

Raise the foreign direct investment stocks to 35 trillion yen by 2020!

# Plan to double investment to Japan!

Promotion of direct investment from foreign companies is currently one of the important themes for the global strategy of Japan. The Japan Revitalization Strategy of the national government sets the goal of doubling the foreign direct investment stocks by 2020.

How will the Japanese economy and companies change by achieving this goal?

Direct investment means international investment intended for participation in business management. Some examples include foreign companies opening plants and R&D bases in the investment destination country, or founding new companies by concluding partnerships with existing local companies. In fact, the acceptance of such direct investment is highly limited in Japan. The ratio of direct investment to GDP was 196th of 199 countries in the world (as of the end of 2013)\*. The reason the promotion of foreign direct investment is attracting significant attention is the positive effects such as job growth and an increase in productivity. Both are essential for the

growth of Japan in the future. The chart below shows the changes in foreign direct investment stocks in Japan. In order to achieve the goal of the "doubling plan" by 2020, it will be important to rediscover the attractiveness and values of Japan afresh. Now, in the following pages, we interviewed two companies that recently started business in Japan, and asked them to tell us frankly how they are feeling about business development here. The interviews should reveal the potential of Japan expected by foreign companies.

\* From the data of the United Nations Conference on Trade and Development (2014)

## 2001 Coping with foreign direct investments in Japan

In 2001, the government started to focus on foreign direct investments in Japan, and the investment stocks nearly doubled by 2006.

## Changes in the stocks of foreign direct investment in Japan



## 2006 Aiming to double the stocks as a percentage of GDP

While the goal of "doubling the stocks as a percentage of GDP by 2010" was set in 2006, the goal could not be met due to sluggish growth after the Lehman Shock.

## Why is foreign direct investment in Japan being focused on now?

### Increase in local employment!



When foreign companies implement business in Japan, Japanese human resources will be required in many cases. Other than the staff working at plants and stores, a wide variety of human resources will be needed, including engineers in the field of development and researchers conducting studies. Job growth in the regions in which the foreign companies start business is an important positive effect of foreign direct investment in Japan.

### Management resources from abroad increase productivity!



New management resources such as management know-how and techniques will come into Japan together with foreign direct investment. It was found in a survey by METI that the average productivity of foreign companies in Japan is higher than that of all Japanese companies, and it is expected that management know-how and techniques can be introduced from abroad.

### Opens up overseas sales channels and increases the number of visitors from abroad!



For example, when small and medium enterprises (SMEs) in Japan conclude partnerships with foreign companies, it becomes possible for them to efficiently expand overseas sales channels by utilizing the route the foreign partner company already possesses. Also, the movement of "people" according to direct investment is a point that cannot be overlooked. It will contribute to increasing the number of people visiting Japan from abroad.

2020

## Doubling-plan aiming for 35 trillion yen starts

The government is promoting efforts to attract excellent human resources and technologies to Japan from abroad, and to create job opportunities and innovation. The Japan Revitalization Strategy sets the goal of doubling the stocks of foreign direct investment in Japan, which was 17.8 trillion yen as of 2012.

¥35 trn

2020



Foreign companies exploring

New areas

The reason we start business in Japan

Companies developing business globally are accelerating investments in various countries in the world.

What attracted the companies that started business in Japan?



The nature of the market open to leading-edge technology is perfect also for research and development

**Mr. Hideki Furukawa**  
Director of the Business Development Department, Comverge Japan  
Mr. Furukawa assumed his current post after working for a foreign-affiliated consultancy company. He has handled many cases in the energy field since working as a consultant.

“Demand response (DR)” is a technology to coordinate the supply-and-demand balance of electricity by limiting the amount of demand by the users of electricity, such as buildings, plants and residences. Comverge

has been developing DR business for more than 40 years in the U.S., and is engaged in the manufacturing of devices, development of programs and the operation of systems. Its Japanese subsidiary, which started full-scale

business in 2014, is now developing business for diverting the knowledge cultivated in the U.S. to be applied in Japan, by establishing a base for R&D.

Things with verifiable evidence can be accepted flexibly.

At first, there were four to five countries named as candidates for the place of developing DR business. The reason the overseas base was established in Japan, following South Africa, is that there was a wealth of potential for the growth of DR business, in addition to its large market size.

Diffusion of innovative devices such as rechargeable batteries and electric vehicles is being advanced in Japan, so it is a perfect place for the development of next-generation DR, including photovoltaic power generation control. Further, when the deregulation of electricity retailing is realized as scheduled in 2016, it is expected that a new market will be created. The

mechanism of DR, which optimizes the supply-demand balance of electricity, is precisely the technology that will become necessary in Japan in the future. We can realize the increase of need directly by talking to the personnel of electric power companies.

