

Section 4 Global strategies of manufacturing and content industries

The changes in the international environment in recent years have escalated uncertainty for cross-border business activities and transformed behavior patterns. Not only changes in supply chain risks, such as the U.S.-China conflict and weaponization of economic dependencies, but also economic factors, including the economic growth of Global South countries, and industrial development, economic stagnation, and the deterioration of the business environment in China, are changing expected rates of economic growth for cross-border businesses in foreign markets.

With that in mind, up to the previous sections, we looked at changes in Japan's trade in goods and services. In that environment, what kind of global location and investment strategies do Japanese companies plan to implement? Also, what are their perspectives on opportunities and challenges for global corporate growth?

This section will analyze the results of a questionnaire survey on manufacturing companies that have overseas business bases that was conducted from the viewpoints of those questions. In addition, based on interviews with content companies, which have expanded overseas business in recent years, we will identify the current situation of and the challenges for cross-border businesses of the content industry. We will also consider the significance of outward FDIs from the viewpoint of enhancing Japan's economic growth and industrial competitiveness.

1. Questionnaire survey on global location and investment strategies of Japanese manufacturing companies

(1) Overview of the questionnaire survey

Recently, the Ministry of Economy, Trade and Industry commissioned a questionnaire survey in order to grasp the global location and investment strategies of Japanese manufacturing companies that have overseas business bases. The companies covered by the survey and the survey period are shown in the table below (Table II-3-4-1). The main survey items included: (i) the current situation of domestic and overseas production bases and research and development (R&D) bases, and investment plans; (ii) opportunities and challenges for global corporate growth and priority matters under management strategy; (iii) advantages of and challenges for domestic investments. The questionnaire was sent to 3,540 manufacturing companies that have overseas business bases, of which 359, or around 10%, gave valid responses. The survey period was three weeks.

Table II-3-4-1. Overview of the questionnaire survey

Objective	To analyze global strategies of Japanese manufacturing companies and policies for inward and outward investment
Targets	Manufacturing companies that have overseas bases (3,540 companies)
Period	From January 20 (Mon.) to February 7 (Fri.), 2025
Response rate	10.1%
Major questions	<ul style="list-style-type: none"> - Countries/regions where the production bases are located now, and product supply destinations of the bases - Investment plans for production bases in countries/regions for the next three years or so - Countries/regions where the R&D bases are located now, and investment plans for R&D bases for the next three years or so - Growth opportunities and challenges for achieving global corporate growth - Priority matters in the global management strategy for the next three years or so - Objectives of planned domestic investment in Japan for the next three years or so - Advantages of and challenges for domestic investment in Japan - Current state of corporate functions in global management, and direction thereof for the next three years or so

As for the industry classification of respondent companies based on the Japan Standard Industrial Classification and the size of the headquarters in Japan, companies in the machinery-related categories, corresponding to Category 17: “Manufacturer of general-purpose machinery” to Category 23: “Manufacturer of transportation equipment,” accounted for around half of the total (Table II-3-4-2). In terms of company size, the respondents comprised 88 large-sized companies (25%), 103 mid-sized companies (29%), and 168 small and medium-size enterprises (SMEs) (47%) (Table III-3-4-3).³²²

Table II-3-4-2. Industry classification of respondent companies

Choice option	Number of responses	Composition rates
1. Manufacture of food	10	3%
2. Manufacture of beverages, tobacco and feed	5	1%
3. Manufacture of textile products	12	3%
4. Manufacture of lumber and wood products, except furniture	1	0%
5. Manufacture of furniture and fixtures	0	-
6. Manufacture of pulp, paper and paper products	4	1%
7. Printing and allied industries	4	1%
8. Manufacture of chemical and allied products	34	9%
9. Manufacture of petroleum and coal products	3	1%
10. Manufacture of plastic products, except otherwise classified	16	4%
11. Manufacture of rubber products	9	3%
12. Manufacture of leather tanning, leather products and fur skins	0	0%
13. Manufacture of ceramic, stone and clay products	12	3%
14. Manufacture of iron and steel	9	3%
15. Manufacture of non-ferrous metals and products	12	3%
16. Manufacture of fabricated metal products	28	8%
17. Manufacture of general-purpose machinery	7	2%
18. Manufacture of production machinery	35	10%
19. Manufacture of business oriented machinery	13	4%
20. Electronic parts, devices and electronic circuits	19	5%
21. Manufacture of electrical machinery, equipment and supplies	29	8%
22. Manufacture of information and communication electronics equipment	2	1%
23. Manufacture of transportation equipment	55	15%
24. Miscellaneous manufacturing industries	40	11%
Total	359	100%

³²² The percentage figures cited in the results of the present questionnaire survey were rounded off to the nearest whole number.

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)*
(Deloitte Tohmatsu Financial Advisory LLC).

Table II-3-4-3. Company sizes of respondent companies

Number of responses regarding the company size
and composition rates

Company sizes	Number of responses	Composition rates
Large-sized companies	88	25%
Mid-sized companies	103	29%
SMEs	168	47%
Total	359	100%

Reference: Definitions of classification by company size in manufacturing

Classification of companies and individuals		Capital amount or total investment	
		300 million yen or less	Over 300 million yen
Number of regularly employees	300 or less	SMEs	SMEs
	Over 300 but 2,000 or less	SMEs	Mid-sized companies
	Over 2,000	SMEs	Large-sized companies

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)*
(Deloitte Tohmatsu Financial Advisory LLC).

Let us look at the countries/regions where respondent companies had production bases and R&D bases at the time of the survey. As for the rankings of countries/regions as a location for production bases of Japanese manufacturing companies, if Japan (where 325 companies had production bases) is excluded, the top locations were China (155 companies), Thailand (82 companies), the United States (69 companies), and Indonesia (65 companies) in that order. As a location for R&D bases, if Japan (277 companies) is excluded, China (40 companies), the United States (34 companies), and the EU (26 companies) occupied the top three positions in that order (Table II-3-4-4).

Table II-3-4-4. Countries and regions where respondent companies' production bases are located or where their R&D bases are located (as of the survey time)

Countries/regions where the production bases are located (as of the survey time)			Countries/regions where the R&D bases are located (as of the survey time)		
Countries/regions	Number of responses	Composition rates	Countries/regions	Number of responses	Composition rates
1. Japan	325	91%	1. Japan	277	77%
2. China (mainland)	155	43%	2. China (mainland)	40	11%
3. Taiwan	33	9%	3. Taiwan	8	2%
4. ROK	35	10%	4. ROK	13	4%
5. Singapore	17	5%	5. Singapore	7	2%
6. Thailand	82	23%	6. Thailand	14	4%
7. Malaysia	39	11%	7. Malaysia	8	2%
8. Indonesia	65	18%	8. Indonesia	9	3%
9. Philippines	27	8%	9. Philippines	0	0%
10. Viet Nam	47	13%	10. Viet Nam	5	1%
11. India	41	11%	11. India	8	2%
12. Asia-Oceania—Others	10	3%	12. Asia-Oceania—Others	0	0%
13. U.S.	69	19%	13. U.S.	34	9%
14. Mexico	33	9%	14. Mexico	2	1%
15. North America/Central and South America—Others	17	5%	15. North America/Central and South America—Others	3	1%
16. EU	44	12%	16. EU	26	7%
17. U.K.	13	4%	17. U.K.	5	1%
18. Europe/Russia/CIS—Others	0	0%	18. Europe/Russia/CIS—Others	1	0%
19. Middle East and Africa	12	3%	19. Middle East and Africa	1	0%
Total	359	—	Total	359	—

Note: The number of responses and the total do not match since the multiple-choice question was adopted.

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

(2) Analysis of the questionnaire survey results

(A) Location strategy for production bases

As pointed out in past editions of the White Paper on International Economy and Trade, Japanese manufacturing companies have actively made FDIs and pursued overseas business expansion in North America, Asia and other regions, particularly since the 1980s, in response to factors such as changes in the international trade and investment environment, changes in exchange rates following the Plaza Accord, and international differences in labor cost. Regarding the establishment of overseas subsidiaries, in China, the number of subsidiaries newly established by Japanese manufacturing companies peaked in the first half of the 2000s and has trended downward since then. In Thailand, Viet Nam, Indonesia and India, the number increased in the first half of the 2010s.³²³

³²³ Ministry of Economy, Trade and Industry, “SHIRYOU 4: SEIZOUGYOU WO MEGURU GENJOU TO KADAI—KONGO NO SEISAKU NO HOUKOUSEI” (material at the 14th meeting of the Manufacturing Industry Committee of the Industrial Structure Council), May 2023, https://www.meti.go.jp/shingikai/sankoshin/seizo_sangyo/pdf/014_04_00.pdf (as viewed on June 5, 2025)

According to the results of the present questionnaire survey, reflecting the abovementioned background, ASEAN6, China (the mainland), the United States, and Europe were the top four locations in that order in terms of the current number of production bases established by Japanese manufacturing companies. This finding is mostly consistent with the rankings of countries/regions as a location for overseas subsidiaries established by Japanese manufacturing companies in the Basic Survey on Overseas Business Activities (Table II-3-4-5).

Table II-3-4-5. Distribution of bases by country and region based on the Basic Survey on Overseas Business Activities and this survey

This survey (production bases in existence as of the survey time)			
Countries/regions	Number of companies	Share	Ranking
U.S.	69	9%	3
Mainland China	155	21%	2
ASEAN6	277	37%	1
Europe	57	8%	4
Others	181	24%	—
Total	739	100%	—

Basic Survey on Overseas Business Activities (only for the manufacturing industry)			
Countries/regions	Number of companies	Share	Ranking
U.S.	996	10%	3
Mainland China	3,354	32%	2
ASEAN10	3,481	33%	1
Europe	819	8%	4
Others	1,783	17%	—
Total	10,433	100%	—

Note: The rankings in this figure exclude “Others.” ASEAN6 refers to Singapore, Thailand, Malaysia, Indonesia, the Philippines, and Viet Nam. In addition, the totals in this survey represent cumulative responses.

Sources: *Basic Survey on Overseas Business Activities (Performance in FY2022)* (METI), *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

Next, we will look at investment plans for production bases. Figure II-3-4-6 shows the survey results concerning investment plans for production bases by country/region over the next three years or so.

The top three locations favored for production bases in terms of the percentage of companies that replied that they have investment plans³²⁴ were India (79%), Japan (68%), and the United States (68%)

³²⁴ Specifically, this percentage figure represents the total sum of the percentages of companies that chose either of the first four ((i) to (iv)) out of the five choice options shown in Figure II-3-4-6 ((i) New establishments and expansion of production capacity, (ii) Maintaining production capacity at existing

in that order. As for the specifics of investment plans for production bases, India was chosen as a location for the expansion of business bases by a very high percentage (67%), and the United States (42%) and Japan (36%) were also chosen by high percentages.

It is noteworthy that the percentage of companies that have investment plans in Japan is high compared with the percentages of companies that have investment plans in other countries/regions. A similar trend can also be observed in the Survey on Planned Capital Spending, conducted by the Development Bank of Japan, indicating growing sentiment in favor of domestic investment.

Regarding the United States, it is necessary to take into consideration the rapidly escalating uncertainty over the U.S. trade policy, caused by the launch of the tariff policy of the second Trump administration, which came after the survey. At any rate, the survey results indicate that the United States is recognized as an important investment destination for manufacturing companies as the country has led the global economy in recent years.

As for Asian economies, India was followed by the Philippines (59%) and Viet Nam (53%) as favorite locations for investment plans. This indicates Japanese companies' tendency to give precedence to investment in countries where growth is expected at the moment over investment in countries where they have already expanded business.

On the other hand, for China, Mexico, Thailand, Indonesia, and Malaysia, more than half of companies replied that they did not have investment plans. In the case of China in particular, there have been media reports about moves to pause new investments in the country due to economic stagnation, intensified competition and the deterioration of the business environment there. The present survey found that 39% of companies had investment plans for China and only 15% of the companies that have investment plans for China are planning "new establishments and expansion of production capacity."

A comparison between the present survey and the Survey on Business Conditions of Japanese-Affiliated Companies Overseas,³²⁵ conducted by JETRO, shows that the survey results concerning investments in China and ASEAN were mostly similar but that a positive attitude toward investments in the United States and a negative attitude toward investments in Mexico are more pronounced in the present survey. This may reflect the effects of the fact that the period of the present survey (January 20 to February 7, 2025) overlapped with the timing of media reports about the imposition of 25% tariffs against Mexico and Canada by the second Trump administration.

