

Chapter 4 Acceptance of excellent human resources and companies from overseas

As explained in Part 1, Chapter 2, Section 3, innovation activities contribute towards improving productivity. However, Japan is not fully utilizing its excellent personnel overseas, which is necessary to further promote these innovation activities.

Furthermore, as shown in Section 4 of the same chapter, foreign owned companies are expected to contribute towards improvements in Japan's productivity. However, Japan, in comparison to other countries, is changing to a low standard for domestic direct investment balance (GDP ratio), and is not able to bid successfully for foreign investment. This section explains how Japan is attempting to bid for its excellent personnel and foreign investment within this current situation. Personnel bids will introduce training, along with bids, as a policy for global personnel.

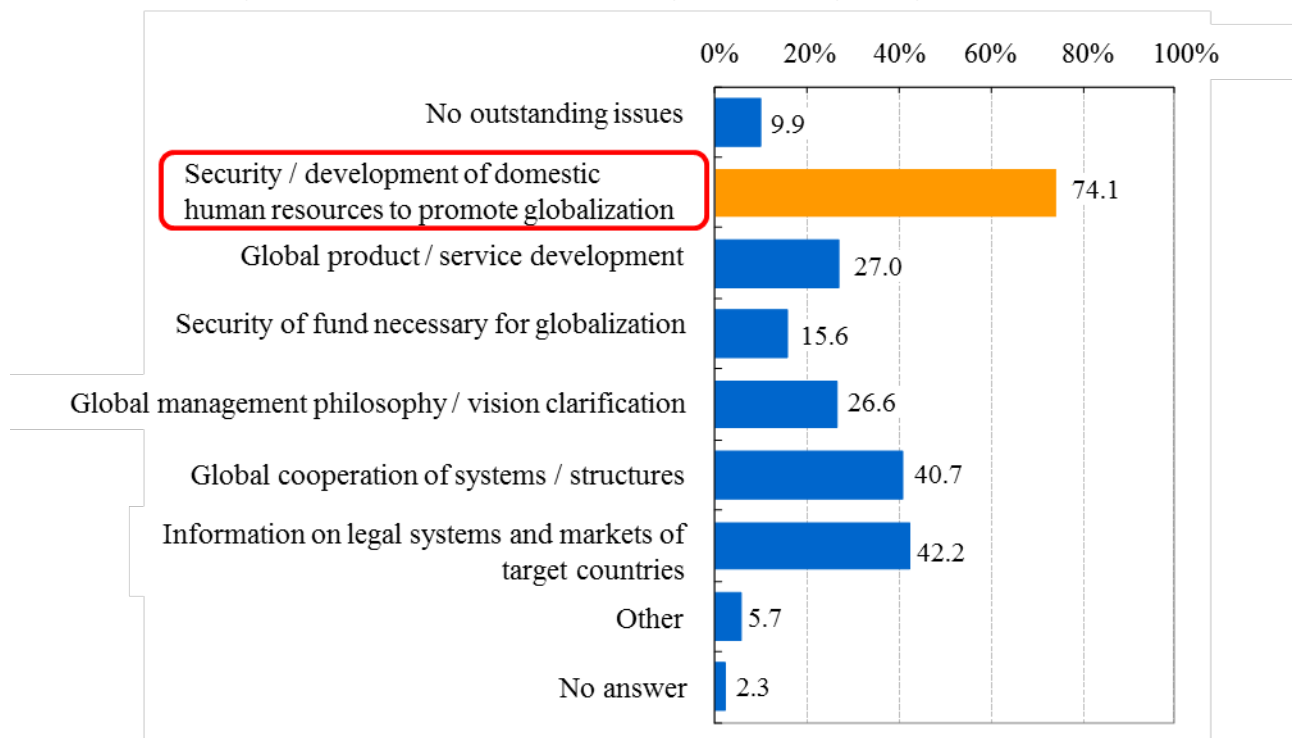
Section 1 High level personnel bidding

1. The necessity of global personnel and a change in the environment surrounding Japanese companies

There are various reasons that Japanese companies are coming under pressure to transform. The first reason is that they need to “globalize their business”. In particular, in terms of globalizing their business, while the market is increasing in size and borders are being broken down, fierce international competition is expanding in foreign markets such as Asia, and Japanese companies are seeking to create new business models to respond to this.

There is a pressing need to secure personnel that can support this overseas expansion of Japanese companies amidst this situation (Figure II-4-1-1).

Figure II-4-1-1 Issues for establishing and running foreign bases



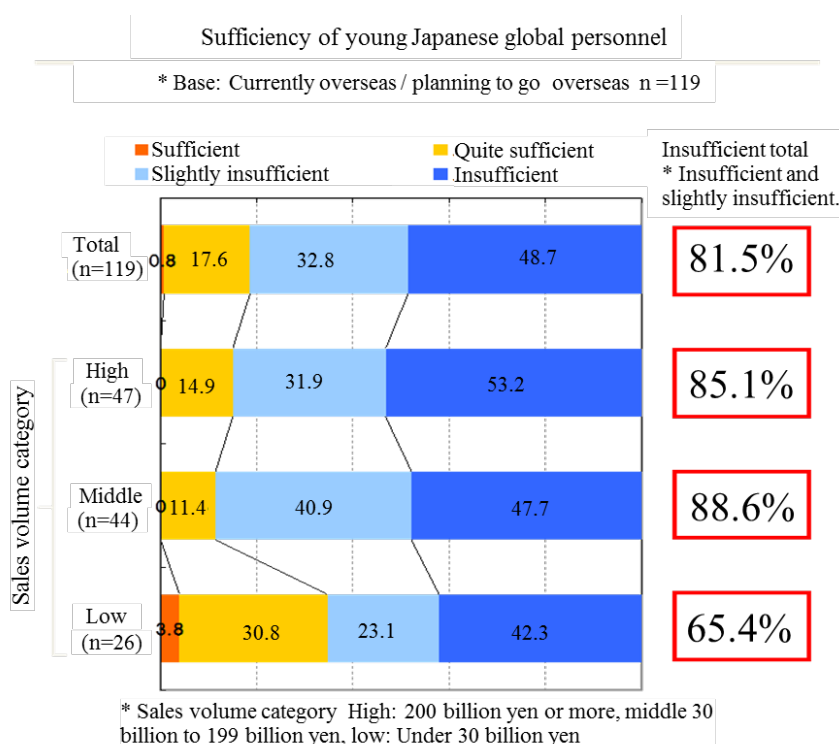
Note: Companies with established foreign bases, companies that have not currently established foreign bases but already have a plan to do so (soon to establish a foreign base), and companies that have no

expertise or resources to penetrate foreign markets (they have a desire to develop overseas but do not have a schedule for it) answered this question.

Source: *GUROBARU JINZAI IKUSEI NIKANSURU ANKEHTO CHOUA* (Ministry of Economy, Trade and Industry).

When hiring new graduates, the importance on personnel that can be active globally is increasing for both Japanese and foreign staff. According to a survey by the Ministry of Economy, Trade and Industry, over 80% of companies that have already penetrated overseas markets, or are thinking about penetrating overseas markets for the first time, are aware that there is a lack of young Japanese global personnel (Figure II-4-1-2).

Figure II-4-1-2 Sufficiency of young Japanese global personnel



Note: Companies with established foreign bases, companies that have not currently established foreign bases but already have a plan to do so (soon to establish a foreign base), and companies that have no expertise or resources to penetrate foreign markets (they have a desire to develop overseas but do not have a schedule for it) answered this question.

Source: *GUROBARU JINZAI IKUSEI NIKANSURU ANKEHTO CHOUA* (Performed from January to February 2011).

In addition, the estimate for the amount of demand for global personnel in 2017 performed by the Ministry of Economy, Trade and Industry is 4.11 million people (equivalent to 8.7% of the 47.23 million people estimated to be the total number of regular employees in 2017), and in relation to this figure there are 1.68 million people estimated for the amount of global personnel at the point of 2012 (equivalent to 4.3% of the 39.46 million people estimated to be the total number of regular employees in 2012). This means that from 2012 to 2017, it will be necessary to supply around 2.4 times more global personnel in 2017 than 2012¹.