Although people tend to think that Japan is a country developing business only among themselves, actually Japanese people have the flexibility to incorporate leading-edge ideas from abroad. However, verifiable evidence to back up the idea is essential. Even in the area of electricity, which is a part of social infrastructure, we believe that companies with valuable technology are accepted both in and outside Japan. Our initial goal is to establish an original mechanism of DR for Japan, and set it solidly in place. Then, we are looking forward to developing our company as a major base in Asia, and to diffuse the “made in Japan” DR throughout the world.

CLICK! Comverge Japan (In English)



DR program that raises awareness of electricity saving

DR of Comverge is diffused widely in the U.S. The DR program developed for households supports the energy-saving of consumers by utilizing tools like smartphones.



Japan's demanding users will be a strong asset for the global development of business in the future.

**Ms. Shino Tokimatsu**  
In charge of public relations, SQUARE, INC.  
Ms. Tokimatsu assumed her current position attracted by the opportunity to spread a technology that has the potential to change the world, after working at a public relations department of an IT company.

Making credit card payments available is an effective means to expand the customer base, but the installation costs of an exclusive device and monthly fixed costs, in addition to the commission can be a hurdle.

That's why SQUARE, INC. developed a simple system that made credit-card transactions possible using smartphones and tablets. Following the U.S. and Canada, service in Japan started from May 2013.

The market in Japan is large, with an established IT infrastructure and a credit-card transaction system. Although it is true that credit-card usage is smaller compared to markets like the U.S., one reason is there are still a large number of stores which do not accept credit cards. Our company considered this situation as a “business opportunity” rather than a “hurdle.”

The knowledge obtained in Japan can be utilized for global development as well

Our company did not organize a sales team in Japan, but succeeded in acquiring tens of thousands of contracts in approximately 18 months from the launch of the service, mainly with SMEs and sole proprietors. Business owners in Japan see the value of the service. They also tend to maintain close networks with people in the same business and regional community, so once the service is accepted, it spreads very quickly. Its

said Japan has different commercial practices, but dealing with different languages and legal structure is required in any country. There's nothing special. Also, because people in Japan use the service thoroughly, our service here can work as a milestone towards future global development. There are many things we can learn from the experience, such as improving the service based on feedback, and to apply the knowledge acquired in

the Japanese market into service development. While inbound tourism is being promoted, there is an urgent need for globalization of the payment environment. We would like to continuously resolve the problems of the Japanese market, and to improve our services to offer further convenience to businesses in the future as well.

CLICK! SQUARE, INC.



Credit-card payment can be made easily with a mobile terminal!

Credit-card payment becomes possible just by connecting an exclusive reader device, about 2.6 cm square in size, to your mobile device, and by downloading the free register application. It is beneficial especially for SMEs and sole proprietors as the funds are transferred to the bank account as early as the following business day.

Japanese companies succeeding with investment alliances

# Collaboration with foreign companies is the key to opening up the future!

In 2014, METI published the "Case studies of Investment Alliances with Foreign Companies" based on the business survey. Here, we would like to explain the eight benefits brought about by partnerships with foreign companies.

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| <p><b>1</b></p> <p>Sales routes that expand worldwide can be secured.</p> <p>Overseas expansion of the company's own product can be facilitated through alliances with companies that have already established sales channels abroad. Developing new clients will also become possible by utilizing the brand power of the foreign partner company.</p> | <p><b>2</b></p> <p>Quality can be improved by absorbing technology and know-how.</p> <p>By obtaining the technology and know-how that are the strong points of the foreign partner company, or data accumulated by the company, further improvement of the quality of existing products and services can be targeted.</p>  | <p><b>3</b></p> <p>Product lineup and services can be expanded.</p> <p>Products and services that the company did not handle in the past can be offered, which will improve the options provided to consumers. It will also open up ways towards new business areas.</p>                                      | <p><b>4</b></p> <p>Speed of product provision and customer response can be accelerated.</p> <p>By utilizing the marketing bases and sales network globally operated by the foreign partner company, it becomes possible to provide products and services to customers throughout the world in a more speedy and efficient way.</p> |
| <p><b>5</b></p> <p>Reduction of production, procurement and management costs can be realized.</p> <p>The waste of procurement, production and management can be cut and efficiency can be improved with the joint procurement of raw materials, utilization of production bases overseas, and the introduction of advanced management systems.</p>      | <p><b>6</b></p> <p>Problems of business succession caused by the lack of successors can be resolved.</p> <p>If a business can be succeeded by a partner company, it will resolve the problem of the lack of business successors. There are case examples where a business achieved growth under the initiative of a partner company after the retirement of the president of the original company.</p> | <p><b>7</b></p> <p>Business management can be improved in terms of HR and accounting.</p> <p>By introducing advanced methods such as accounting, IT systems and global personnel systems, which have been developed by the foreign partner company, further advanced business management can be realized.</p> | <p><b>8</b></p> <p>Growth of human resources can be achieved by raising their motivation.</p> <p>Coming into contact with international commercial practice and experiencing communication in foreign languages will result in improved skills of human resources and will bring higher motivation among them.</p>                 |

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## UL Japan, Inc.

