporation tax rate

- **FY 2015**: 34.62% ⇒ 32.11% (-2.51%)
- **FY 2016**: 32.11% ⇒ 31.33% (-3.29%)
- Continuing the reform ⇒ down to a range of twenties in FY 2017 and onward.

Corporate Tax Rate (%)

(▲2.51%) (▲3.29%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2014</td>
<td>34.62</td>
</tr>
<tr>
<td>FY 2015</td>
<td>32.11</td>
</tr>
<tr>
<td>FY 2016</td>
<td>31.33</td>
</tr>
<tr>
<td>FY 2017 Onward</td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>16.5</td>
</tr>
</tbody>
</table>

(As of March 2014)

Reduction of the corporation tax rate (▲2.51%) (▲3.29%)

down to the range of 20s

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## Structural reforms and deregulation

### Deregulation/Structural Reform

- **Bold deregulation in fields** (e.g., energy, agriculture, health care)
- **Enhancement of Corporate Governance**
  
  Revision of Companies Act which promotes appointments of external directors
  
  → Number of companies which appoint independent external directors have dramatically increased.

### Accepting Highly Skilled Foreign Professionals

Requirements below have been eased

- annual income
- research achievements
- accompanying parents/domestic servants

### National Strategic Special Zones

Areas designated as "National Strategic Special Zones"

- regulatory reform
- institutional reform
- Tokyo, Kansai, Fukuoka, Niigata, Yabu, Okinawa, Senboku, Sendai, Aichi
Attracting visitors to Japan

Foreign travelers to Japan

- 2003: 5.2 million people
- 2013: 10.3 million people
- 2020 (aim): 20.0 million people

Source: JETRO, "JETRO World Trading Investment Report Ver. 2014"
Data source: Japan National Tourist Organization (JNTO)

Reason 1: Japan’s Re-emergence

The perfect time for investing!!!

Foreign travelers to Japan: Rapid INCREASE

- Japan → attracting World’s Attention
- Businesses targeting foreign travelers → to grow
- Tokyo Olympics/Paralympics → a boom in related businesses (tourism, construction, service)
LARGE MARKET; GDP ranked 3rd in the world

International comparison of Japanese regional gross production (nominal, FY2011)(Unit: $1 billion)

<table>
<thead>
<tr>
<th>Region</th>
<th>GDP (Unit: $1 billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hokkaido/Tohoku</td>
<td>717.8</td>
</tr>
<tr>
<td>Turkey</td>
<td>774.8</td>
</tr>
<tr>
<td>Kanto region</td>
<td>2,530.0</td>
</tr>
<tr>
<td>U.K.</td>
<td>2,428.7</td>
</tr>
<tr>
<td>Shikoku region</td>
<td>175.3</td>
</tr>
<tr>
<td>New Zealand</td>
<td>159.5</td>
</tr>
<tr>
<td>Chubu region</td>
<td>930.4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>836.8</td>
</tr>
<tr>
<td>Kinki region</td>
<td>981.0</td>
</tr>
<tr>
<td>Korea</td>
<td>1,116.2</td>
</tr>
<tr>
<td>Chugoku region</td>
<td>355.3</td>
</tr>
<tr>
<td>Thailand</td>
<td>345.7</td>
</tr>
<tr>
<td>Kyushu region</td>
<td>602.5</td>
</tr>
<tr>
<td>Switzerland</td>
<td>660.8</td>
</tr>
<tr>
<td>Shikoku region</td>
<td>175.3</td>
</tr>
<tr>
<td>New Zealand</td>
<td>159.5</td>
</tr>
</tbody>
</table>

Reason 2: Sophisticated market

IKEA Japan K.K

“We see that Japan is one of the highest potential markets in the world to grow our business both from the scale of population and GDP point of views.”

Peter List, CEO

Source: Comment given on April 3, 2014 at the “Fourth Expert Advisory Panel Round-Table Conference on Foreign Direct Investment in Japan” hosted by the Cabinet Office.
Sophisticated Customers/World Standard

**Philips Electronics Japan, Ltd.**

“Currently, you won’t become a global market leader unless you succeed in Japan. **If you can achieve the quality Japanese people demand, your products will sell anywhere in the world.**”

Danny Risberg
CEO of Philips Electronics Japan, Ltd.
CEO of Philips Respironics GK.