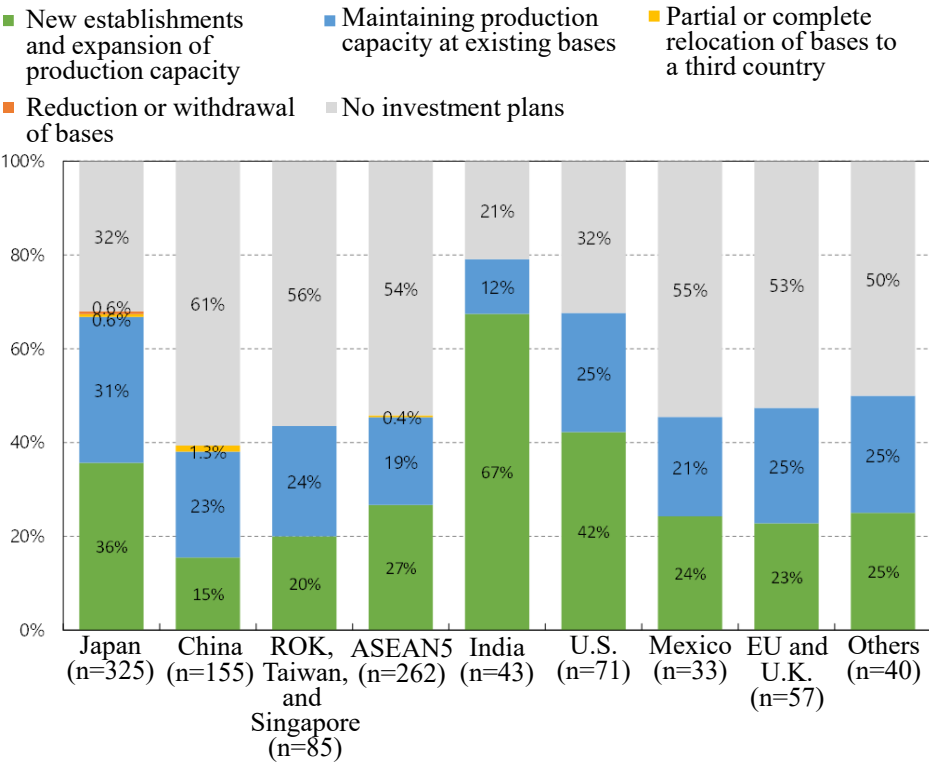
Regarding the supply destinations of products after investment, the percentage of companies that cited the local market where the investment was made is generally high, indicating the trend of locating more and more business bases in places of consumption. On the other hand, among the companies that cited Viet Nam (68%), China (56%), the Philippine (56%), Thailand (54%), Indonesia (50%), and Malaysia (50%), more than half replied that products made in those countries are reimported to Japan (Figure II-3-4-7). These findings, together with the results of the JETRO survey, suggest that because

bases, (iii) Partial or complete relocation of bases to a third country, (iv) Reduction or withdrawal of bases, and (v) No investment plans). (iii) and (iv) are replies indicating negative investment plans, but as is clear from the figure, the percentages of companies that chose these two options are very small, so in effect, the percentage figure is almost equal to the total sum of the percentages of companies that chose (i) and (ii).

³²⁵ JETRO (2024a)

of labor shortages and other factors in Japan, some Japanese companies may have transferred production bases to ASEAN and other regions for the purpose of reimport.³²⁶

Figure II-3-4-6. Existence or non-existence of the investment plans for production bases for the next three years or so and the position of the plans

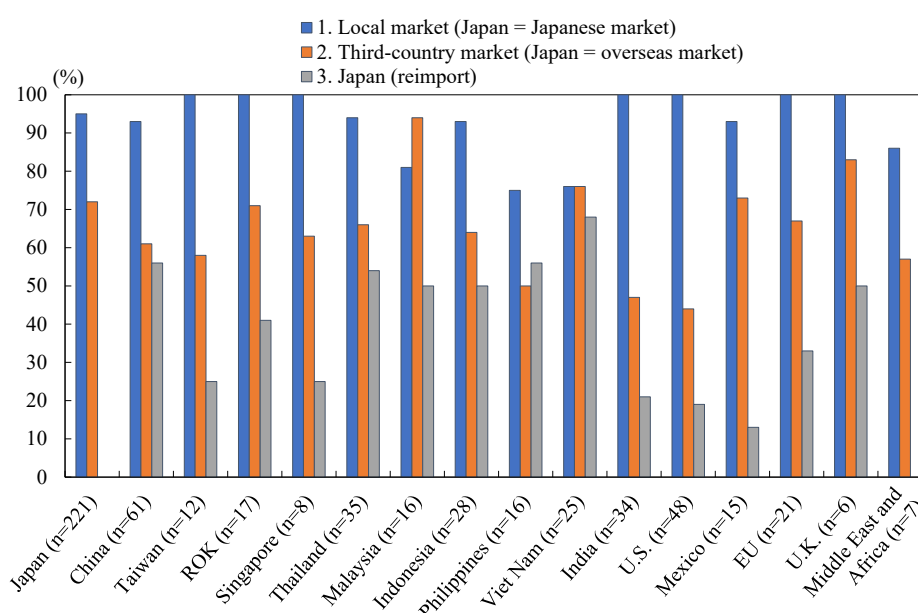


Note: This figure shows, for each country/region on the horizontal axis, the percentage of single-choice responses regarding specific investment plans for the next three years or so, which were given by the companies that responded “Having production bases now” or “Having investment plans for the next three years or so.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

³²⁶ JETRO (2024b)

Figure II-3-4-7. Product supply destinations after investment in production bases



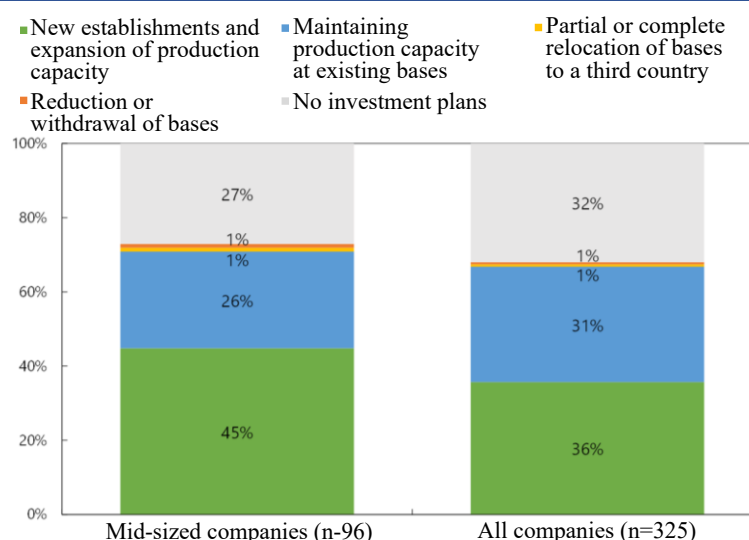
Note: This figure is prepared based on the results of the multiple-choice question: “Select all applicable supply destinations for products manufactured at production bases after investment,” excluding the following categories with few responses: “Asia-Oceania—Others,” “North America/Central and South America—Others,” and “Europe/Russia/CIS—Others.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

Finally, if we look at investment plans for production bases in Japan by company size, not only large-sized companies but also many mid-sized companies and SMEs have such plans. In particular, among mid-sized companies, the percentage of those that cited “new establishments and expansion of production capacity” as the reason for investment is 45%, higher than the ratio of 36% among all companies, and the percentage of those that cited investment for expanding production capacity was higher than the percentage of those that cited investment for maintaining production bases (Figure II-3-4-8). In addition, as for the supply destinations of products manufactured at production bases after investment, the percentage of companies that cited overseas markets is high, 74% (compared with 72% among all companies). At a meeting (31st) of the Council of New Form of Capitalism Realization on February 27, 2025, it was observed that mid-sized companies play a significant role also in exports as they are positive toward investments in equipment and human resources.³²⁷ The observation indicates the importance of mid-sized companies for expanding exports in the future.

³²⁷ Cabinet Secretariat, “SHIRYOU 1: KISO SHIRYOU” (meeting (31st) of the Council of New Form of Capitalism Realization), February 27, 2025, https://www.cas.go.jp/jp/seisaku/atarashii_sihonsyugi/kaigi/dai31/shiryou1.pdf (as viewed on June 9, 2025)

Figure II-3-4-8. Existence or non-existence of the investment plans of mid-sized companies for production bases for the next three years or so and the position of the plans



Note: This figure shows the percentage of single-choice responses regarding specific investment plans for the next three years or so, which were given by the companies that responded “Having production bases now” in Japan or “Having investment plans for the next three years or so.”

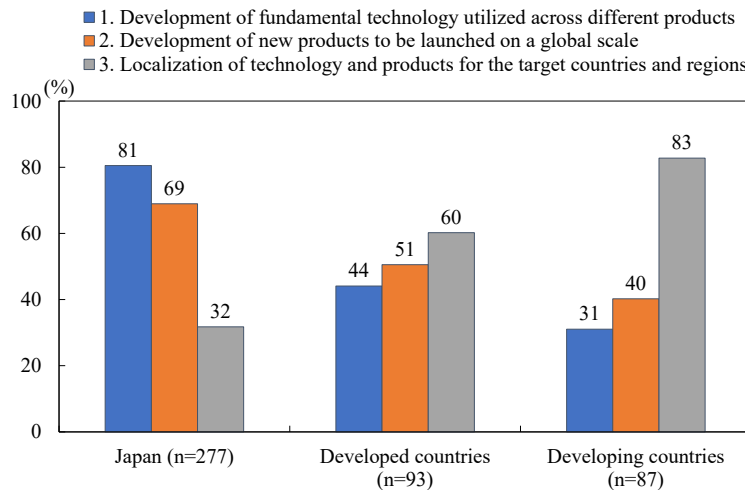
Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

(B) Location strategy for R&D bases

We will look at the current situation of R&D bases and investment plans for the next three years or so. Regarding the location of R&D bases, the number of companies that have R&D bases in Japan is 277, by far the largest number. A high percentage of companies replied that their R&D bases possess the function of developing foundational technology or developing new products to be launched in the global market. Outside Japan, 93 companies had R&D bases in developed countries, as did 87 companies³²⁸ in developing countries. As for specific functions of R&D bases, the percentage of companies that cited localization of products for the country/region where the R&D base is high, 60% among the companies with R&D bases in developed countries and 83% among the companies with R&D bases in developing countries. Among the companies with R&D bases in developed countries, the percentage of those that cited the development of foundational technology (44%) or the development of new products to be launched in the global market (51%) was also fairly high (Figure II-3-4-9).

³²⁸ The classification into developed and developing countries was made in reference to WEO (IMF). Specifically, developing countries/regions include the United States, the euro area, the United Kingdom, the ROK, Taiwan and Singapore. Developing countries/regions include China, India, Indonesia, Thailand, Viet Nam, Mexico, Africa, and the Middle East. Of the replies to the question, “Asia- Oceania—Others,” “North America/Central and South America—Others,” and “Europe/Russia/CIS—Others” were excluded because the specific countries/regions targeted for investment cannot be identified.

Figure II-3-4-9. Nature of R&D conducted at existing R&D bases

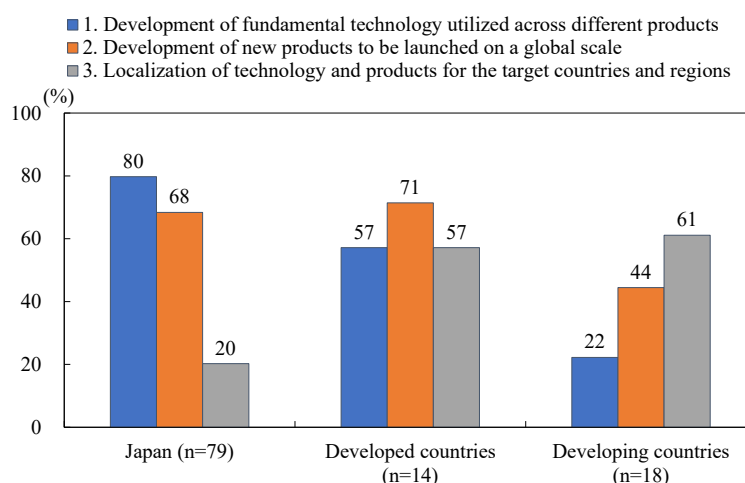


Note: This figure shows the results of the multiple-choice question: “Select all applicable activities undertaken at your R&D bases,” which was given by companies that responded “Yes” to the single-choice question: “Do you have R&D bases now?” Since this was a multiple-choice question, the total number of responses does not add up to 100%.

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

Regarding investment plans for the next three years or so, 149 companies had investment plans for R&D bases in Japan. Of those companies, 53% chose “new establishments and expansion of production capacity” as an objective. As for specific R&D functions after investment, the development of foundational technology and the development of new products are the main functions, as in the case of existing R&D bases. It is noteworthy that in developed countries, the percentage of companies that chose the development of foundational technology (57%) or the development of new products (71%) with respect to investment plans after establishing a new base or expanding capacity was substantially higher than the percentage of companies that cited those functions with respect to existing R&D bases, although it should be kept in mind that the overall number of respondents was small (Figure II-3-4-10).

Figure II-3-4-10. Nature of R&D undertaken after new establishment and expansion of production capacity



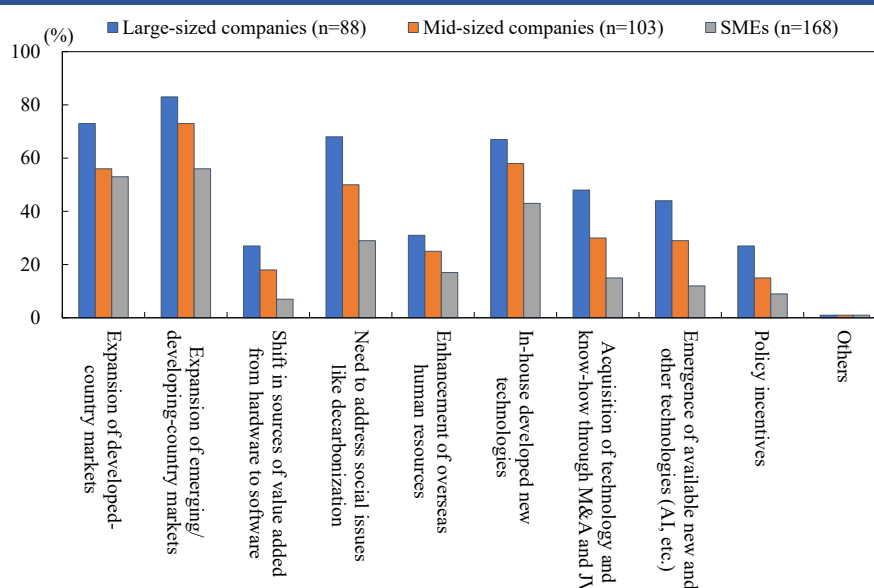
Note: This figure shows the percentages of responses to the multiple-choice question: “Select all applicable R&D efforts that you have undertaken after ‘New establishments and expansion of production capacity’.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

(C) Opportunities and challenges for global corporate growth and priority matters under management strategy

Below, we will look at the replies concerning global strategies of Japanese manufacturing companies. To the question that asked about opportunities for global corporate growth, regardless of company size, a very high percentage of companies chose the expansion of developed-country markets or the expansion of emerging/developing-country markets. (Figure II-3-4-11).