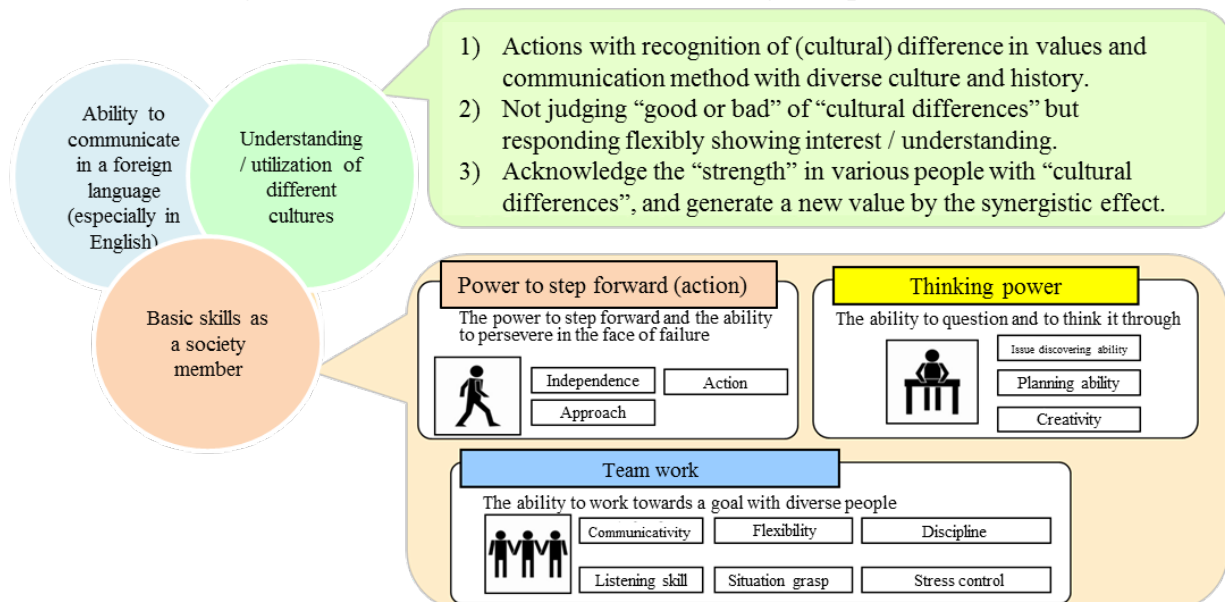
¹ *DAIGAKU NIOKERU GUROBARU JINZAI IKUSEI NOTAMENO SHIHYOUCHOUA* 2011 (Ministry

While the Japanese population is decreasing and the elderly are increasing, in order to put the economic growth of Japan back on track, there is a pressing need to train a young generation that will be both creative and energetic. In particular, during the 21st century global economy, for which globalization is accelerating, there is a strong desire to provide constant education for global personnel that can be active internationally, give them the means to experience different cultures and the ability to communicate in a variety of languages.

2. Current state of global personnel training

The Ministry of Economy, Trade and Industry has organized points shown below to show what type of personnel is desired for “global personnel” (Figure II-4-1-3).

Figure II-4-1-3 Desired abilities common to global personnel

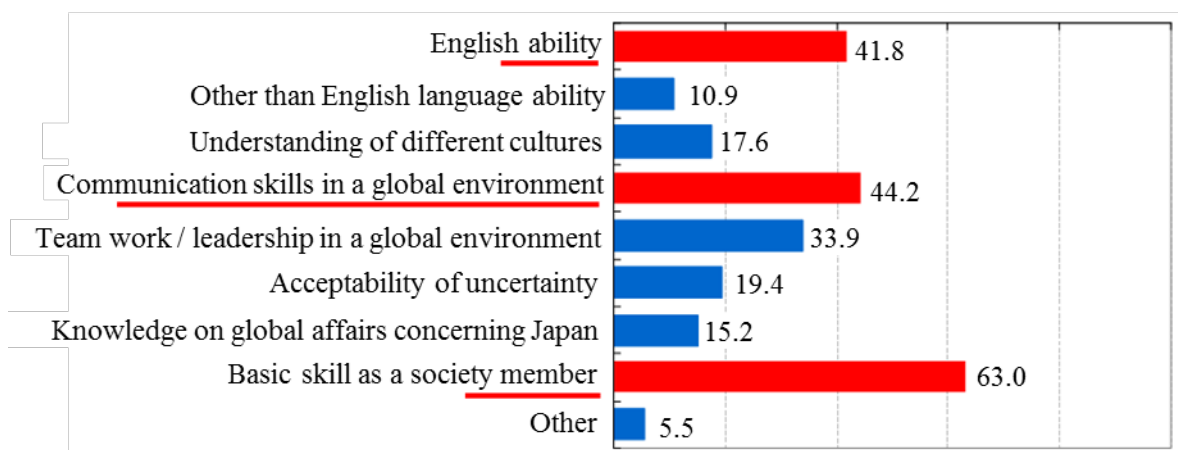


Source: Ministry of Economy, Trade and Industry.

Common abilities desired for “global personnel” are the ability to communicate in a foreign language, the ability to understand and utilize differences in cultures, and the basic skills to be a member of society. When looking at the results of a corporate survey, there was much emphasis on the point that it is important for all personnel to be expected to have the basic skills to be a member of society so that they can be active in the industrial world (Figure II-4-1-4). The basic skills to be a member of society are comprised of three abilities, which are (1) being a person of action, (2) a person that can carefully consider matters, and (3) a person that can work as a team. The Ministry of Economy, Trade and Industry has proposed this concept as the “power to gather the strength of people who have many useful ideas, keep their individuality intact, and proceed onwards”. Due to the changes in environment

surrounding companies and young people, it has become more important than ever to consciously train the basic skills to be a member of society in order to successfully utilize them, in addition to basic scholastic ability and specialist knowledge.

Figure II-4-1-4 Abilities that are important for securing global personnel for companies



Source: *GUROBARU JINZAI IKUSEI NIKANSURU ANKEHTO CHOUJA* (Ministry of Economy, Trade and Industry).

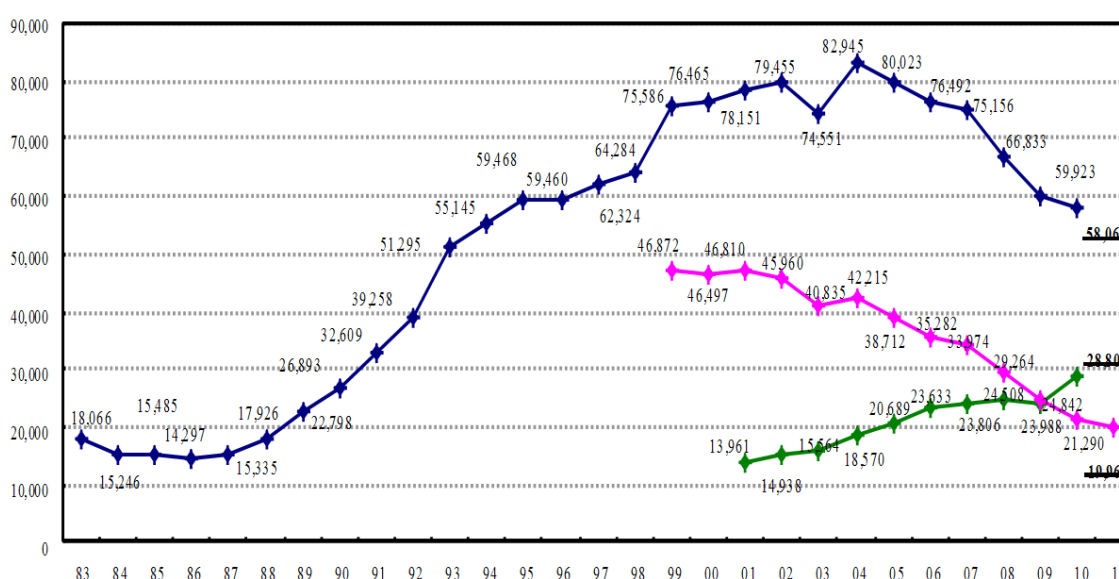
Meanwhile, when looking at the current state of the English language and foreign languages in Japan, the TOEFL score ranking by country shows that Japan is extremely low at 28th place out of 30 countries in Asia (Figure II-4-1-5), and training of global personnel is a large issue due to such things as there being a decline in the number of Japanese students who go to study abroad (Figure II-4-1-6). In the future, to advance qualitative improvements for foreign language education through such means as using tests to gauge the practical English ability of things like TOEFL for university entrance exams and in schools, improve leadership qualities and the language ability of foreign language teachers, and to motivate students to study abroad, there is a desire to put effort into such things as strengthening relationships with foreign universities, improve financial support for such as scholarships, and review academic history such as introducing autumn enrolment in universities.