Taken from comments by Danny Risberg, Chief Executive Officer of Philips Electronics Japan, Ltd, in The Asahi Newspaper

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**Danone Japan Co., Ltd.**

“Japanese people are prepared to acknowledge **high quality and real value** and are **ready to pay money for those.**”

George Leon Zarifi, CEO

Source: Comment given on March 25, 2014 at the “Second Expert Advisory Panel Round-Table Conference on Foreign Direct investment in Japan” hosted by the Cabinet Office
Japan: market where foreign companies flourish

Foreign companies hold a high share of sales in Japan, particularly in consumer-related markets

**Soft drinks**
- 1st Coca Cola (USA) 23.2%

**Coffee**
- 1st Nestlé (Switzerland) 32.6%
- 2nd Mondelēz International, Inc. (USA) 16.0%

**Eyeglasses/Contact lenses**
- 1st Johnson & Johnson (USA) 17.1%

**Personal accessories**
- 1st Richemont (Switzerland) 6.5%
- 2nd LVMH Moet Hennessy Louis Vuitton S.A. (France) 5.9%
- 3rd KERING (formerly PPR) (France) 3.8%

Reason2: Sophisticated market
Japan’s intellectual accumulation generates innovation

Great innovation leads to good business!

World-class in research funding and number of researchers

Research funding as a percentage of GDP

Number of researchers per 10,000 people

Triadic patent families
(by number of patents registered in patent offices in the US, Europe, and Japan)

Nobel Prize winners of Japan (all-time)

An environment that generates innovation

Source:
*1,2 : Ministry of Internal Affairs and Communication, Survey Result on Science and Technology Research 2013
*3 : Ministry of Economy, Trade, and Industry, Survey
*4 : Official Nobel Prize website

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Well-developed social infrastructure supports your business

Japan’s business environment

Ranked 1st in the world for “Business Sophistication”
(Evaluated on business network and quality of company operation/strategy)

<table>
<thead>
<tr>
<th>Japan’s Attractiveness</th>
<th>World Bank</th>
<th>International Institute for Management Development (IMD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ease of resolving insolvency</td>
<td>1. Skilled workforce</td>
<td></td>
</tr>
<tr>
<td>2. Protecting investors</td>
<td>2. Reliable infrastructure</td>
<td></td>
</tr>
<tr>
<td>3. Ease of trading across borders</td>
<td>3. High educational level</td>
<td></td>
</tr>
<tr>
<td>4. Ease of getting electricity</td>
<td>4. Strong R&amp;D culture</td>
<td></td>
</tr>
<tr>
<td>5. Ease of getting credit</td>
<td>5. Effective labor relations</td>
<td></td>
</tr>
</tbody>
</table>

Reason 4: Business Friendly Infrastructure
Low infrastructure fees

"High business cost in Japan" is changing.

Low-cost real estate compared to major cities in Asia (Shanghai, Hong Kong, Seoul, Singapore) (Unit: $)

<table>
<thead>
<tr>
<th></th>
<th>Tokyo</th>
<th>Shanghai</th>
<th>Hong Kong</th>
<th>Seoul</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office rent (monthly) (per sq.m)</td>
<td>35</td>
<td>52</td>
<td>109</td>
<td>57</td>
<td>66</td>
</tr>
<tr>
<td>Store/showroom rent in the city center (monthly) (per sq.m)</td>
<td>46</td>
<td>206</td>
<td>368</td>
<td>32</td>
<td>309</td>
</tr>
<tr>
<td>Housing rent for expatriates (monthly)</td>
<td>2,761</td>
<td>2,703</td>
<td>2,966</td>
<td>2,167</td>
<td>4,654</td>
</tr>
</tbody>
</table>

Source: Ministry of Economy, Trade, and Industry (METI), "Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan Report 2014"
Data source: Created from JETRO "24th Investment-Related Cost Comparison of Major 33 Cities/Areas in Asia (May 2014)"

Transportation fees (including land transportation/air freight)
Annual costs simulating scheduled deliveries from the factory

High-speed internet fees
Average monthly internet fees (residential)

It’s not necessarily very expensive to run a business in Japan!!!
Reason 5: Comfortable Living

Japan: where you can live safely and pleasantly

**Global Peace Index 2014**
 Ranked **1st** in Asia
Source: INSTITUTE FOR ECONOMICS & PEACE "Global Peace Index 2014"

**OECD Better Life Index**
"Safe" category
Ranked **1st** in the world
Source: OECD "Better Life Index (2013)"

**Nearly 40% of foreign companies see social stability as an attractiveness of Japan**
Source: Ministry of Economy, Trade, and Industry (METI), "Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan Report 2014"

Great environment for your business!!!

Choose Japan!
Talk to JETRO First!

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