Figure II-3-4-11. Opportunities for global corporate growth (by company size)

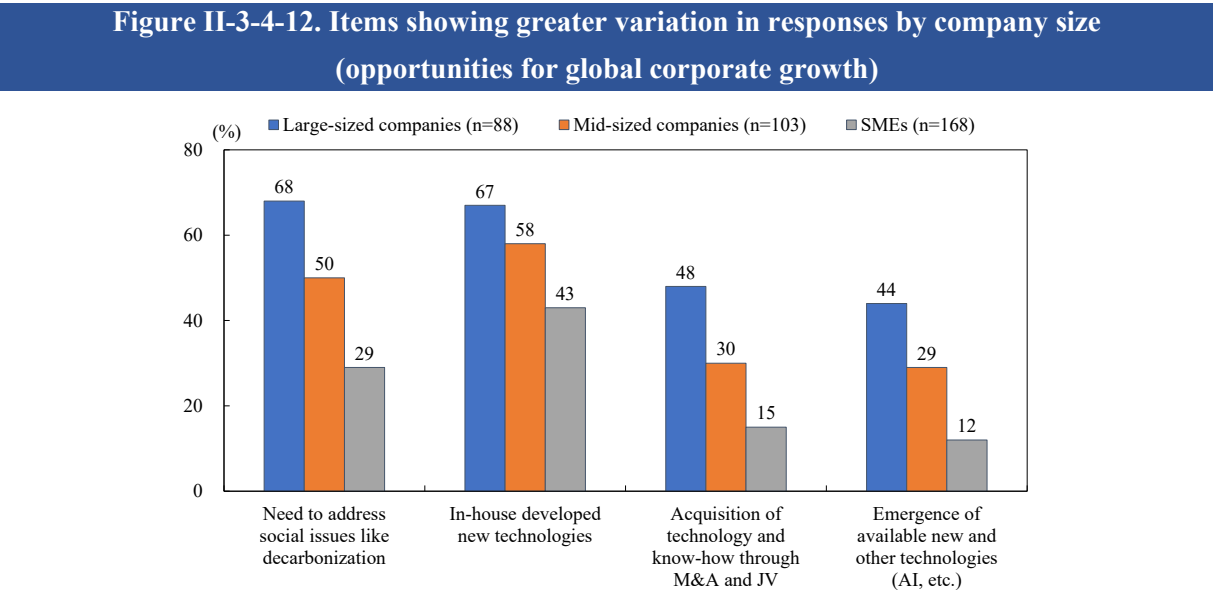


Note: This figure shows the percentages of responses to the multiple-choice question: “Select all applicable items regarding opportunities for achieving your global corporate growth.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

One major characteristic of the replies from large-sized companies was that the percentages of those that regard the “need to address social issues like decarbonization” as a growth opportunity were markedly high, 68%, compared with the cases of mid-sized companies and SMEs. This indicates that among Japanese companies, mainly large-sized ones are mapping out a growth strategy that aims to achieve growth by providing solutions to domestic and foreign social challenges. This finding, together with the high percentage of companies that regard the “expansion of emerging and developing country markets” as a growth opportunity, strongly suggests that co-creation initiatives to respond to social and economic challenges in Global South countries are considered to be important as a growth opportunity.

A relatively high percentage of companies regard “in-house developed new technologies” as a growth opportunity regardless of company size, while the percentage of companies that regard “acquisition of technology and know-how through M&A and JV,” or “emergence of available new and other technologies (AI, etc.)” as a growth opportunity was higher among large-sized companies (Figure II-3-4-12).



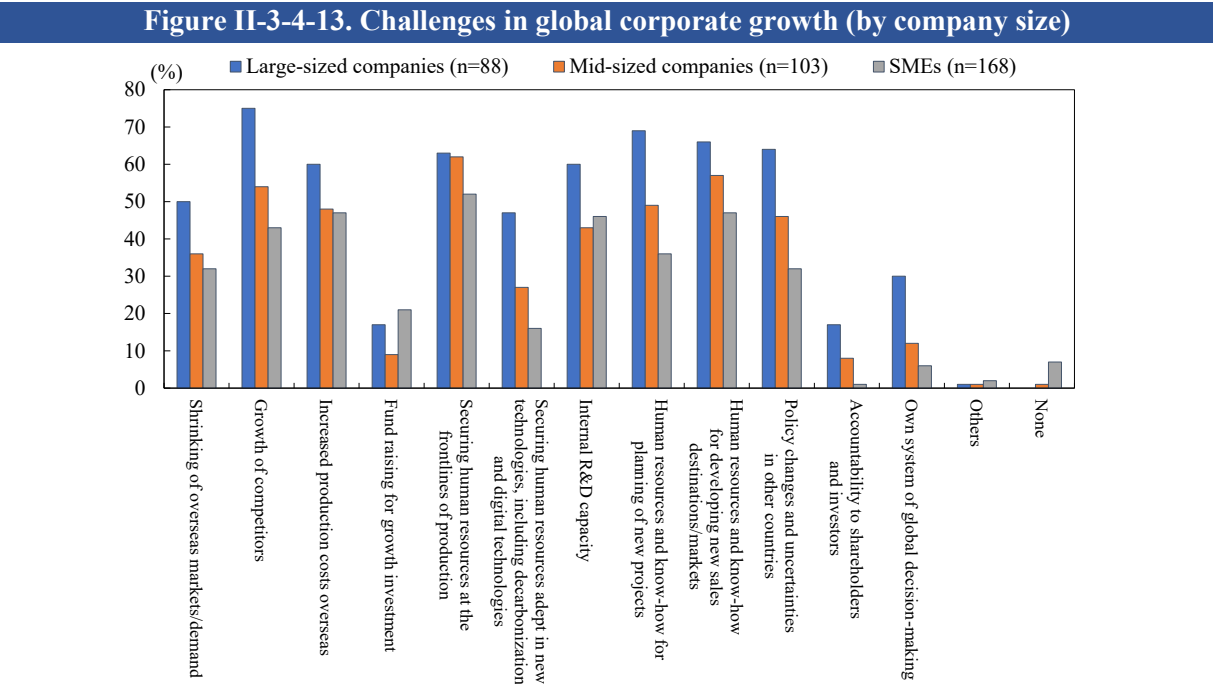
Note: This figure shows the percentages of responses to the multiple-choice question: “Select all applicable items regarding opportunities for achieving your global corporate growth.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

Next, the survey asked about the challenges for realizing global corporate growth. A very high percentage of companies chose “internal R&D capacity,” “human resources and know-how that support planning of new projects,” and “human resources and know-how for developing new sales

destinations/markets,” which reflected companies’ needs for highly-skilled workers and technologies that support in-house creative activity. It can be said that enhancing internal and external human resource development and R&D capacity is strongly recognized as a challenge.

In addition, the percentage of companies that cited “securing human resources in the frontlines of production” was high regardless of company size, indicating that the labor shortage in Japan is recognized as a challenge (Figure II-3-4-13).

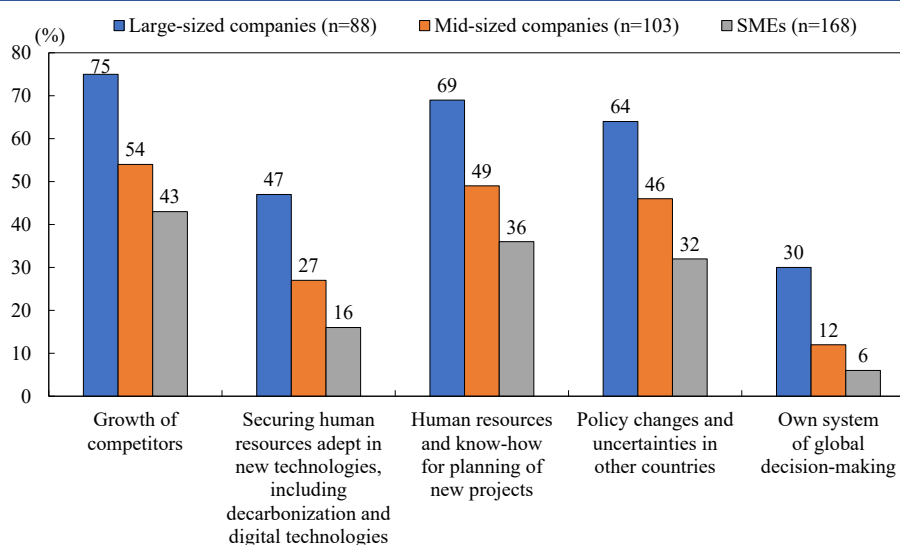


Note: This figure shows the percentages of responses to the multiple-choice question: “Select all applicable items regarding challenges for achieving your global corporate growth.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

The percentage of companies that chose “growth of competitors,” “securing human resources adept in new technologies, including decarbonization and digital technologies,” “human resources and know-how for planning of new projects,” “policy changes and uncertainties in other countries,” “own system of global decision-making” as challenges was markedly high among large-sized companies. Presumably, large-sized companies more frequently feel threats from competitors as they face intensifying competition with other countries abroad. Moreover, although many large-sized companies regard the “need to address social issues like decarbonization” as a growth opportunity, the survey results indicate that there is awareness about inadequacies regarding “securing human resources adept in new technologies, including decarbonization and digital technologies” and “human resources and know-how for planning of new projects.” It can also be presumed that large-sized companies more strongly recognize the effects of policy changes and uncertainties in other countries and feel the need to improve their systems of global decision-making as they have developed supply chains and conduct activity across countries (Figure II-3-4-14).

**Figure II-3-4-14. Items showing greater variation in responses by company size
(challenges in global corporate growth)**



Note: This figure shows the percentages of responses to the multiple-choice question: “Select all applicable items regarding challenges for achieving your global corporate growth.”

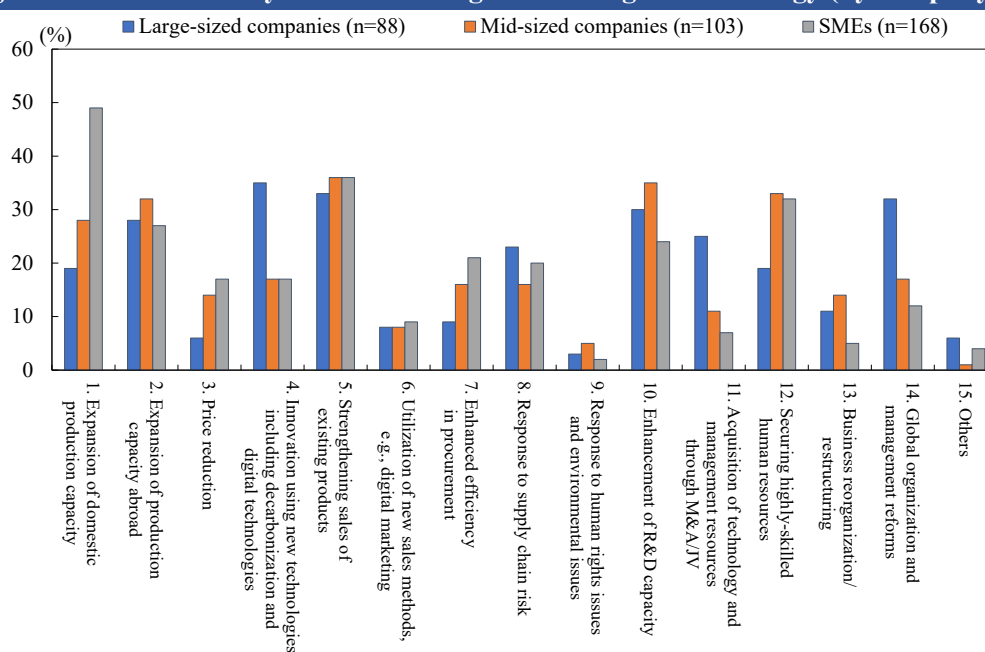
Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

Next, the survey asked about the priority matters under global management strategy. In this respect, it is noteworthy that among large-sized companies, the percentages of those that cited “innovation using new technologies, including decarbonization and digital technologies” and those that cited “global organization and management reforms” were high.

While “enhancement of R&D capacity” is a priority matter regardless of company size, it is distinctive that the percentage of companies that chose “acquisition of technology and management resources through M&A, etc.” is higher among large-sized companies and the percentage of respondents that chose “securing highly-skilled human resources” is higher among mid-sized companies and SMEs.

Among large-sized companies and among mid-sized companies, the percentage of those that chose the expansion of production capacity abroad was higher than those that chose the expansion of domestic production capacity, and the preference for the expansion of production capacity abroad is more pronounced among those companies than among SMEs. “Strengthening sales of existing products” was chosen by a high percentage regardless of company size (Figure II-3-4-15).

Figure II-3-4-15. Priority matters in the global management strategy (by company size)



Note: This figure shows the percentages of responses to the multiple-choice question: “Regarding your priority matters in the global management strategy for the next three years or so, select up to three priority matters in order of importance.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

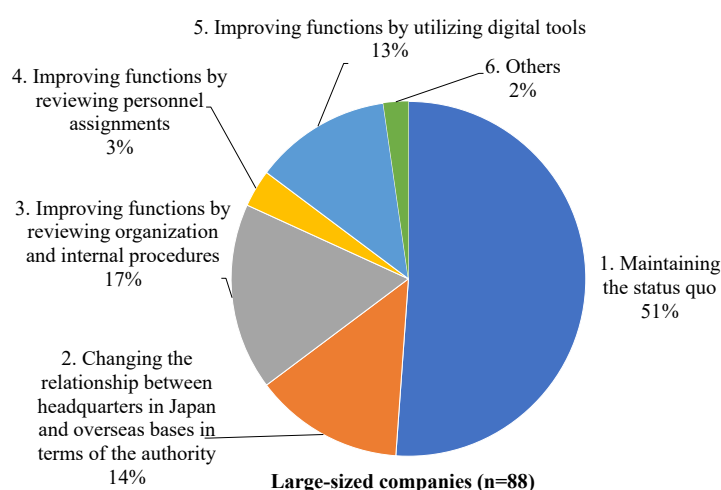
(D) Corporate functions

The survey also asked about the corporate functions of manufacturing companies that have overseas business bases. This is an important question asked both from the viewpoint of location strategy—which functions are located at headquarters in Japan—and from the viewpoint of corporate transformation (CX)—how the company is trying to make its organizational structure and governance more sophisticated as it seeks overseas expansion.³²⁹ The importance of the question is indicated by the high percentage of large-sized companies that cited “global organizational and management reforms” as a priority matter.