Figure II-4-1-5 TOEFL (iBT) ranking within Asia

<TOEFL (iBT) ranking within Asia> (out of 30 countries)		
Rank	Country	TOEFL score
1	Singapore	99
2	India	92
3	Pakistan	90
:		
7	South Korea	82
:		
14	China	77
:		
25	Afghanistan	73
25	Mongolia	73
26	Myanmar	72
27	Tajikistan	70
28	Japan	69
29	Lao People's Democratic Republic	67
30	Cambodia	63

Source: ETS-Test and Score Data Summary for TOEFL Internet-based and Paper-based Tests JANUARY 2011-DECEMBER 2011 TEST DATA.

Figure II-4-1-6 Changes in the number of Japanese students studying overseas



Source: Number of Japanese students studying overseas, UNESCO statistical yearbook, *Educational at a Glance* (OECD), *Open Doors* (IIE) and other documents.

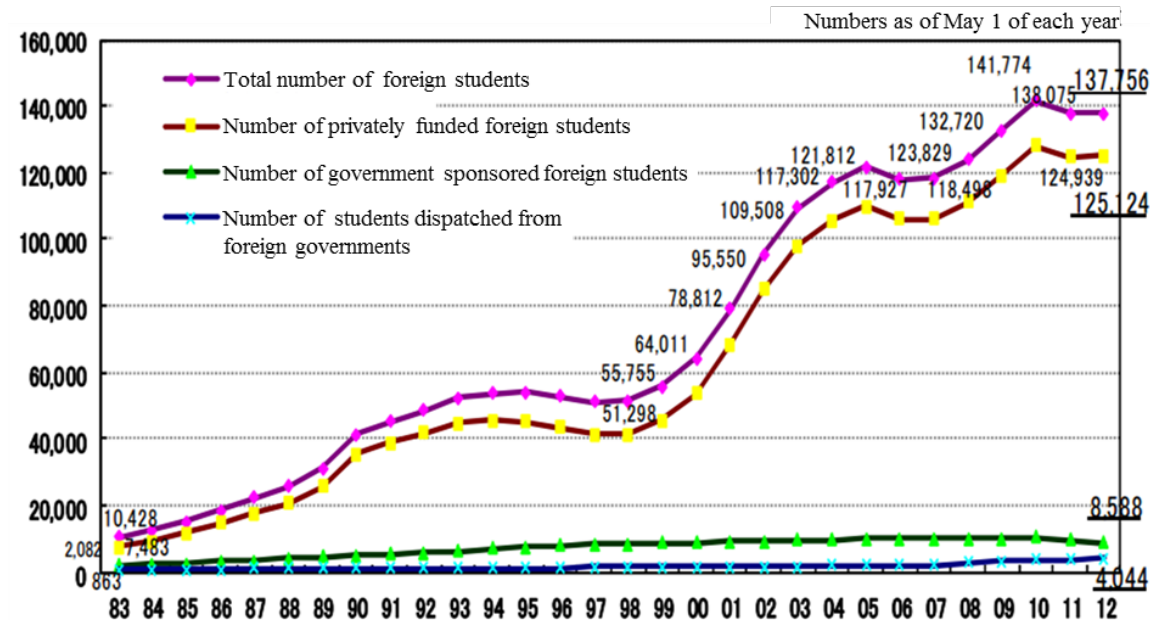
Number of Japanese students enrolling at US universities and similar places, *Open Doors* (IIE).

Number of Japanese students overseas based on student exchange agreements and similar, Ministry of Education, Culture, Sports, Science and Technology, Japan Student Services Organization.

Furthermore, the number of acceptances to Japan for foreign students that can become high level foreign personnel and play the important role of internationalizing and diversifying Japanese companies and universities has shown an increase in recent years. However, the two year period after

the Tohoku earthquake and tsunami disaster, fewer students applied to come to Japan (Figure II-4-1-7). While foreign countries are working hard to maintain their population of highly capable overseas students and high level foreign personnel, Japan has sought to promote initiatives towards acquiring capable foreign students and high level foreign personnel by means such as improving information and the system for more preferential treatment within the immigration system of high level personnel using a point system², promoting mutual understanding between foreign students and Japanese companies by such means as reviewing Japan’s educational calendar by introducing autumn enrolment to universities, improving information concerning study in Japan, promoting the approval of university entrance before arriving in Japan, improving the scholarship system, and promoting internships.

Figure II-4-1-7 Change in number of foreign students in Japan



Source: Japan Student Services Organization.

3. Initiatives from the Ministry of Economy, Trade and Industry

In order to train and utilize global personnel, the Ministry of Economy, Trade and Industry has partnered with the industrial and education sector to promote initiatives such as those below in the coming years.

² Preferential treatment system within the immigration system using a point system for high level personnel is fully explained in (4) on the following pages.

(1) Basic skills to be a member of society

From the financial year of 2007, the Ministry of Economy, Trade and Industry has partnered with companies and the government to promote initiatives towards training the basic skills to be a member of society through such things as PBL (Project Based Learning) that allows students to resolve issues, seminars and general studies.

The curriculum and plans used at model universities for these initiatives until now have been collated. This is to create a reference book (refer to the section of the basic skills as a society member on the Ministry of Economy, Trade and Industry website) and a guide on training the basic skills to be a member of society for the plan of spreading the curriculum to all universities in Japan. Currently, a workshop to train these basic society skills is held by university lecturers and those of similar position, and a great deal of effort is being put into spreading and improving these items so as to promote the creation of foundations that young people will use in a future international society.

(2) Foreign internship program

In the fiscal year of 2012, about 100 students were dispatched to Japanese local companies in India and Vietnam, where they participated in work experience activities. This project had the goal of not only allowing them to experience business in a foreign country, but also to “learn how to learn” using a cycle of “set goals – perform – repeat – share – feedback” that was incorporated into the program in order to have a high educational effect in the short period of around three weeks in which they stayed there.

Furthermore, a foreign internship program, which dispatches company employees and students to infrastructure related government bodies and companies in developing countries for a period of six months, was started in the fiscal year of 2012, and has received a great deal of interest from companies to be part of the project from the financial year of 2013.

(3) Career development program for foreign students in Japan

From the financial year of 2007, highly capable foreign students were invited to Japan in cooperation with the Ministry of Education, Culture, Sports, Science and Technology, where they received training on Japanese business culture, Japanese language training for business, and specialized training for industry-university cooperation, and they were also given assistance for job searches and internships, which was all part of the assistance for the “Career development program for foreign students in Japan” project, which aims to increase the potential of Japanese companies. Approximately 2,000 foreign students completed this program and graduated. Around 70% of this number is currently working for Japanese companies. In addition, this initiative made it possible to create a system for universities in Japan and abroad to cooperate and provide an effective training program.

(4) Promoting the use of a preferential treatment system within the immigration system using a point system for high level personnel

A preferential treatment system within the immigration using a point system for high level personnel is a system to take preferential measures within the immigration for student cases that meet a certain amount of total points. These points are evaluated from the student's educational record, employment history and their annual salary, after classifying the foreign student's activities into three types, namely "advanced academic research activities", "advanced specialist and technical activities", and "advanced management activities". This is done to promote the introduction of high level foreign personnel that have a high level of ability and qualifications, which is expected to contribute towards economic growth, and the creation of new demands and employment. The Ministry of Economy, Trade and Industry has been cooperating with the Ministry of Justice to investigate an overhaul towards improving the system and making the industrial sector familiar with the system, and has been working hard to promote its use.

(5) Diversity Management Selection 100

Providing an opportunity that makes use of a variety of personnel and allows them to maximize their ability, leads to innovation and the creation of value, which is a necessary and effective strategy to increase the competitiveness of Japanese companies. From this key point, the Ministry of Economy, Trade and Industry is evaluating and awarding companies of various size and type for their "management strengths that contribute to economic growth" with proactive initiatives towards a "diversity management", and announces them as the best practice, and has planned to spread their ideas.