### Respecting one another opened the way for a business that was impossible in the past!



**Mr. Hidehiko Yamajo**  
VP, Managing Director (Japan),  
UL Japan, Inc.

After finishing a master's course at Massachusetts Institute of Technology, Mr. Yamajo joined TE Connectivity USA, which is a manufacturer of joint parts. He then served as the CEO of Elo Touch Solutions, before assuming his current post in 2010.

Our company is a third-party certification organization in relation to product safety, covering industrial equipment, machinery and other equipment. The company was founded in 2003 through a merger between UL Japan, the Japanese subsidiary of Underwriters Laboratories Inc. (UL) in the U.S., and A-Pex International, a Japanese company. The biggest benefit of founding UL Japan, Inc. was that the range of business expanded widely. It became possible to handle products with which testing and inspection could not be implemented in Japan before by utilizing the global network of UL. It also became possible to make suggestions on solutions to customers beyond the framework of product safety certification. In addition, sharing the technology and



This is the UL mark for Japan. The trustworthiness of UL certification is gaining worldwide recognition, and an UL mark on equipment certifies its high level of safety.

know-how of other group companies abroad is resulting in the upgrading of employees' skills. The key to achieving success in partnerships with foreign companies is to accept differences and respect one another. By being sensitive to environmental changes and taking prompt action with regard to the changes, I believe we can surely secure new business opportunities.

CLICK! • UL Inc.

The Japanese government is also backing up attracting foreign direct investment with a wide variety of measures!

# Polishing Japan's attractiveness and showcasing it to the world.

From the perspective of foreign companies, Japan is only one of many candidates for making an investment. The Japanese government is promoting various efforts so that Japan can be selected among many candidates. We would like to explain some of the specific activities here.

CLICK! • Promotion of inward direct investment in Japan

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| <p><b>Control tower of the National Government</b></p> <p>Establishment of the Council for Promotion of Foreign Direct Investment in Japan</p> <p>A council serving as a control tower for activities such as exploring investment cases and attracting investments was established in 2014. The members of the council include the Minister of State for Economic and Fiscal Policies, the Minister of State for Regulatory Reform, the Minister of Economy, Trade and Industry, and the Minister of Foreign Affairs. Advisors from private companies, think tanks and universities are also included. The realization of necessary institutional changes will be supported through this council.</p> | <p><b>Product development</b></p> <p>Promotion of regulatory and institutional reform and the utilization of special zones</p> <p>Product development makes Japan more attractive. By collaborating with the Council for Promotion of Foreign Direct Investment in Japan and others concerned, discussion on the regulatory and institutional reform related to the improvement of the investment environment will be accelerated. Also, the "National Strategic Special Zones," where drastic regulatory reform is implemented in the areas of education, employment, medical care and agriculture, are established and, among them, some areas are already approved as the special zones where deregulation have been implemented on the consolidation and collection of agricultural lands, the employment terms of venture companies, and the entry of tourists from abroad.</p> | <p><b>Sales activities</b></p> <p>Strengthening of exploring and attracting inward foreign direct investment projects</p> <p>Collaboration with local municipalities keen to actively attract foreign companies is being reinforced. The top leaders of municipalities implement top-level sales activities by obtaining the participation of the Prime Minister and other Cabinet members. In 2014, the "Invest in Japan Seminar" in London was implemented at the timing of Prime Minister Abe's visit to Europe. In this seminar, top leaders of Hiroshima and Mie Prefectures, and Kobe and Fukuoka Cities called for investment to Japan. Similarly, the "Invest Japan Seminar" in New York was participated in by top leaders of Wakayama Prefecture, Tokaichi City, Kyoto City and Mimasaka City, in addition to the Prime Minister.</p> |
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## Voices from Staff Responsible at METI

### Bridge between Japanese and foreign companies!

We are using various kinds of products and services unconsciously in our daily life. These include many technologies and ideas that originated overseas, such as products like smartphones and new services like SNS. Our job is to promote foreign countries that generate such new products and services to construct controlling bases and R&D facilities in Japan. Among foreign companies that already started business in Japan, many of them are achieving excellent revenues and high profit ratios. The impact of the declining birth rate and aging population, and the falling population, on the Japanese economy is increasing. That is why we must now accept more than ever investments from foreign companies, and at the same time achieve the growth of Japan as a

whole while incorporating the advanced technology and know-how of foreign companies. In order to do so, it is also important to convey the excellence and characteristics of Japan to foreign global companies as well as to gain their understanding of the advantages of investing in Japan.

Through the utilization of various incentive measures and matching supports, we would like to act as a bridge between Japan and foreign companies.

Our Division is in charge of three types of work; namely the promotion of foreign direct investment in Japan, international taxation and international investment. Especially in the area of direct investment in Japan, we are working to introduce new technologies and know-how in Japan by attracting foreign companies and capital.

Trade and Investment Facilitation Division, Trade and Economic Cooperation Bureau

**Tomoaki Hara**, International Unit Chief  
**Ayase Horikawa**, Investment Exchange Planning Unit Chief