In this questionnaire survey, regarding the management planning function, as much as 89% replied that the main authority is currently concentrated at headquarters in Japan, but as to the future direction over the next three years or so, only around half of large-sized companies replied that they will maintain the status quo and the total of the percentages of those that plan to change the relationship between headquarters in Japan and overseas bases in terms of the authority over the management planning function and those that plan to reform the organization and revise internal procedures comes to 31% (Figure II-3-4-16). This indicates that mainly among large-sized companies, a substantial number of companies are planning to promote CX concerning the management planning function as they pursue global expansion.

³²⁹ Ministry of Economy, Trade and Industry (2024)

Figure II-3-4-16. Direction of management planning divisions for the next three years or so

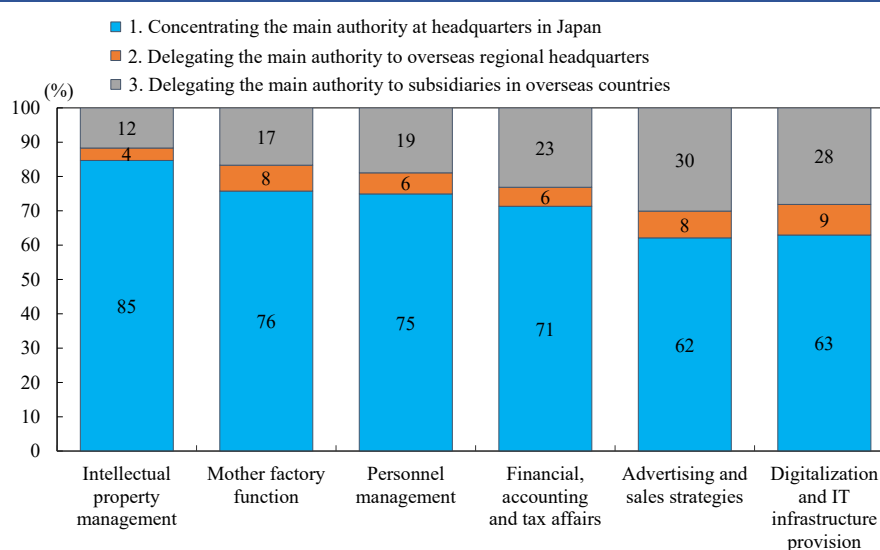


Note: This figure shows the percentages of responses to “(1) Management planning” in the single-choice question: “Regarding the direction of your corporate functions in global management for the next three years or so, select the item that is most close to your direction.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

In addition, more than 70% replied that the authority over intellectual property management, the mother factory function, personnel management, and financial, accounting and tax affairs is concentrated at the headquarters in Japan, while around 30% replied that they have delegated the main authority over advertising and sales strategies, digitalization, and the provision of IT infrastructure to overseas subsidiaries (Figure II-3-4-17).

Figure II-3-4-17. Current state of corporate functions

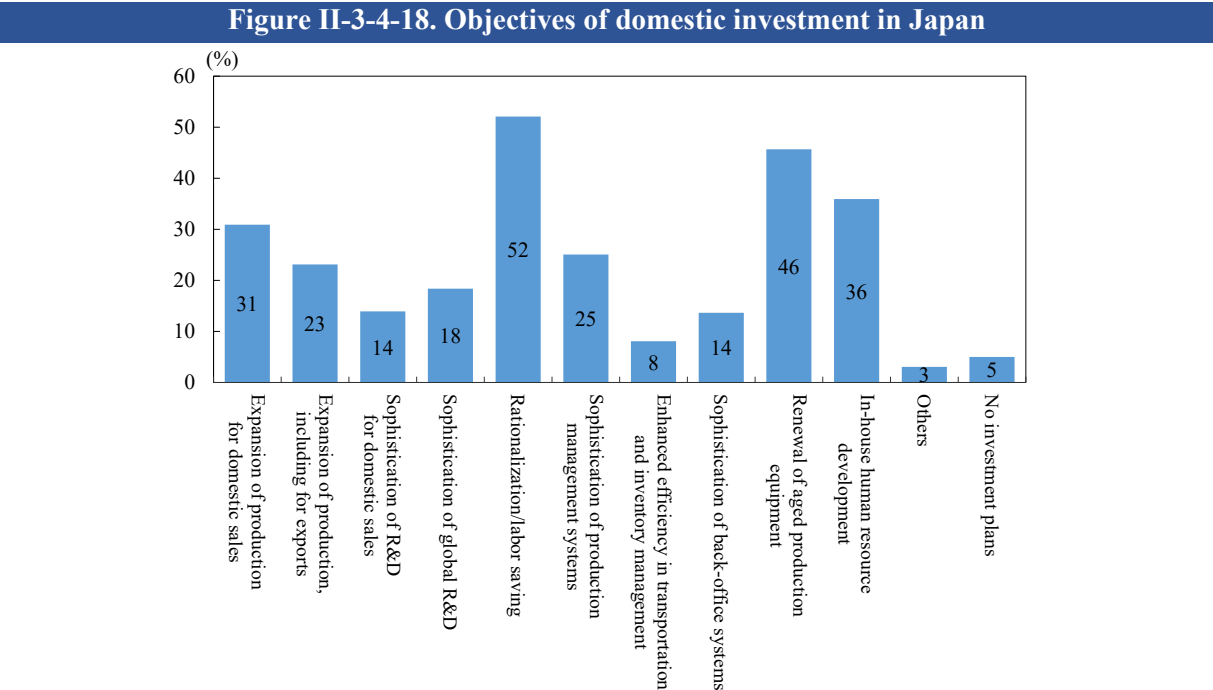


Note: This figure shows the percentages of responses to the single-choice question: “Regarding the current state of your corporate functions in global management, select the item that is most close to your state.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)*
(Deloitte Tohmatsu Financial Advisory LLC).

(E) Objectives and advantages of and challenges for domestic investment

We will look at how Japanese companies position domestic investment under the global location and investment strategies described above. As mentioned earlier, relatively many companies plan to invest in production bases and R&D bases in Japan. Regarding the objectives of domestic investment, a relatively high percentage of companies chose “production automation/labor saving” and “renewal of aged production equipment.” At the same time, there is a substantial number of companies that plan investment for the expansion of production if both those that aim for domestic sales and those that aim for export are included (Figure II-3-4-18).



Note: This figure shows the percentages of responses to the multiple-choice question: “Regarding the objectives of investments that you plan to make in Japan for the next three years or so, select up to three applicable items in order of importance.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)*
(Deloitte Tohmatsu Financial Advisory LLC).

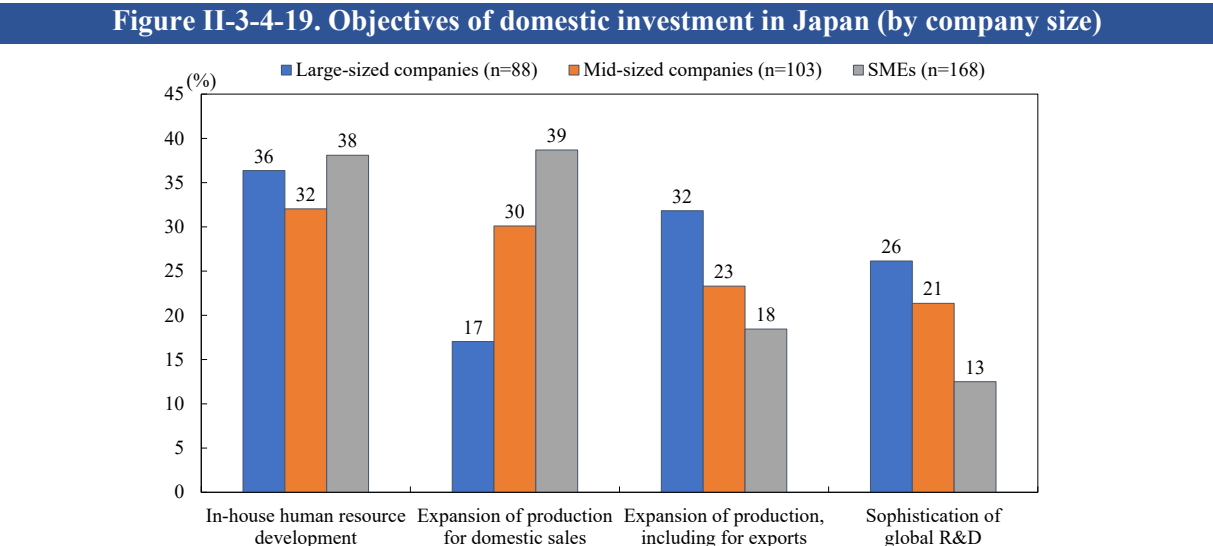
The percentage of companies that chose “in-house human resource development” as an objective was high regardless of company size (36% among large-sized companies, 32% among mid-sized companies, and 38% among SMEs).

Among large-sized companies, the percentage of those that chose the “expansion of production, including for exports” was 32%, higher than the percentage of those that cited the “expansion of production for domestic sales.” There was a certain percentage of those that chose the expansion of production, including for exports, among mid-sized companies (23%) and among SMEs (18%) as well.

“Sophistication of global R&D” was chosen by 26% of large-sized companies and by 21% of mid-sized companies (Figure II-3-4-19).

The overall trend is consistent with the results of the Survey on Planned Capital Spending (2024), conducted by the Development Bank of Japan (DBJ). However, the percentage of companies that chose “production automation/labor saving” in the present survey is higher than the percentage of companies that chose “rationalization/labor saving” in the DBJ survey (in which the weights of the values of investment motives in the total capital investment value were calculated).³³⁰

Next, the survey asked about the advantages of and challenges for domestic investment. Regarding the advantages, the choice rate is high for “accumulation of technologies/know-how” (55%), “securing highly-skilled workers” (33%), and “raw materials/supply source companies” (19%), indicating that the clustering of technological and human resources and industries in Japan continue to be recognized as a precious value. The percentage of companies that regard “supply destination companies/markets” (38%) or “demand/growth potential” (24%) as an advantage is also high, suggesting that the size of domestic demand still continues to be an important factor (Figure II-3-4-20).

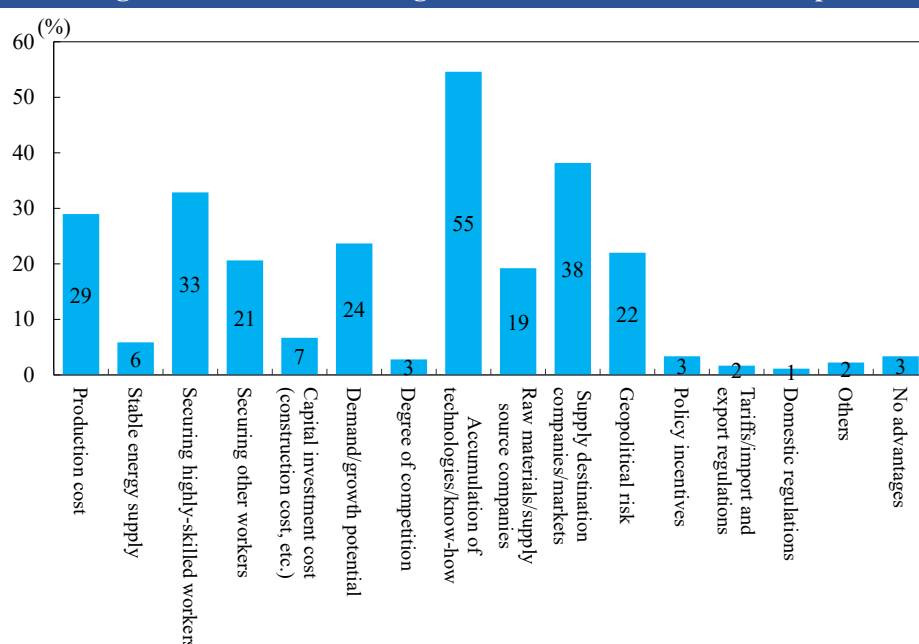


Note: This figure shows the percentages of responses to the multiple-choice question: “Regarding the objectives of investments that you plan to make in Japan for the next three years or so, select up to three applicable items in order of importance.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

³³⁰ Development Bank of Japan (2024)

Figure II-3-4-20. Advantages of domestic investment in Japan



Note: This figure shows the percentages of responses to the multiple-choice question: “Regarding the advantages of your domestic investment, select up to three applicable items in order of importance.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

On the other hand, a very high percentage of companies chose “capital investment cost (construction cost, etc.)” (42%) as a challenge for domestic investment. This suggests the possibility that the recent upsurges in the costs of construction, materials and production equipment and shortages of land for industrial use are recognized as significant challenges for domestic investment. This may be one factor behind the expansion of the disparity between capital investment plans and implementation in recent years that was pointed out by the DBJ’s Survey on Planned Capital Spending. At the Council of New Form of Capitalism Realization as well, discussions have been held on the challenge of insufficient supply of land for industrial use relative to demand.³³¹