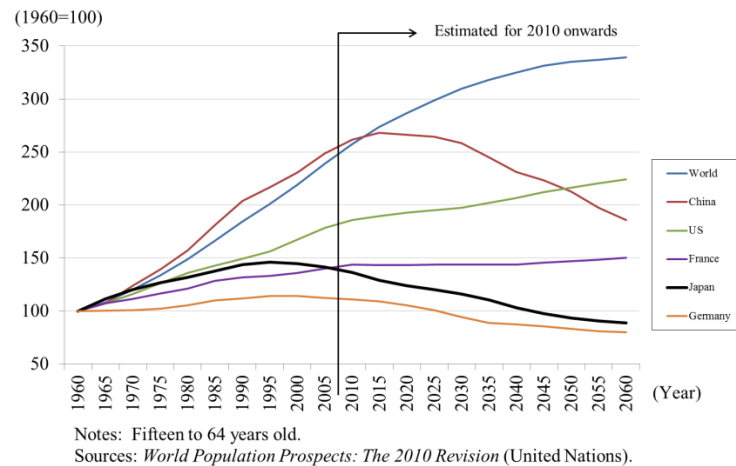
To train and use global personnel, it is necessary to respond to changes in the economic society while cooperating with the industrial sector, education sector and the government to promote each initiative. Initiatives to further promote cooperation towards common goals between industry, academic and government sectors and achieving them will also probably become necessary in the future.

Column 10 Initiatives to promote the active participation of women "Diversity Management Selection 100" and "Nadeshiko Brand"

According to United Nations estimates, Japan's working age population (15 to 64) peaked at approximately 86.6 million people in 1995, and will decrease to 68.8 million people by 2030, which shows that Japan has peaked at a quick stage for the major countries of the world (Column Figure 10-1). While Japan's birthrate is declining and its elderly population is increasing, for Japan to achieve economic growth in the future, it has been stated that one of the important issues is that Japan needs to utilize various human resources such as its female population³.

³ The 3rd Basic Plan for Gender Equality approved by the cabinet in December 2012 is critical for activating Japan's economic society using diverse personnel, beginning with women, during a time when Japan's labor force is decreasing due to a low child birth rate and an increase in the elderly population.

(Column Figure 10-1) Change in working age population in major countries (1960 = 100)



Diversity Management Selection 100

The Ministry of Economy, Trade and Industry started the Diversity Management Selection 100 project from the financial year of 2012 from the perspective of “it being necessary to participate in planning to maximize the individual ability of diverse personnel and create value in order to provide a route for growth after shaking off Japan’s deflating economy”. The Ministry of Economy, Trade and Industry selects and awards companies that have good results for such as improving productivity and creating innovation by maximizing the ability of their personnel that have a great amount of diversity, such as in terms of gender, age, nationality, disability, work experience and personal history. The Ministry is also widely distributing a collection of best practices⁴, supporting voluntary initiatives from companies that work towards promoting diversity, and is aiming to accelerate this type of movement.

On March 22, 2013, an award ceremony was held for 43 companies (21 large and 22 small and medium) that were selected for the “Diversity Management Selection 100”⁵ and 6 companies that were selected for the “Diversity Promotion Project Commendation”⁶ (Column Figure 10-2). At the same time, a symposium was held to show the results made by companies using the diversity management methods.

The Ministry of Economy, Trade and Industry will continue with these projects⁷ into the future

⁴ http://www.diversity100sen.go.jp/practice/pdf/130515_bestpractice.pdf

⁵ The selection criteria must have one of the three perspectives in their initiatives (they must be (1) practical (initiatives for personnel use must be put into use at the work floor level, and not just be formal initiatives such as system implementations), (2) innovative and advanced (be a reference for other companies as a “model” for example, advancing new initiatives that are different from existing ones, or starting initiatives that other companies of the same scale have not done yet), or (3) top leadership (express clear intentions from top management, and are able to permeate to the work floor), and show results from the initiatives (show results such as improvements to productivity and creation of innovation through demonstration of the ability of a diverse personnel). These two points must apply.

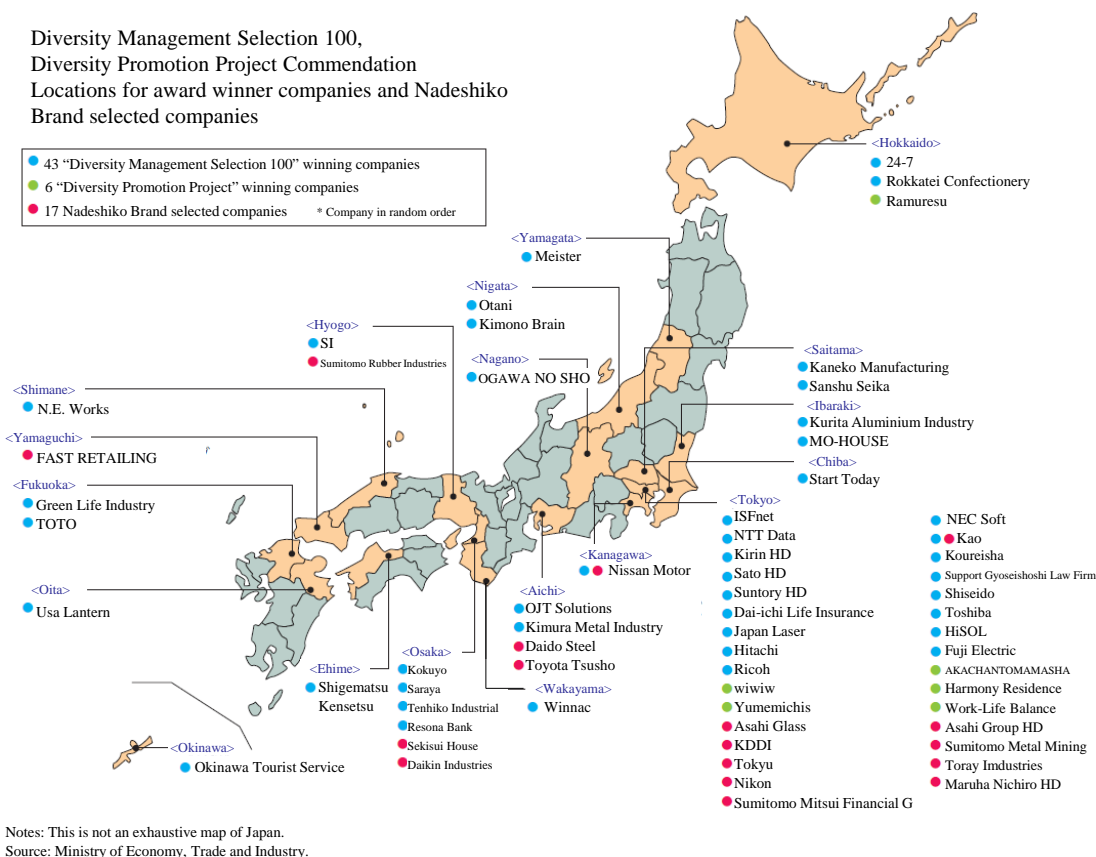
⁶ Given to companies that use projects and programs that assist diversity management companies through such as consulting.

⁷ These projects receive assistance from supporters that have specialist knowledge and achievements for

and aims for a total of 100 selections.

(Column Figure 10-2) Diversity Management Selection 100, Diversity Promotion Project Commendation

Locations for award winner companies and Nadeshiko Brand selected companies



(Column Figure 10-3) Diversity Management Selection 100 logo



A look at the active role of women in companies Nadeshiko Brand

On February 26, 2013, the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) jointly announced 17 companies with the Nadeshiko Brand, which are exceptional listed companies that encourage the success of women in the workplace⁸ (Column Figure 10-2 shown above). This is one of the initiatives for “visibility” of the situation of female employees in the capital market⁹, and aims to accelerate initiatives in all companies by introducing an appealing brand that will

promoting diversity, and support messages are published from supporters on the Ministry of Economy, Trade and Industry website (<http://www.diversity100sen.go.jp/introduction/supporter.html>).