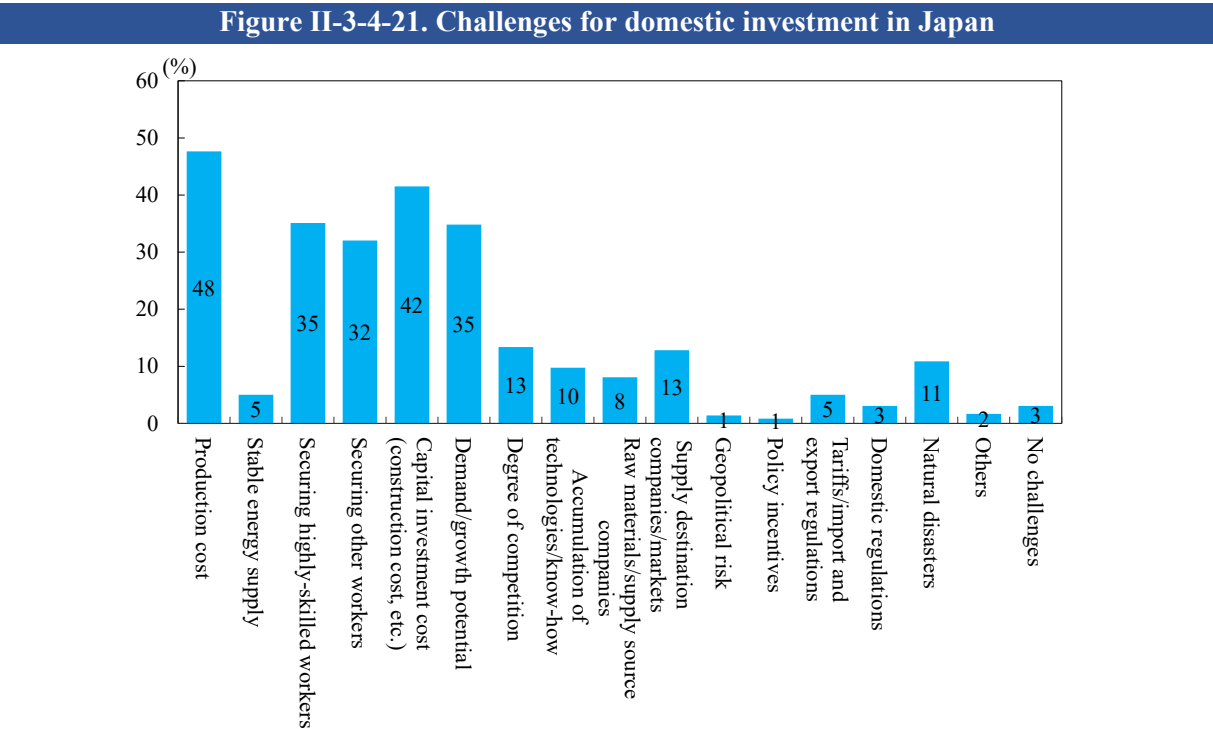
“Production cost” was cited as an advantage by a certain percentage (29%) of companies, mainly among mid-sized companies and SMEs, while on an all-company basis, the percentage of those that cited it as a challenge (48%) was much higher.

“Securing highly-skilled workers” was cited as an advantage or a challenge by similar percentages of companies, while “securing other workers” was chosen as a challenge by a higher percentage (32%), providing another indication of the seriousness of the labor shortage in Japan. “Geopolitical risk” was cited as an advantage by a high percentage (22%), mainly among large-sized companies, indicating that

³³¹ Cabinet Secretariat, “SHIRYOU 1: KISO SHIRYOU” (meeting (31st) of the Council of New Form of Capitalism Realization), February 27, 2025, https://www.cas.go.jp/jp/seisaku/atarashii_sihonsyugi/kaigi/dai31/shiryou1.pdf (as viewed on June 9, 2025)

the geopolitical environment for Japan is viewed in a positive light by businesses pursuing global expansion (Figure II-3-4-21).

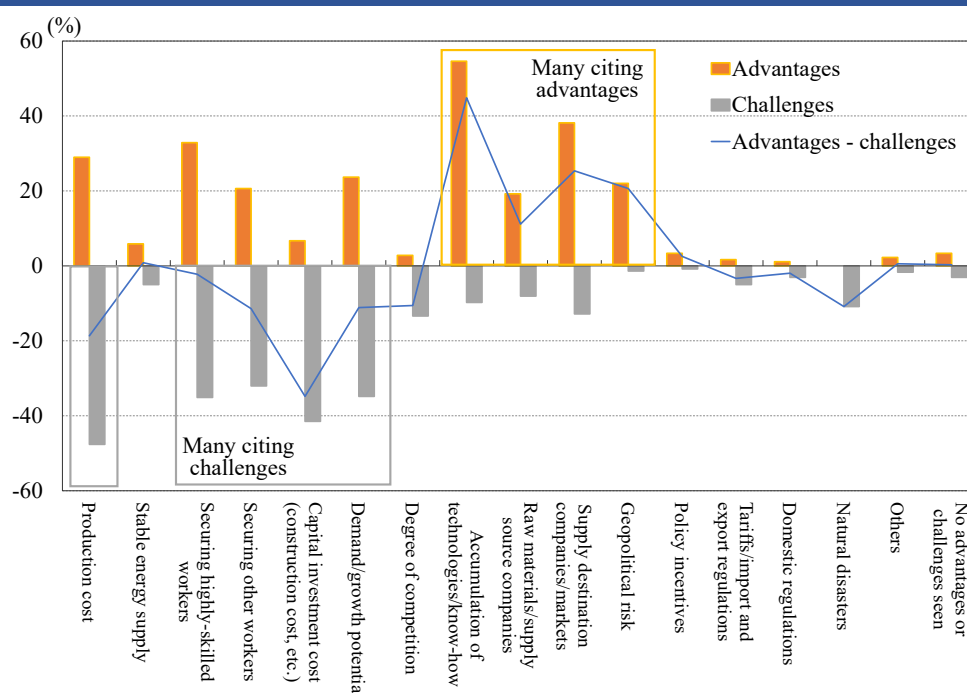
In Figure II-3-4-22, regarding advantages and challenges related to domestic investment, the bars in the plus area represent the percentages of companies that cited the option items as advantages and the bars in the minus area represent the percentages of companies that cited the items as challenges. The graph indicates that “capital investment cost (construction cost, etc.),” “production cost,” “securing other workers,” “demand/growth potential” and the “degree of competition” were cited as challenges by many companies, while “accumulation of technologies/know-how,” “supply destination companies/markets,” “geopolitical risk,” and “raw materials/supply source companies” were cited as advantages by many.



Note: This figure shows the percentages of responses to the multiple-choice question: “Regarding the challenges in your domestic investment, select up to three applicable items in order of importance.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

Figure II-3-4-22. Advantages of and challenges for domestic investments in Japan



Note: This figure shows the percentages of responses to the multiple-choice questions: “Regarding the advantages of your domestic investment, select up to three applicable items in order of importance”; and “Regarding the challenges in your domestic investment, select up to three applicable items in order of importance.”

Source: *Survey on Global Location and Investment Strategies of Japanese Companies (FY2024)* (Deloitte Tohmatsu Financial Advisory LLC).

(3) Implications of the questionnaire survey

Japanese manufacturing companies, which started business expansion in North America and Southeast Asia in the 1980s, increased outward FDIs significantly, particularly after the global financial crisis, and increasingly tilted toward locating business bases in places of consumption. Afterwards, the trend of establishing new overseas subsidiaries in China and Southeast Asia ran its course by the 2010s, while global location and investment strategies became more and more diverse, industry by industry, sector by sector, and company by company, as exemplified by investment by manufacturing companies in non-manufacturing operations, such as overseas sales bases and M&A investment, rather than greenfield investment, according to the survey. Presumably, underlying that trend are various changes in the international environment, including: changes in supply chain risks, such as the U.S.-China conflict and weaponization of economic dependencies; international trends such as digitalization and the green transition; changes in the production and market environments associated with the growth of Global South countries; changes in competitive relationships due to China’s industrial development; and the deterioration of the business environment in China. Under these circumstances, we may presume that Japanese manufacturing companies’ global strategies are at a crossroads.

The present questionnaire survey provided a glimpse into that situation of Japanese manufacturing companies. As for investment in China, where Japanese manufacturing companies have until now

actively invested in production bases, cautiousness about new investment is pronounced. Regarding ASEAN countries, where Japan has demonstrated its presence in the medium and long terms, on the whole, a lack of active investment is a cause for concern, although there are some investments for reimports from the region, which reflect the labor shortage in Japan. On the other hand, the survey showed a positive attitude toward investment not only in India, where the presence of Japanese production bases has until now been small but also in the United States, which has continued to act as a growth driver for the global economy.

It is interesting that under these circumstances, the survey provided a strong indication of the emphasis Japanese companies place on domestic investment. While capital investment cost (construction cost, etc.) and the labor shortage are recognized as challenges, the survey suggests that the industrial clustering in Japan continues to offer existing merits, such as the accumulation of technologies and know-how and the presence of highly-skilled workers. It is also noteworthy that mid-sized companies have active domestic investment plans. Going forward, it will be important whether active investment for corporate growth—rather than merely for automation, labor saving and renewal of equipment—including investment in R&D, human resource development and expansion of production, will become widespread.

From that perspective, the finding that Japanese companies, mainly large-sized ones, regard the expansion of developing- and emerging-country markets and the need to address decarbonization and other social challenges as growth opportunities suggests the possibility of growth through co-creation with Global South countries. Another important finding from the viewpoint of future global strategy is that many large-sized companies recognize improving the functions of global management planning divisions as a challenge. Given that challenges for promoting the shift to high value added, such as enhancing R&D capacity, acquiring technological and management resources, and securing highly-skilled workers, were cited as priority matters, addressing them will be the key for Japanese manufacturing industries to enhance global competitiveness steadily amid the changes in the international environment.

2. Current status of and challenges for overseas expansion of the content industry

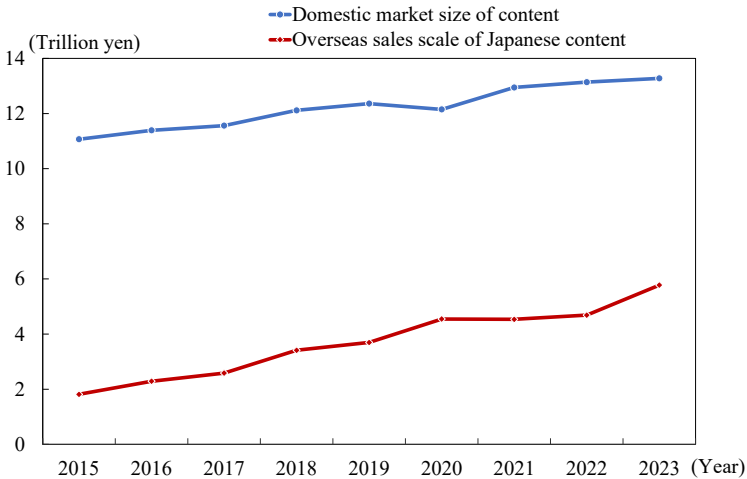
(1) Overseas expansion of the content industry

Amid trends such as the integration of manufacturing and services and the growing importance of service value added, the content industry is attracting attention as a sector in which new markets have been expanding in and outside Japan, particularly since the COVID-19 pandemic. In Japan, the Intellectual Property Strategy Headquarters formulated the New Cool Japan Strategy in June 2024. The strategy referred to the implementation of Cool Japan-focused policies since around 2010 and pointed out a new development related to the content industry as follows: “...as video distribution services become increasingly popular worldwide, Japanese anime and manga are attracting not only a certain audience but also many young people in general in foreign countries. Not only anime itself, but also live-action dramas and theme songs based on them are gaining popularity. Home video games, which were competitive to begin with, have adapted to digital distribution and are now expanding overseas.

Movies utilizing game characters and live action movies with subtitles, which were long considered difficult to produce, have also become big hits.”

The size of the domestic market of the Japanese content industry was 13.3 trillion yen in 2023 (up 1.0% from the previous year). The overseas expansion of the industry is accelerating year after year as a trend, mainly with respect to anime and games (for home use), with recent overseas sales increasing steeply, from 4.7 trillion yen in 2022 to 5.8 trillion yen in 2023 (up 23.2% from the previous year).³³² This is larger than the value of exports by an industry like steel and semiconductors. In light of that, under the New Cool Japan Strategy, the government set the goal of increasing the size of the overseas market for content originating in Japan to 20 trillion yen by 2033 (the interim goal is increasing the size to 10 trillion yen by 2028).³³³ As described above, from the viewpoint of promoting and supporting the overseas expansion of Japanese value added industries, the importance of the content industry is growing (Figure II-3-4-23).

Figure II-3-4-23. Domestic market of content and overseas sales of Japanese content

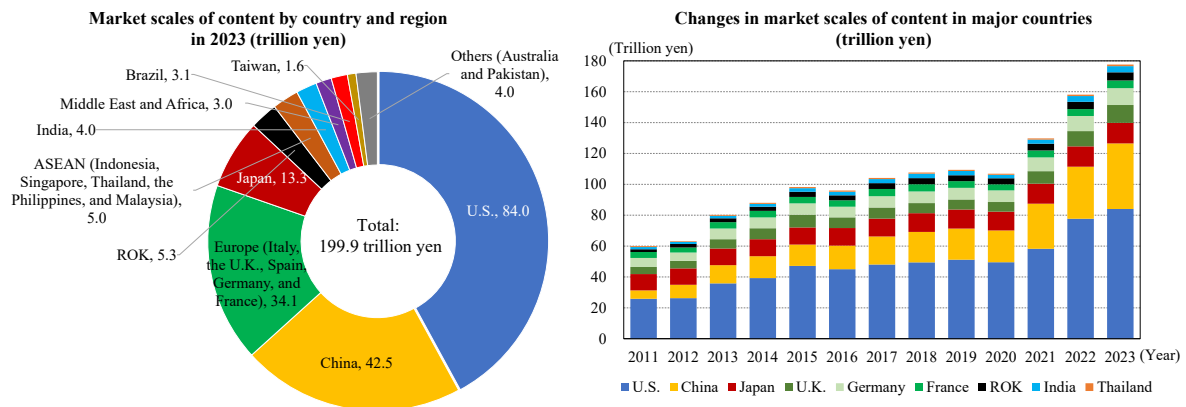


Source: Japan and the World Media x Content Market Database 2024 (Human Media Co. Ltd.).

The size of the global content market, as represented by the total sum of the figures only for countries/regions for which data is available, was 199.9 trillion yen in 2023 (Figure II-3-4-24). Of the total, the United States accounted for around 84.0 trillion yen, followed by China (around 42.5 trillion yen) and Europe (around 34.1 trillion yen). In the cases of the United States and China, their markets are not only large but are growing remarkably. The market size of each of ASEAN and India is currently around 5 trillion but is expected to grow further in the medium and long terms because of expected population expansion and economic growth. In interviews with content-related companies, which will be mentioned later, companies frequently cited major markets, such as the United States, China and Europe, and Asian markets, such as ASEAN, the ROK, and Taiwan, which have cultural affinity with Japan, as major targets for overseas expansion.

³³² HUMANMEDIA (2024)
³³³ Intellectual Property Strategy Headquarters (2024)

Figure II-3-4-24. Market scales of content by country and region



Note: For certain countries and regions, time-series data could not be obtained. Therefore, the relevant data are shown only in the graph on the left.

Source: *Japan and the World Media x Content Market Database (2024)* (Human Media Co. Ltd.).

(2) Types of cross-border transactions of the content industry

As mentioned in Part II, Chapter 3, Section 3, generally speaking, it is difficult to grasp the actual status of services-related cross-border transactions due to data constraints, but the difficulty is even more pronounced in the case of the content industry. One reason is that as the content industry is based on a business model centering on intellectual property (IP) rights, the reality of companies' businesses involves diverse contractual relationships. As a result, regarding transactions concerning the same content, the stage of the commercial flow in which the content is recognized as crossing borders or the statistical category of trade into which the transaction is classified may vary from transaction to transaction. It should be kept in mind that the classification of content-related cross-border transactions under international balance of payments and various other statistics differs depending on who owns what kind of IP in which place (in Japan or abroad) and in which form (goods, services, or IP) the content is traded in each stage of the commercial flow. The presence of overseas platform operators handling content such as music and video is also a factor behind the diversity of commercial flows and contractual relationships.

Figure II-3-4-25 shows a classification of content companies' transactions with overseas partners into typical categories. First, the key players of IP business are licensors, who own IP and give others the permission to use the IP, and licensees, who obtain the permission to use the IP from the licensor.³³⁴ At this time, we classify major transactional relationships that may arise in cases where a domestic licensee (e.g., a license business company) who obtains the permission to use IP from a domestic

³³⁴ The scope of the right to use IP granted by a licensor to a licensee varies case by case. In cases where the scope is narrow, the permission for the use may be granted with respect to only some specific IP business areas, such as anime production and goods production, and in cases where the scope is wide, the permission may be comprehensively granted (commissioned) with respect to the implementation of IP management and activities in various other areas.

primary licensor (e.g., an original author or a film production committee³³⁵) pursues overseas business expansion.

Categories (i) and (ii) correspond to traditional trade in goods and services. Category (i) represents a case where the licensee exports goods manufactured in Japan using content IP (e.g., hardware of console games, and toys, cards and other goods) for supply to overseas sales companies or to overseas consumers. Under international balance of payments statistics, this case is supposed to be recorded as trade in goods. Category (ii) represents a case where the licensee sells items like game software and anime works directly to overseas consumers from Japan through its own website or other means. This case is supposed to be recorded as a relevant category of service other than “charges for the use of intellectual property, n.i.e.” in the services trade balance under international balance of payments statistics.

Category (iii) represents a case where the right to use content IP is granted from a domestic licensee (IP user company) to an overseas subsidiary of the licensee, which provides goods or services using the IP. Category (iii) is different from Categories (i) and (ii) in that (1) the payment of consideration by the overseas subsidiary to the domestic licensee for the use of content IP is supposed to be recorded in the services trade balance as “charges for the use of intellectual property, n.i.e.” and that (2) the investment made by the domestic licensee in the overseas subsidiary is supposed to be recorded as an outward FDI and dividend income from the investment is supposed to be recorded in the primary income balance.

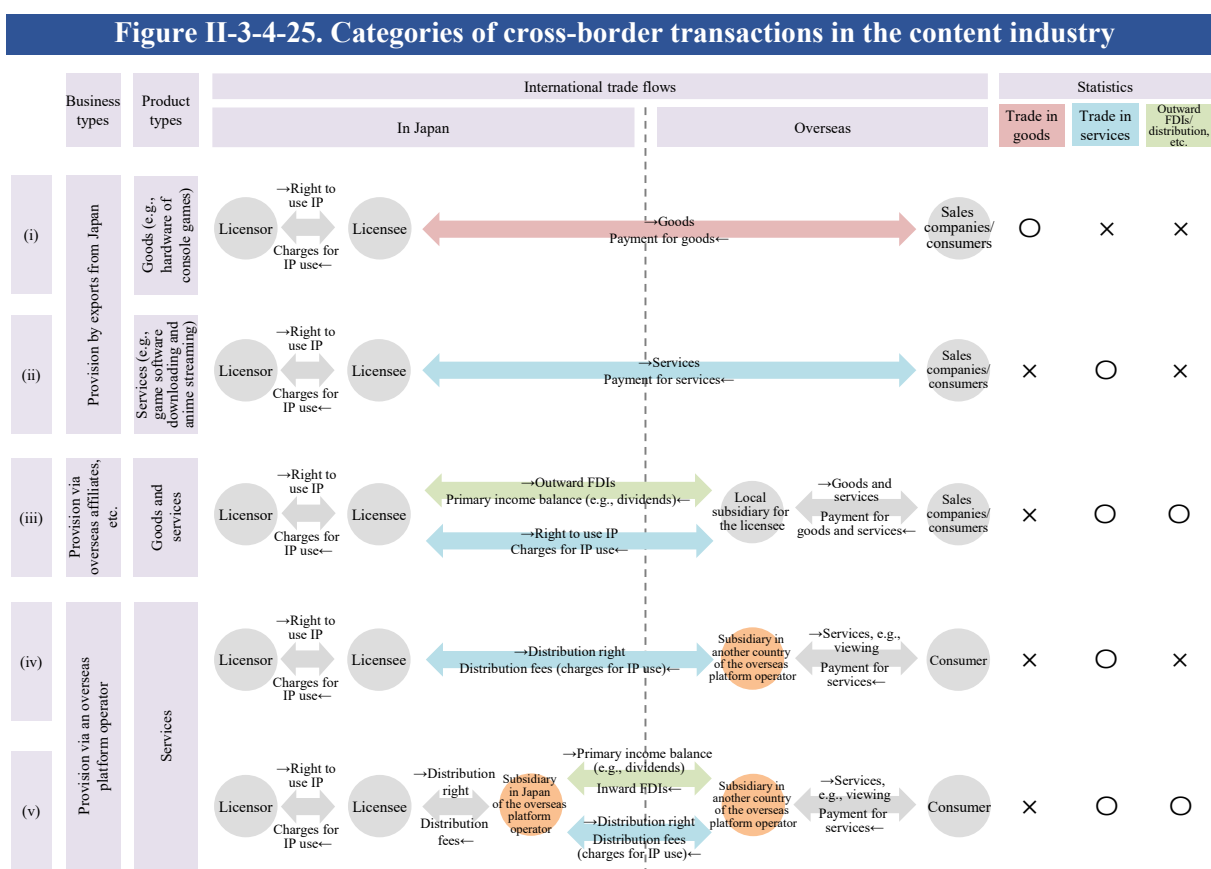
Categories (iv) and (v) represent a case where the right to use content IP, such as music and video, is granted to an overseas platform operator, who distributes the content abroad. In this case, the statistical classification varies depending on whether the counterparty to the contract is either the headquarters or an overseas (non-Japanese) subsidiary, or whether it is a Japanese subsidiary of the platform operator. In Category (iv), the contract is signed directly with the headquarters or a non-Japanese subsidiary and transactions arising from the contract are recorded as receipts of charges for the use of copyright, n.i.e. in the services trade balance. In Category (v), the contract is signed with a Japanese subsidiary and, when the headquarters or the overseas subsidiary distributes the content, transactions are supposed to be recorded as receipts of charges for the use of copyrights, n.i.e. by the Japanese subsidiary in the services trade balance while the investment in the Japanese subsidiary is supposed to be recorded as inward FDI and payments of dividends by the Japanese subsidiary are supposed to be recorded in the primary income balance.

Regarding (iv) and (v), while it is assumed that the domestic licensee grants the right to use IP to an overseas platform operator, there may also be a case where an overseas platform operator commissions the production of video content, such as movies and dramas, to a domestic creator. In that case, the ownership of the IP is supposed to belong to the overseas platform operator in the first place. If the entity

³³⁵ Regarding the terms “製作 (*seisaku* or production)” and “制作 (*seisaku* or production),” in some areas in the content industry, such as video (e.g., anime and movies) and games, the former “*seisaku*” is used in a business-oriented meaning, while the latter “*seisaku*” is used in a creative-activity meaning. In this White Paper, the latter one “制作” is used consistently by taking into account the current use of these terms in the industry, except in the cases where the former one “製作” is commonly used, such as “製作委員会 (*seisaku iinkai* or production committee).”

commissioning the production is the headquarters or a non-Japanese subsidiary of an overseas IP platform operator, the commission fees are supposed to be recorded in the services trade balance.

The classification described above was made in order to identify the actual status of cross-border transactions of the content industry and enable an integrated understanding of Japan's trade and investment relationships. However, when it comes to the reality of content companies' business, this classification itself is not necessarily regarded as important. Presumably, in order to maximize the value of their own content IP, companies determine how to conduct transactions in light of the market environment and legal systems of the countries/regions where IP is distributed from the viewpoint of which sort of IP-related contract to sign with whom and how to expand commercial flows, promote sales and protect IP rights abroad.



Note: There are cases where the licensor and the licensee are the same entity. In the production of anime and movies, the position of the IP user is often occupied by a production committee composed of multiple businesses (such as publishers, television stations, distributors, and home video manufacturers). The production committee is responsible for managing rights relationships with the original author, managing and distributing business revenues, and other matters.

Source: METI.

(3) Voices from the content industry

While taking into consideration what was described above, we held interviews with major content-related companies which have overseas subsidiaries and which operate in business sectors such as video (e.g., anime and movies), games, goods, publications and music in order to identify the actual status of overseas expansion of the content industry. The results will be sorted subject by subject under the headings: (i) overseas markets and business models, (ii) production and management of content, and (iii) challenges. The major business areas of the companies interviewed are as shown in Table II-3-4-26.

Table II-3-4-26. Major business areas of companies subject to interviews

	Major business areas				
	Video (e.g., anime and movies)	Games	Goods	Publications	Music
Company A	○	○	○	-	○
Company B	○	-	○	-	○
Company C	○	-	○	-	-
Company D	-	○	-	-	-
Company E	○	○	-	-	○
Company F	○	-	-	○	-
Company G	○	○	-	○	-

Source: METI.

(A) Overseas markets and business models

As priority markets targeted for overseas expansion, major markets, such as the United States, Europe and China, and Asian countries/regions that have cultural affinity with Japan, such as ASEAN, the ROK and Taiwan, were frequently cited. All those countries and regions have a certain market size or growth potential and are relatively affluent economies in which the people can afford to enjoy content. In particular, the United States is the largest market in many domains of content and is considered to play a trend-setting role, with content popular in the U.S. market becoming popular elsewhere. While China is becoming more and more important for many companies due to the remarkable pace of its market expansion, locally produced content is also growing. Regarding Southeast Asian countries, such as Thailand and Indonesia, some companies pointed out cultural affinity with Japan, as exemplified by a high degree of tolerance of content including personified characters. On the other hand, as for problems related to the market environment, local regulations, such as the restrictions on the total amount of imported content and systems to require prior approval before sale, and floods of counterfeit and pirated products, serve as impediments to the overseas expansion of the content industry in some cases, so there were voices of hope for improvement in predictability.

As for business models for overseas expansion, regarding overseas sales of content such as video, games, publications, and music, the share of content supplied in the form of digital data is increasing, which means that it has become easier than before to sell content abroad. For reference, sales of e-books in the publications sector have become widespread only in particular countries, such as Japan and the ROK. This presumably reflects the effects of factors such as sluggish sales of e-books due to a lack of willingness to accept the e-book format on the part of users and the endemic presence of websites for pirated content.

The main determinant factor of sales of works of content is how interesting and attractive the content itself is, and the contribution of production companies' brand power is limited. Therefore, what is important is the ability to identify content that has the potential to become popular in overseas markets in light of local cultures, values and trends, among other factors. It is also important to devise schemes to sell content. It is necessary to be deeply involved with local markets and promote sales while considering ways of better selling content, including related goods, such as supporting events voluntarily held by fans. From that viewpoint, in some cases, a local subsidiary may be established exclusively for the purpose of conducting sales promotion activity like that, without possessing production, sales or other business operations that directly generate profits.

The type of contract signed with overseas platform operators, whose presence is growing in terms of both distribution and production, may vary case by case. It appears that the types of contract signed between the headquarters in Japan or overseas subsidiaries of content supplier companies and the headquarters, Japanese subsidiaries, or non-Japanese subsidiaries of overseas platform operators are suited to their respective circumstances. As for how Japanese content companies view platform operators, in the publications sector in particular, the view was expressed that Japan has maintained an environment in which creators are not pressured to undersell their works and are appropriately appreciated due to the absence of any platform operator with a dominant market share and that preserving that environment will lead to the sound growth of the content industry.