⁸ <http://www.meti.go.jp/policy/economy/jinzai/diversity/nadeshiko.html>

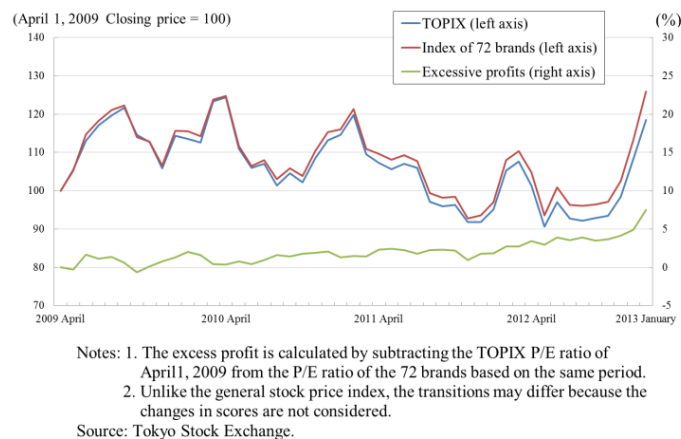
⁹ A report was compiled on December 2012 by a committee that investigated the “visibility” of the

allow exceptional listed companies to improve their corporate value over the medium to long term by standing out to investors because of their encouragement to the success of women in the workplace.

As an actual reference value, an index (Nadeshiko index) is calculated that is comprised of the top three high scoring companies (total 72 brands) related to female employee activity in each of the TSE 33 industries. When this is compared with TOPIX, it was shown that the Nadeshiko index performed better than TOPIX almost consistently, and there was a tendency for the size of excess profits to be increased (Column Figure 10-4).

This initiative broadens the scope of companies that encourage success of women in the workplace, and are expected to provide a synergistic effect with the Diversity Management Selection 100. Furthermore, the Nadeshiko Brand logo is a sister brand to the Diversity Management Selection 100 (Column Figure 10-3, 10-5), and is expected to increase awareness of these projects with the use of the logos by companies selected to use them.

(Column Figure 10-4) Reference: Nadeshiko index and TOPIX comparison



(Column Figure 10-5) Nadeshiko Brand logo



Column 11 Work life balance practices and Total factor productivity (TFP)

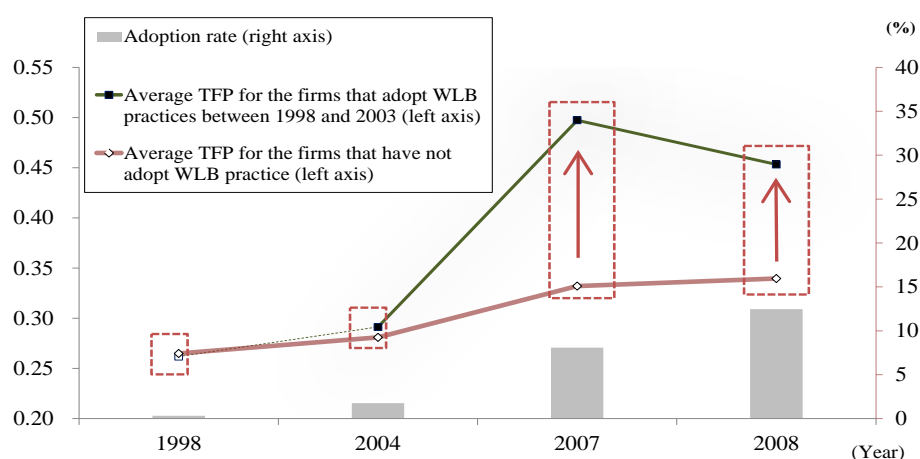
The reason that Japanese women leave their job when either pregnant, giving birth or to bring up their children is that there is a large deficiency in work life balance (WLB) such as there being no environment or system to allow them to continue working while looking after their family, and that the work hours such as overtime are long and it is difficult for them to make time for both their family and job¹⁰. Therefore, to encourage success for women in the workplace, it is vital to promote WLB in

situation of female employees in the capital market, which was held by the Minister of State for Special Missions (gender equality) and relates to the publishing of such as indicators relating to female success in the workplace.

¹⁰ Cabinet Office (2009) *DANJO NO NOURYOKU HAKKI TO LIFE PLAN NI TAISURU ISHIKI NI*

firms. By using effective measures that enforce WLB practices in firms under conditions that bring about result, cost effectiveness for introducing WLB measures can provide positive results over the middle and long term¹¹. For the types of WLB practices, the establishment of a department that promotes WLB practices tends to improve firm's productivity. (Column Figure 11-1).

(Column Figure 11-1)
Work-life balance practices and TFP
(Establishment of a department for promoting WLB practices)



Notes: Yamamoto and Matsuura, *EFFECT OF WORK-LIFE BALANCE PRACTICES ON FIRM PRODUCTIVITY: EVIDENCE FROM JAPANESE FIRM-LEVEL PANEL DATA*, RIETI Discussion Paper Series 11-J-032.

4. Inviting foreign personnel to universities

During fierce global industrial competition, in order to succeed and move forward, it is critical for Japan to continue being innovative. To do this, it is important to train highly capable personnel that can be innovative, and also create new technologies, this means that the important role of universities has increased more than ever before. In addition, gathering highly capable personnel at universities means that they can perform even better research, and it is said universities themselves and research universities are at the middle of global competition.

Under these conditions, it is important that all Japanese universities take on the role of being part of a global personnel flow system on a world scale, and gather highly capable personnel with a high level of ability that will contribute to education, research and society. For example, when focusing attention on researches that have many citations in research papers¹², most of this type of researchers

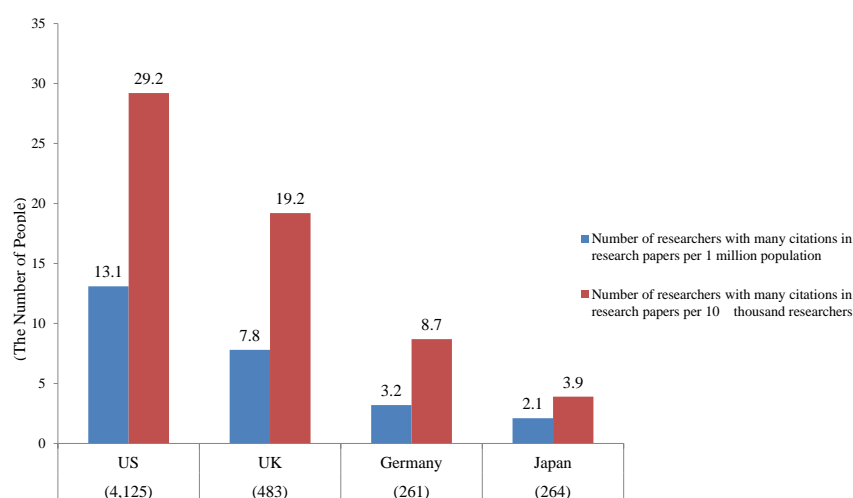
KANSURU CHOSA.

¹¹ Yamamoto and Matsuura (2011). Specifically, firms that fulfill at least one of the following conditions show a tendency to have improved TFP over the middle and long term due to WLB practices. The conditions are (1) large firms, (2) manufacturing firms, (3) firms that exhibit labor hoarding during ressesions, (4) firms with equality measures (firms with female managers and firms that have introduced performance based promotion).

¹² Indicates the top 250 researchers for the relevant sectors with total citations in research papers by researchers announced from 1981 to 2007. (Source: Extracted from Maki Kato (2011) *Analysis on Career*

are from the United States and United Kingdom, so that there is a large difference in the level between the number of researchers from Japan and those from the United States and United Kingdom (Figure II-4-1-8). Furthermore, out of the researchers that have many citations in research papers, those that have a home address that is different from their nationality is 19.4% for the United States and 12.9% for the United Kingdom. This includes a large number of researchers from developing countries. The number of researchers in Japan who live here but were born in a different country is 1.6% (Figure II-4-1-9). To change this situation, it is believed that it is necessary to establish a more attractive environment for these highly capable researchers to come and work in Japan.