Voices from individual companies interviewed are as follows:

Company A (handling content such as video, games, goods, and music)

- Regarding the protection of rights, because of differences in institutional systems and the scope of protection across countries, the company takes due care when registering trademarks, copyrights, and character and other design rights abroad, too.
- Charges for the use of IP are circulated to the headquarters in Japan, which is the licensor. There is also service income from overseas subsidiaries because the Japanese headquarters provides management guidance and services in the form of business administration.
- When signing a contract with an overseas platform operator, the company does not make a conscious distinction as to whether the counterparty to the contract is the headquarters located abroad or a Japanese branch even while taking into consideration risks related to tax and legal affairs, because the important thing to do is provide products and services best suited to fans around the world.
- For successful product sales abroad, the interestingness of content itself is a prerequisite. Moreover, in some cases, it is very important to deeply understand the real situation, including local consumers'

values and their pastimes by establishing business bases locally and devising schemes to sell content. For example, in some cases, holding an experience-based local event may lead to sales expansion.

- In Japan, the number of workers skillful at license business related to characters was limited, but recently, workers with know-how have been gradually nurtured.

Company B (handling content such as video, goods and music)

- When signing contracts with overseas platform operators, the counterparties are mainly the headquarters located abroad, although in some contracts, the counterparties are Japanese subsidiaries. In short, most transactions are cross-border ones.

Company C (handling content such as video and goods)

- The headquarters in Japan conducts IP management. For overseas sales, local subsidiaries are granted IP sales rights and sell content to other companies in local markets (e.g., film distributors, TV stations, and distribution companies) in many cases. When content is distributed not merely in a single country but globally, the headquarters in Japan signs the contract.
- Regarding contracts with overseas platform operators, the counterparty varies case by case. A contract is signed with their headquarters in the United States in some cases and with their Japanese or European subsidiary in other cases.

Company E (handling content such as video, games, and music)

- When selling content abroad, the company gives the permission to use IP or commissions sales to a local subsidiary of its own, or an external overseas company. A local subsidiary may implement localization or marketing case by case. Regarding licensed content for which it collects charges for the use of IP or receives shared revenue, the company conducts supervision.
- In some cases, funds are circulated back to Japan from local subsidiaries in the form of dividends, as well as in the form of charges for the use of IP.
- In transactions with overseas platform operators, the contract is signed with their Japanese subsidiaries in some cases.

Company F (handling content such as video and publications)

- When people refrained from going out during the COVID-19 pandemic, nesting demand, exemplified by consumers enjoying content at home through digital distribution, increased. As a result, digital business appears to have gained an additional momentum.
- One advantage of Japan's publications industry is the absence of any platform operator with a dominant market share, which enables creators to create works freely. If a platform operator acquires a dominant position in sales, concerns will be raised that creators may come under pressure to undersell their works or that the platform operator may make excessive interventions in expressions of creative works, thereby undermining free production. The company considers the presence of many sales channels in Japan to be desirable.

Company G (handling content such as video, games and publications)

- The ability to identify content likely to be accepted and be popular in overseas markets is important. It is difficult to create subtitles or dubbed versions for all works of content because doing so would be costly.

(B) Production and management of content

Regarding the production of content, it was found that the companies interviewed create most of the IP that they own in Japan. As for how to produce content, the companies may produce IP as original content from the beginning, or produce derivative IP such as anime and movies based on existing original content. The companies explained that profits generated from IP thus produced are, in principle, ultimately circulated back to their headquarters in Japan in the form of charges for the use of IP, etc. The interview results indicate that even when an overseas subsidiary or an external partner company takes over some portions of the content production process, the core functions of planning and development are performed in Japan. The interviews found few cases where a system similar to manufacturing industries' international division of work or local production in locations close to target markets has been introduced for content production. Even in the few cases where the production of derivative IP of some works of content is commissioned to an overseas company, the companies explained that they take steps to deepen cooperative relationship gradually in order to ensure better understanding on the culture of production and the value of IP.

Some companies pointed out that one advantage of content production in Japan is that creators have been well nurtured in Japan because the culture of production has already taken roots over the decades-old history of the industry. There were multiple opinions pointing to potential factors behind that advantage, such as the animistic national character (conducive to ideas such as personifying animals), which believes that various objects are inhabited by gods, and which is embodied by the phrase “eight million gods,” and the high degree of tolerance as to what may be expressed in which way (which contributes to the diversity of content).

From the viewpoint of management of the value of content, the point was frequently mentioned that it is very important to promote content while firmly preserving the concepts and worldviews of individual works of content. For example, it is necessary to ensure consistent management of content down to details, such as what kind of remarks a certain character is supposed to make and what action, attitude and standing position the character is supposed to take, by consulting and checking with original content creators. If this point is neglected and if the expansion of production volume is pursued thoughtlessly, the individuality and worldview of works of content will be lost, with the result that the business will suffer. Conversely, managing the worldview of works of content has the effect of enhancing the value created from IP—for example, the parent generation may be able to share joy with the child generation over the works of content that they enjoyed during their childhood.

Voices from individual companies interviewed are as follows:

Company A (handling content such as video, games, goods, and music)

- The company thinks the belief that gods inhabit all sorts of things is a distinctive feature of Japanese culture, as exemplified by the traditional phrase “eight million gods.” This belief is very important for creative activity because in the character business, for which personification is an important element, it leads to the idea that tools and robots, for example, have life of their own.
- Originally, there was the perception that the goods industry lies downstream of the content industry, such as video production. However, the company has changed that mindset and now views products

as more than just goods and regards them as devices that evoke empathy among customers or to enable customers to express their feelings.

Company B (handling contents such as video, goods, and music)

- Regarding music rights, the company obtains registration under the International Standard Recording Code (ISRC) system in countries where the master disc is produced.

Company C (handling content such as video and goods)

- The process of planning concerning the main elements of works of content, such as character creation and story setting, is implemented in Japan. However, if asked whether a planning process like that can never be implemented abroad in the future, the company's answer would be "not necessarily."
- The company's understanding is that across Japan, there are budding creators against the backdrop of a predominant manga culture, with people capable of creating stories being nurtured amid fierce competition. In addition, there has traditionally been willingness to accept apparently fanciful story settings, such as an animal or a tool acting as a character with its own life in a work of content, without feeling resistance, as exemplified by the phrase "eight million gods," and that appears to provide a source of various ideas.

Company D (handling content such as games)

- The company recognizes managing quality and worldview of works of IP as an important challenge. Therefore, it has formed partnerships with companies that have a firm understanding of IP. It is important to manage content from the viewpoint of expression so that for example, a certain character behaves in a certain manner under the concept and settings of the work, and to that end, the company spends a substantial cost by setting guidelines for each IP or through other means.

Company F (handling content such as video and publications)

- In order to improve the quality of content produced, it is necessary to adopt the stance of not pursuing production volume thoughtlessly. A certain production volume is necessary in order to create popular works of content, but popular works of content are limited in availability and this is not a business in which more can be sold if volume is increased.

Company G (handling content such as video, games, and publications)

- The company believes that in Japan, there is a high degree of freedom and tolerance concerning expression, and that underlies the great variety of content and broad range of genres. The diversity of settings and expressions constitutes an advantage of Japanese content.

(C) Challenges related to overseas expansion

When companies sell content abroad, it is important not only to comply with local laws and regulations but also to appropriately implement localization and culturalization (adapting the specifics of content in accordance with the cultures, regulations and institutional systems of export destination countries), including language support measures, such as producing dubbing and subtitles, and revising expressions to ones acceptable from the viewpoints of local religion and customs, and to that end, companies expend considerable cost. Companies also struggle with the cost of conducting surveys on matters such as laws, regulations and cultures of many countries/regions, so hope was expressed for the government to provide up-to-date basic overseas information.

In addition, regarding lobbying on local regulatory authorities, the view was expressed that the government should better cooperate with industry associations and companies. Regarding markets like China, it was pointed out that there are limits to what individual companies can do to deal with extraordinary regulations through their own efforts. With respect to the fight against counterfeit and pirated products, many companies mentioned the need for continuous cooperation between the public and private sectors.

There were also calls for assistance for visa acquisition for artists at the time of overseas performances and continuous support through the JLOX+ (subsidy program for overseas business expansion by creators and companies [promotion of overseas expansion by creators and companies]) and other programs and also for the simplification of procedures in order to reduce cost associated with application. Regarding visa acquisition in particular, as many artist management firms are small businesses, it was mentioned that the visa acquisition procedures alone could pose a significant impediment to overseas performances. At a time when the importance of providing real value is attracting attention again after a period of voluntary restriction on face-to-face events due to the COVID-19 pandemic, that is an important point from the viewpoint of meeting demand for that.

Voices from individual companies interviewed are as follows:

Company A (handling content such as video, games, goods, and music)

- When trying to sell works produced in Japan abroad, regulatory authorities sometimes order a pause, pointing out unexpected issues. For example, the appearance in a work of a character created through the personification of an animal associated with a local religion, or the use of homosexual expressions, could become an issue. Last year, a young employee was awarded an in-house commendation for compiling an easy-to-understand list of laws and customs in countries around the world. While individual companies should collect necessary information individually, the company would appreciate it if the government could collect and provide common, basic information.
- For the moment, the European regulation concerning chemical substances is posing the greatest challenge. In Europe, because of the new regulation, it is necessary to analyze the components of materials used in goods. However, if the company is to analyze the various goods that it sells on a product by product basis, exporting to Europe would become unprofitable and make it difficult to do business in Europe. Regarding how to deal with regulations, the company hopes for active involvement not only by industry associations but also by the government.
- In China, there is a restriction on the number of foreign movies that can be domestically screened. Although movies produced jointly with local companies are exempt from the restriction, there may be a problem from the viewpoint of the protection of rights. In addition, in China, it is difficult to obtain “version numbers”³³⁶ for games. On the other hand, regarding the fight against counterfeit

³³⁶ Permission/approval necessary when distributing games in China. The number of permissions/approvals has been decreasing since 2018. (JETRO, “KAIGAI HATSU TORENDU REPOOTO: GEEMU SHIJOU WA KAKUDAI MO HAISHIN KYONINKA NI RYUUI (CHUUGOKU/SYANHAI HATSU),” February 3, 2023, <https://www.jetro.go.jp/biz/trendreports/2023/43868c6dbf359b61.html> (as viewed on June 9, 2025))

products, in some cases, employees of local authorities had an understanding attitude toward Japanese content and acted in a cooperative manner.

Company B (handling content such as video, goods, and music)

- Culturalization is important particularly for manga and anime. An active overseas outreach of digital content like this has no historical precedent. It is difficult to exhaustively collect local information, including on business practices, so the company would appreciate it if the government could provide timely information.
- Regarding visa acquisition for artists at the time of overseas performances, small and medium-size management firms are particularly struggling. In the ROK, there is support for visa acquisition from the government and industry associations, so the company would like to request the introduction of a similar system in Japan, too.
- Under JLOX+, there is a program to subsidize the cost of producing foreign-language subtitles and dubbing for anime, which the company is using. However, sometimes, the cost of application is so high that the company gives up on applying. The company would like to request the simplification of the procedures.
- Regarding the fight against counterfeit and pirated products, the company hopes for cooperation between the public and private sectors. The damage inflicted in Viet Nam and Central and South America is considerable. It was a great achievement that the company, in cooperation with CODA (Content Overseas Distribution Association), uncovered a malicious site for pirated content in Brazil last year.

Company C (handling content such as video and goods)

- Regarding language support measures, in order to promote the dissemination of content among young children, the main target for the company's content, it is necessary to produce not only subtitles but also dubbing. As to the question of whether young children can easily read subtitles, that would be somehow difficult.

Company D (handling content such as games)

- The company sometimes struggles with unique local regulations. When games of the company are played by users in China, the system requires two-way exchange of data for purposes such as acquiring and transferring user playing information across borders and adjusting game settings and benefits in accordance with the situation. However, there have been cases in which the company gave up on providing service because the acquisition and cross-border transfer of user information violated local regulations.

(4) Japan's policy support for the content industry

In order to work out an action plan to be implemented by the public and private sectors to enable the content industry to make a leap forward, including overseas expansion, as a growth industry in the future, on May 9, 2025, the Ministry of Economy, Trade and Industry published an interim report³³⁷ concerning

³³⁷ Ministry of Economy, Trade and Industry, "ENTAME/KURIEITHIBU SANGYOU SENRYAKU CHUUKAN TORIMATOME," May 9, 2025, https://www.meti.go.jp/shingikai/mono_info_service/entertainment_creative/pdf/20250509_1.pdf (as viewed on June 9, 2025)

the Strategy for the Entertainment and Creative Industries. The ministry aims to finalize the strategy in the near future with a view to taking actions based on it. The interim report stated that it is in no way easy to achieve the goal of increasing overseas sales of the content industry to 20 trillion yen (by 2033) and that in order to address “eight matters of deficiency,” it is necessary to implement “100 actions in 10 sectors,” come up with fundamental support measures, and reform the support system.

The “eight deficiencies” identified through the voices of creators at the frontlines of content production and of content companies refer to the deficiencies concerning the following matters: (i) overseas opportunities to “fascinate,” (ii) domestic bases for “fascinating” and “creating,” (iii) a virtuous circle between the improvement of the working environment for creators, the enhancement of skills, and income increase, (iv) resolution of “income gap,” (v) incorporation of new technologies and content, (vi) strategic collaboration with overseas partners, (vii) the fight against pirated products and shift to legitimate versions, and (viii) a comprehensive support system. To address those deficiencies, the interim report calls for implementation of 100 actions in 10 sectors ((i) games, (ii) anime, (iii), manga and books, (iv) bookstores, (v) music, (vi) movies/video, (vii) design, (viii) arts, (ix) fashion, and (x) sports as entertainment). Among the actions cited as examples are: improving the terms of contracts signed between distribution platform operators and production companies and enhancing transparency over the terms (e.g., anime); enhancing support for the development of tools for translating publications and support for culturalization (e.g., manga/books and anime); collecting and sorting information concerning overseas regulations and engaging in government-to-government cooperation and negotiations over how to deal with regulations and how to realize equal footing (e.g., games and anime); supporting localization and promotion activities being conducted with overseas expansion in mind; promoting international joint production and international events, including award ceremonies with a global point of view (e.g., anime); and strengthening the organizational system of JETRO with a view to supporting overseas expansion (common across all sectors) (Table II-3-4-27).

**Table II-3-4-27. Representative examples of “100 Actions in 10 Sectors”
in the Draft Strategy for the Entertainment and Creative Industries**

Fields	Actions
Movies/ video	<ul style="list-style-type: none"> - Support for mini-theaters that provide opportunities for young creators to showcase their work (digital projectors) - Expanding the use of the system for certifying the appropriateness of working conditions by work (which is certified by the Japan Motion Picture Production Standards Association, which is known as “J-MOPS”), and providing support for revising the J-MOPS Guidelines - Further attracting location shooting for large-scale overseas film works to Japan, aiming at fostering domestic staff
Anime	<ul style="list-style-type: none"> - Efforts to improve and enhance transparency in contract terms between streaming platform operators and production companies - Creating a new system for certifying film works that have been produced under appropriate environment (or the “Aniteki” certification system), which is consistent with J-MOPS and contributes to improving working environment
Manga and books, and bookstores	<ul style="list-style-type: none"> - Fostering world-class platform operators in Japan for digital comic distribution - Expanding support for developing translation tools for publications which serves as an infrastructure tool for the industry, and expanding support for culturalization (an approach to modifying content tailored to the culture and censorship systems of export destinations) - Formulating a “Bookstore Revitalization Plan” through inter-ministerial collaboration, and promoting the digitization of bookstore operations
Games	<ul style="list-style-type: none"> - Collaboration and negotiations for addressing overseas regulations as well as for equal footing - Collaboration with strategic partner countries to promote the adoption of Japanese games in international e-Sports competitions
Music	<ul style="list-style-type: none"> - Encouraging industries to host events that can attract international attention, e.g., “MUSIC AWARDS JAPAN” - Support for Japanese artists to hold concerts in overseas countries
Common efforts across sectors	<ul style="list-style-type: none"> - Reviewing support menu for assisting overseas business expansion (JLOX+ programs) - Strengthening the JETRO’s structure to support overseas business expansion - Efforts to combat pirated products and to expand distribution of genuine products

Source: *ENTAME/KURIEITHIBU SANGYOU SENRYAKU CHUUKAN TORIMATOME* (May 2025) (METI).

3. Trade policy and outward FDI

So far in this section, we looked at the global location and investment strategies of Japanese manufacturing companies (paragraph 1) and the status of overseas business expansion by the remarkably growing content industry (paragraph 2). This paragraph will identify the position of outward FDI under Japan’s trade policy in light of the country’s goods and services trade and investment structure, which has been analyzed in this chapter.

(1) Outward FDI

In recent years, amid deepening arguments over Japan’s international balance of payments structure, the expansion of the primary income balance, which contributes to the current account surplus, particularly an increase in income from FDIs,³³⁸ has attracted attention. Income earned from FDIs

³³⁸ Outward FDI under international balance of payments statistics refers to investments in equity and debt instruments between a parent company in Japan and its overseas subsidiaries in which the parent owns 10 percent or more of the voting power and investments in debt securities and loans between enterprises for which indirect relationships exist that involve fund flows from Japan to other countries/regions (Bank of Japan [2022]). Here, greenfield investment and investment entailed by M&A are also included.

includes direct investment income, which circulates back to Japan, and reinvested income, which is reinvested locally without being circulated back to Japan.³³⁹ It has been pointed out that the amount of income from outward FDIs that is circulated back to Japan is small.³⁴⁰ In this respect, attention should be paid to what arguments like that regard as an issue. Many arguments in recent years have regarded the recent rapid depreciation of the yen as an issue. In other words, the issue is that despite the large current account surplus, much of the income from outward FDIs is reinvested locally on a cash flow basis without being converted into yen, which means that outward FDIs do not lead to an increase in demand for yen. However, that is an issue merely from the viewpoint of exchange rates or the international balance of payments, and from that, it cannot necessarily be argued that there is a problem from the viewpoint of the real economy, industry, or business.

There is also the opinion that priority should be given to domestic investment over overseas investment. However, in addition to cultivating overseas markets, outward FDIs have significant merits, including the expansion of national income through dividends and domestic industries' shift to high value added due to the incorporation of foreign innovations, so arguments should not be made from the viewpoint of a simple dichotomy. In the first place, the decision on outward FDIs should be made primarily by private-sector companies while taking into consideration profits and various risks, and in principle, the role of the government should be to develop a business environment with a high level of predictability that enables private-sector companies to make the best investment decision globally.

Here, we will look at data on outward FDIs. Income from outward FDIs has been increasing as a trend in recent years, amounting to around 200 billion dollars in the most recent year (Figure II-3-4-28). The average share of dividends circulated back to Japan in the total value of income from outward FDIs between 2010 and 2023 was around 53%, which is not low compared with the figures for other developed countries—rather, it is higher than the figures for the United States, Canada, the ROK, and Italy. (Figure II-3-4-28). From the viewpoint of dividends paid to investors on their investments, let us compare the FDI income share with the dividend payout ratio among domestic companies. The FDI income share is similar to the dividend payout ratio on net income on an all-industry basis during the same period, which was around 50% (Figure II-3-4-29). The return on outward FDI stocks has also been trending upward in the medium and long terms, coming to slightly under 10% in the most recent year (2024). This indicates that profits are securely being earned from stocks of new investments and reinvestments made in the past (Figure II-3-4-30). In other words, it can be said that reinvestments made locally also serve as a source of future income.

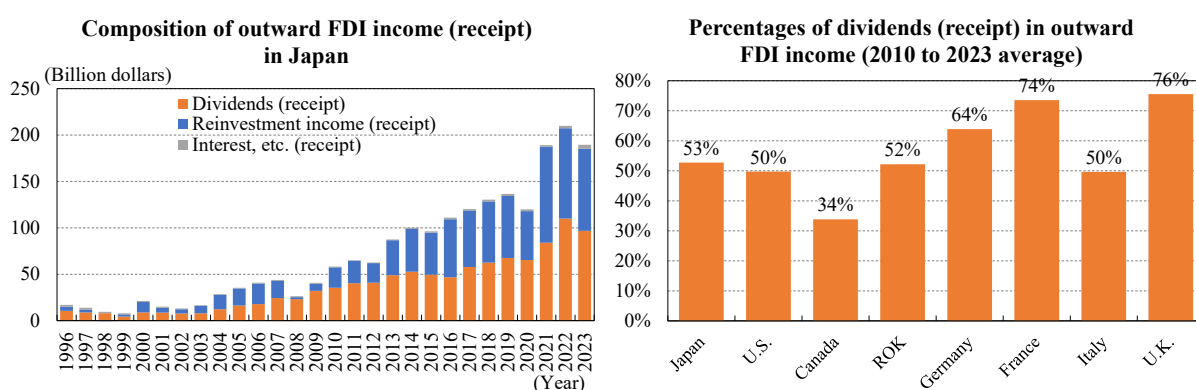
³³⁹ If explained in more detail, income from outward direct investment can be classified into the following three categories: (i) dividends and withdrawals from income of quasi-corporations, (ii) reinvested earnings, and (iii) interest. Regarding (i), dividends paid out of earnings that are distributed to a parent company from its subsidiary as well as branch profits remitted to the head office are recorded. Regarding (ii), retained earnings of subsidiaries are recorded in proportion to the parent company's ownership share. Regarding (iii), interest payments on loans and debt securities between direct investors such as parent companies and direct investment enterprises, including indirectly held enterprises, as well as between fellow enterprises.

³⁴⁰ For example, the Ministry of Finance (2024) states as follows: "The surplus in the primary income balance was the largest ever, while much of the surplus was reinvested abroad without being circulated back to Japan."

That said, from the viewpoint of improving the terms of trade, it is important, on the policy side, to incorporate foreign innovations while preventing high value added functions that should be kept in Japan from flowing to other countries, for example. Meanwhile, from the viewpoint of securing autonomy, it is important to advance outward FDIs by promoting the diversification of supply chains in ways that avoid creating a structure overly dependent on some particular countries/regions.³⁴¹ Figure II-3-4-31, which shows changes in the terms of trade for Japan, indicates that the terms have been deteriorating as a trend over the past 30 years or so. That means that the shift of exporting industries to high value added, including the incorporation of foreign innovations, has become an important challenge.

With the above perspective as a premise, the following (i) to (iii), for example, may be considered as cases of outward FDI that could become eligible for policy support: (i) cases where a Japanese company can realize a shift to high value added by achieving business expansion in a foreign country/region where advanced businesses and innovations are underway (development of a competitive value chain through the combination of domestic and foreign investments; (ii) cases where overseas investments and other actions are necessary from the viewpoints of matters like economic security and energy policy; (iii) cases where overseas investments and other actions are necessary in order to meet the diplomatic need to develop a strategic “win-win” relationship with a foreign country/region.

Figure II-3-4-28. Composition of income from outward FDIs and comparison thereof among major countries

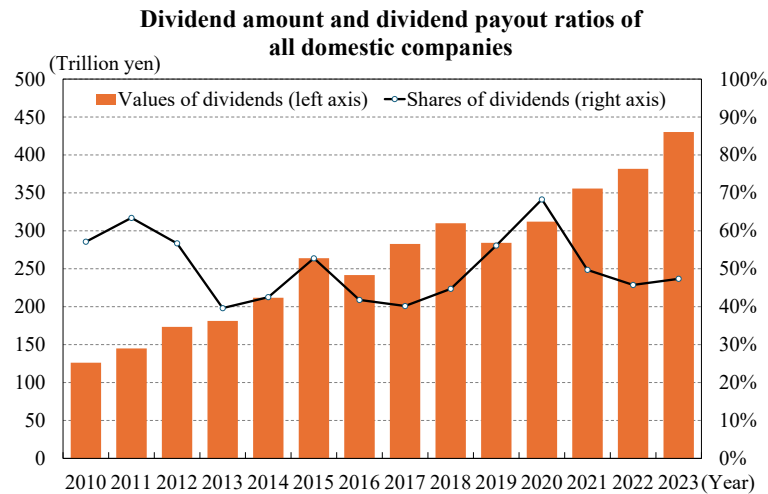


Note: For the U.K. in the graph on the right, the average is calculated over 11 years, excluding 2014, 2015, and 2017, for which data were unavailable.

Source: *Balance of Payments Statistics* (IMF).

³⁴¹ The terms of trade refer to the ratio of the export price index to the import price index. When the export price rises (declines) relative to the import price in a country, the country’s terms of trade improve (deteriorate) and the country is put at an advantage (at a disadvantage) when engaging in trade (Director General for Economic Research, Cabinet Office [2011]).

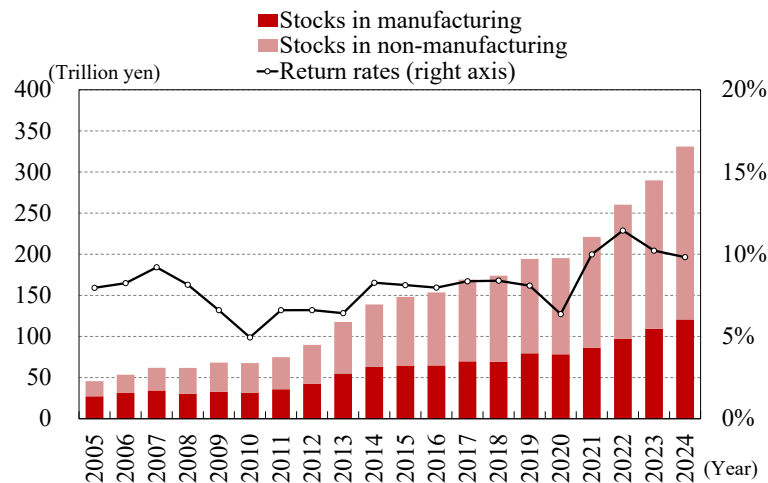
Figure II-3-4-29. Dividend amount and dividend payout ratios of all domestic companies



Note: The dividend payout ratios represent the proportion of dividends on net income.

Source: *Statements Statistics of Corporations by Industry* (MOF).

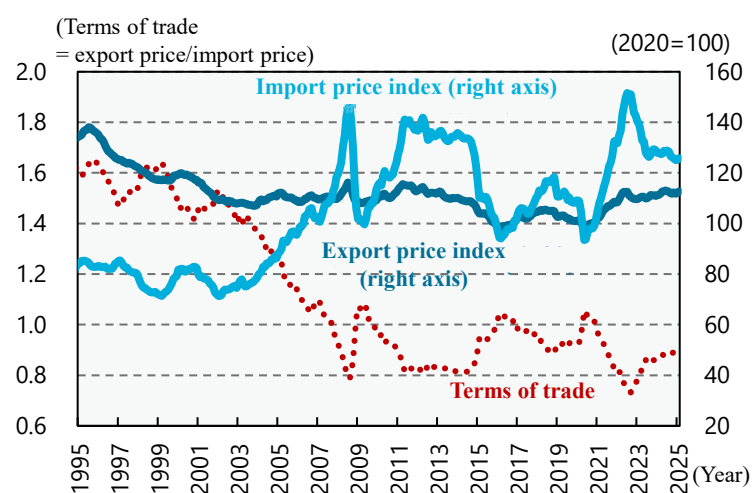
Figure II-3-4-30. Japan's outward FDI stocks and return rates



Note: The return rates are calculated by dividing the revenue of the current year by the average of the balances at the end of the current year and the previous year. The stocks simply show the values at the end of the current year.

Sources: *Japan's External Financial Assets and Liabilities* (MOF), *Balance of Payments* (MOF, BOJ).

Figure II-3-4-31. Terms of trade for Japan



Note: Contract currency basis.

Sources: *Corporate Goods Price Index* (BOJ).