Figure II-4-1-8 Number of researchers with many citations in research papers per 1 million population (blue) and per ten thousand researchers (red) by country

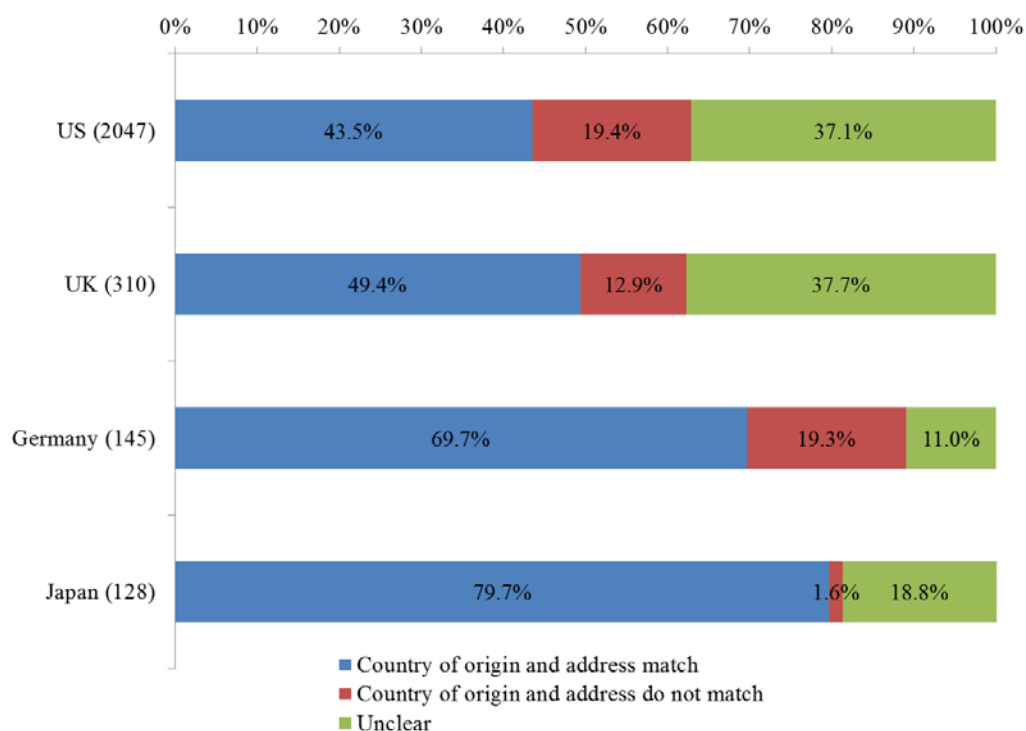


Note: The number of researchers that are used as the denominator includes researchers in industrial sectors that do not produce research papers as their main business.

Source: Extracted from Maki Kato (2011) *Analysis on Career Paths of the Most Highly Cited Scientists in Japan through International Comparison* Discussion Paper No.78, National Institute of Science and Technology Policy.

Figure II-4-1-9 Nationality and home address of researchers that have many citations in research papers

Paths of the Most Highly Cited Scientists in Japan through International Comparison Discussion Paper No.78, National Institute of Science and Technology Policy).



Source: Extracted from Maki Kato (2011) *Analysis on Career Paths of the Most Highly Cited Scientists in Japan through International Comparison* Discussion Paper No.78, National Institute of Science and Technology Policy.

Japanese national universities, many of which have had their operation grants reduced following the incorporation of universities, set the tenure for their lecturers, and appoint young researchers as lecturers for a tenure. After a fixed period of time, the young researchers go through a rigorous review based on their performance and a tenure track system or similar is set up for lecturers without tenure, and initiatives towards both the flow of personnel and stable employment are put in place, which promotes a certain degree of flow centered on young lecturers.

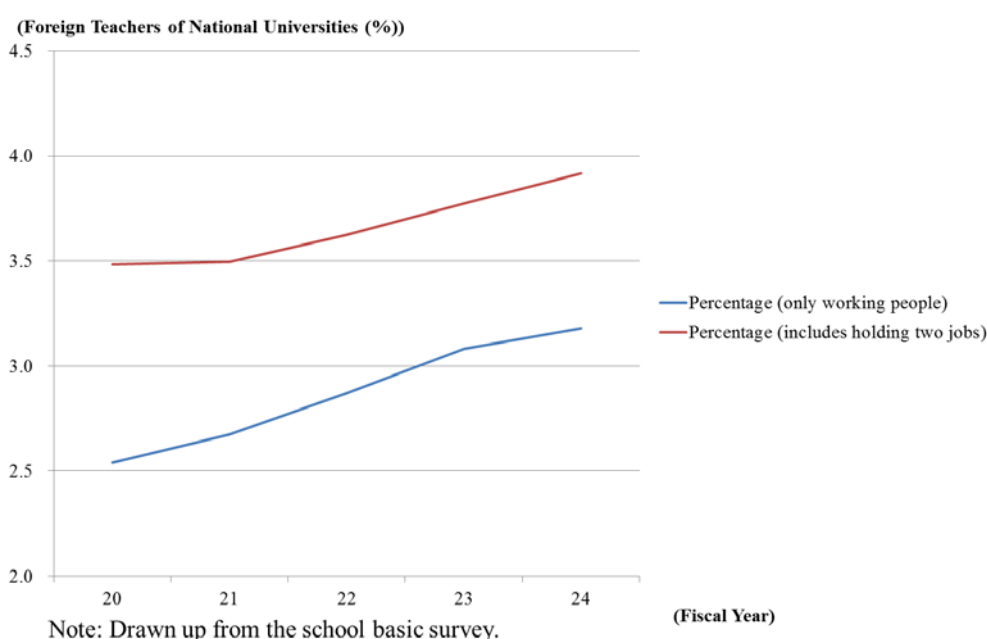
However, when looking from the point of acquiring personnel on a global scale, there are many prominent universities overseas at which over 20% of their staff are made up of foreign lecturers, while the average of foreign lecturers at Japanese national universities is extremely low at 2.7% for main post holder and 3.5% when including lecturers who hold two posts concurrently. Furthermore, the average for typical research universities in Japan is higher than the average for national universities but is still low at 4.4% for main post holders (Figure II-4-1-10). In addition, over the changes in the last five years, only a small increase has been seen in these figures (Figure II-4-1-11).

Figure II-4-1-10 Percentage of foreign lecturers at Japanese national universities and at prominent universities overseas

	Japan (National University)	Japan (Representative Research University)	University of California, Berkeley	MIT	Harvard	Cambridge	Oxford
Total Number of Teachers (only working people) (people)	61,246	12,500	1,772	1,522	3,788	4,090	4,553
Total Number of Teachers (Includes holding two jobs) (people)	98,490	-					
Number of Foreign Teachers (only working people) (people)	1,638	545	528	112	1,119	1,699	1,775
Number of Foreign Teachers (includes holding two jobs) (people)	3,444	-					
Percentage (only working people) (%)	2.7	4.4	29.8	7.4	29.5	41.5	39.0
Percentage (includes holding two jobs) (%)	3.5	-					

Note: "Times Higher Education – QS World Ranking 2009 Top 100 Universities", drawn up from the "University Ranking (2012 Edition)" as well as the school basic survey.

Figure II-4-1-11 Change in percentage of foreign lecturers at Japanese national universities

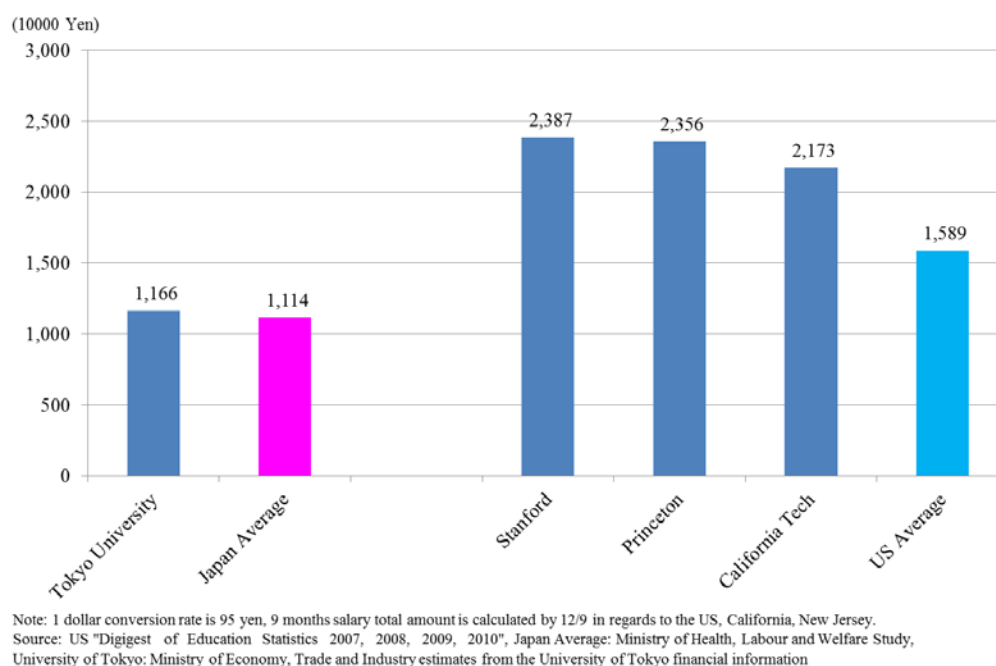


To gather highly capable personnel on a global scale, Japanese universities must be active in creating attraction in comparison with prominent universities overseas. However, the annual salary for lecturers at Japanese national universities is low compared to average universities in the United States and is even greater when compared with the prominent universities (Figure II-4-1-12). To acquire highly capable personnel, it is necessary to adopt a flexible pay system that includes an annual salary scheme and a system of combined wages¹³, and expand the target of application.

Figure II-4-1-12 Comparison of annual salary for lecturers at Japanese national universities and

¹³ A pay system that uses funds acquired from outside the university and adds it to the researcher's salary.

US universities¹⁴



It goes without saying that it is important for Japanese universities to improve their attractiveness through such means as having a more international research standard and environment, establishing a high standard in comparison with prominent United States universities in particular, forming high level research community groups that include related fields, and providing a more female researcher friendly work environment. In addition, sufficient attention should be given to maintaining an environment that allows foreign lecturers who live in Japan to dedicate themselves to their research and education activities through means such as employment and education for family that are staying and living with them in Japan, including the establishment of an English language environment and every day essentials such as food, clothing and housing.

Section 2 Promoting domestic direct investment

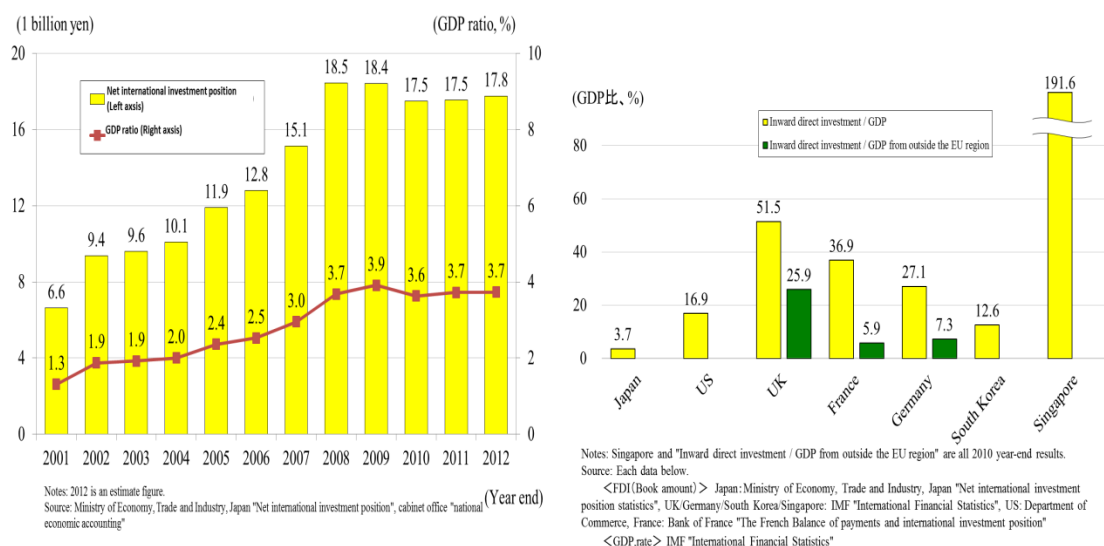
The expansion of domestic direct investment contributes to the creation of employment and improvements in Japan's productivity from the inflow of management resources such as personnel, management expertise and technology. However, in recent years, the Japanese market has shrunk in relation to the economic growth of developing Asian countries and such, so that due to reinforced assistance measures towards attracting global companies in such as Asian developing countries, global

¹⁴In the United States, the base salary for a university lecturer is paid as an amount that excludes the summer vacation period (up to 3 months). Lecturers who receive external funds have this paid along with their salary but there is no published data for the amount of salary that was added. In order to compare the salary for Japan and the United States, the amount of salary that was added on is assumed to be a base salary of 3 months, and so the amount is a factor of 12/9.

companies have consecutively withdrawn from Japan, and Japan has lost its position as an international base for business activity within the Asian region. The domestic direct investment balance peaked for Japan in 2008 and then slackened, while the domestic direct investment balance GDP ratio suffered by comparison to developing countries in Asia and the main advanced countries (Figure II-4-2-1, Figure II-4-2-2)¹⁵.

Figure II-4-2-1 Change in domestic direct investment balance

Figure II-4-2-2 Domestic direct investment balance GDP ratio (end of 2011) for main countries



To attract global companies, it is important to work along with the government to establish an environment for domestic direct investment that is not inferior to foreign countries, with initiatives such as establishing a lifestyle environment for foreigners, and a business environment for global companies. To do this, the government established a plan on December 16, 2011 called the "Program for Promoting Japan as an Asian Business Center and Direct Investment into Japan" that comprehensively compiled related policies. Under this program, related ministries and government offices have steadily promoted certain initiatives towards attracting global companies, and on June 22, 2012, a follow up program was performed.

The program aims to accomplish research and development bases in global companies and Asian headquarters using the following three goals by the year 2020. (1) Increase added value bases (attract 30 companies per annum), (2) increase employment through foreign owned companies (750 thousand to 2 million people), and (3) double direct investment in Japan (17.5 trillion to 35 trillion yen). To achieve these goals, the government has established five central initiative policies, and is making serious effort on each type of policy (Figure II-4-2-3).

Figure II-4-2-3

¹⁵ Reuse of Figure I-2-4-4 and Figure I-2-4-5.

Overview of “Program for Promoting Japan as an Asian Business Center and Direct Investment into Japan”

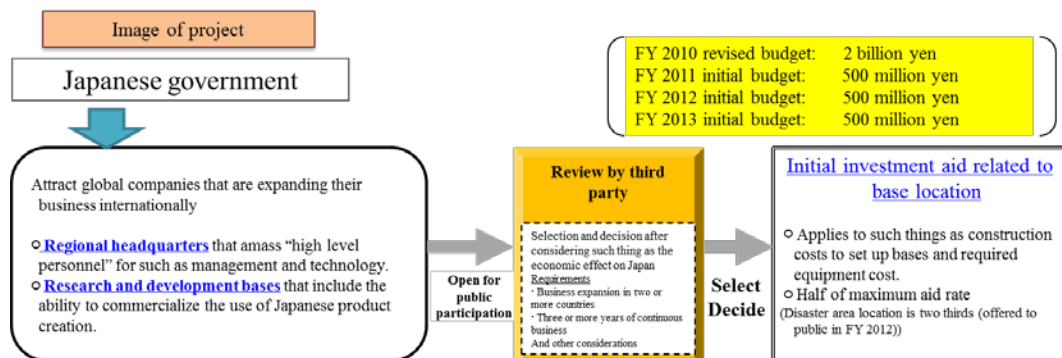
<p>◆ Three goals the program should achieve by 2020</p>	<p>December 16, 2011: Meeting to determine the promotion of Japan as an Asian business center and direct investment into Japan June 22, 2012: Follow-up meeting for the promotion of Japan as an Asian business center and direct investment into Japan</p>
<p>◆ Five pillars with major concrete measures</p>	<ol style="list-style-type: none"> 1. Increase high added value bases (Attract 30 bases annually) 2. Double the number of employees hired by foreign companies (750 thousand → 2 million) 3. Double the direct investment balance to Japan (17.5 trillion → 35 trillion)
<p>◆ Five pillars with major concrete measures</p>	<ol style="list-style-type: none"> 1. <u>Improve profitability to promote investment</u> By strengthening incentive measures such as assistance money and a tax system, Japanese sites can be more competitive, and Japan can provide a global standard investment environment. <ul style="list-style-type: none"> • Attract high added value bases with assistance money for Asian base location sites • Reduce tax burden on companies by lowering corporate effective tax rate by 5%, etc. 2. <u>Utilize a special zone system to attract investment</u> Partner with municipalities, and utilize comprehensive special zone systems and special restoration zone systems to attract investment from abroad. <ul style="list-style-type: none"> • Promote international strategic comprehensive special zones that contribute towards enhancing the accumulation of foreign companies • Attract domestic and international investment with a special restoration zone system, etc. 3. <u>Establish an investment support system and development for an investment environment</u> To increase the flow of people, goods and money, review the establishment of social capital and regulations, improve transparency on government procedures, and ensure that government procedures are entirely available in English. <ul style="list-style-type: none"> • Introduce a system that has measures for preferential treatment under immigration (reduces requirements for permanent residence permits) that utilizes a point system for high level personnel • Promote the establishment of an environment to receive business flights such as the creation of a terminal dedicated to business jets • Strengthen one-stop services for government procedures by cooperating with JETRO and relevant government ministries and agencies • Speed up investigations by having medical equipment inspection procedures be more clear and transparent • Promote more use of English in the government, etc. 4. <u>Make the living environment more comfortable at the investment location</u> Advance the establishment of a living environment such as education and medical for foreigners. <ul style="list-style-type: none"> • Develop an environment for foreigners to easily receive consultation at medical institutes, such as educating medical translators • Promote approval to set up various types of international schools, etc. 5. <u>Reinforce the transmission of information that welcomes investment</u> Transmit information towards removing reported obstacles with attractive public relations for the environment at site locations in Japan from the government, and aim for open restoration. <ul style="list-style-type: none"> • Perform public relations with this program and send out accurate data regarding the business environment in Japan after the Tohoku disaster, through the medium of international meetings and exhibitions held overseas. • Send out information about recovery projects and public relations for such as special restoration zones. • Promote the provision of information in English, etc.

Source: Ministry of Economy, Trade and Industry.

Specific policies for the above program are being mapped out, and the presentation of direct incentive measures for global companies are effective in the same way as initiatives from such as developing Asian countries when attracting global companies. Therefore, the government established a “Subsidy Program for Projects Promoting Asian Site Location in Japan” in the supplementary budget, which assists initial expenses for domestic location of high value added bases from global companies (Figure II-4-2-4), and by the financial year of 2012, 19 business people had adopted it. The type of companies owned by the business people who adopted this program are mostly from sectors that are expected to see future growth, such as medical equipment, power fuel cells, and automobile related technology. Furthermore, in July 2012, the “Bill on Special Measures for the Promotion of Research

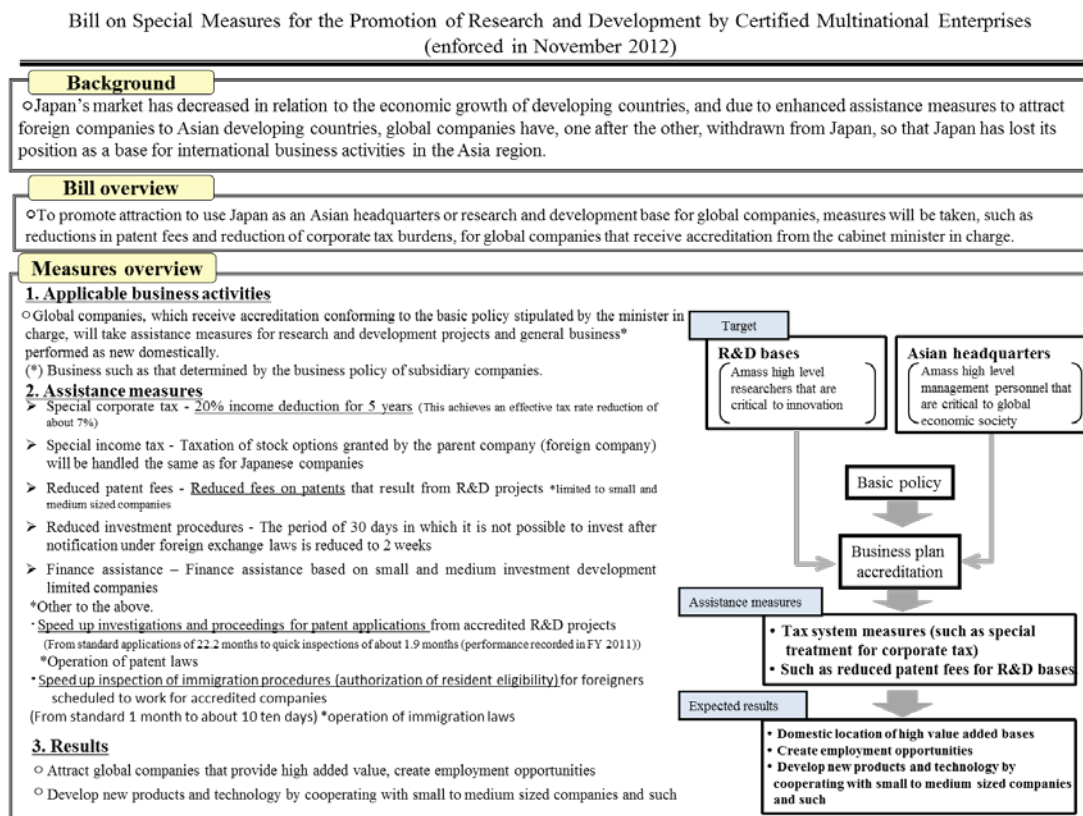
and Development by Certified Multinational Enterprises” (method for promoting Asian bases), which works out measures such as reductions on patent fees, and reductions for corporate tax burdens targeted at general businesses and research and development business of global companies, was established (enforced in November 2012) at the 180th session of the Diet (Figure II-4-2-5).

Figure II-4-2-4 Overview of subsidiary aid for Asian site location



Source: Ministry of Economy, Trade and Industry.

Figure II-4-2-5

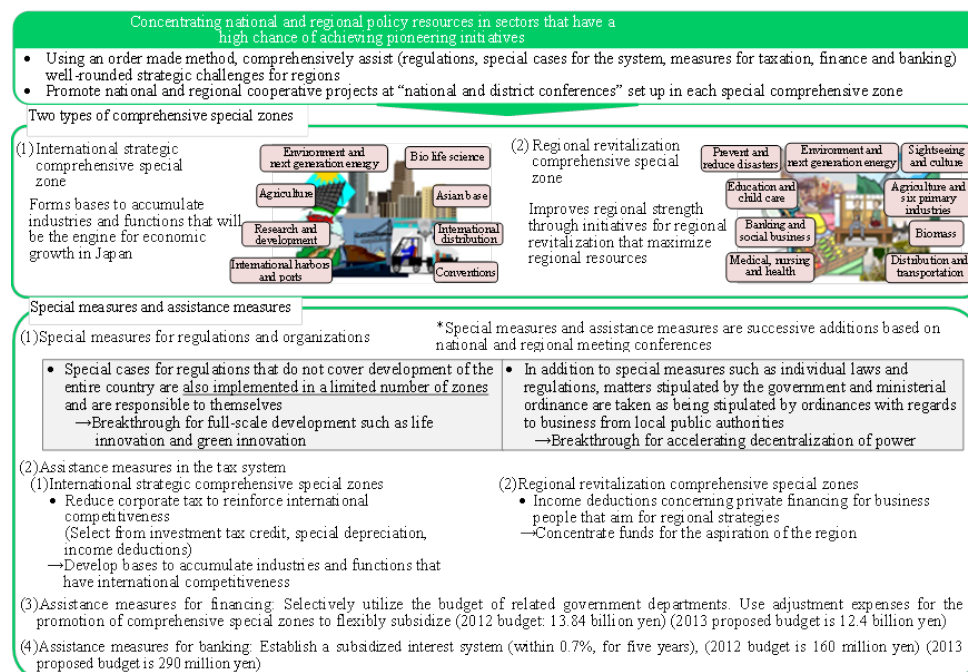


Source: Ministry of Economy, Trade and Industry.

By cooperating with municipalities through such as establishing the above incentive measures, and a comprehensive special economic zone system (Figure II-4-2-6), the government has been strengthening the attraction of global companies to Japan. However, attracting global companies is an international competition, and the importance of establishing an environment for domestic direct investment that is not inferior to foreign countries is becoming more and more critical, given that the

attraction of global companies such as developing Asian countries is intensifying. In the future, it is important to establish an environment for business within Japan through such means as drastic enhancement of support systems and attracting foreign companies of the government, and radical reforms for special economic zones, and attract investment from within and outside Japan.

Figure II-4-2-6 Comprehensive special economic zone system



Source: Regional Revitalization Bureau.

Meanwhile, after the Tohoku earthquake and tsunami disaster, concern has increased for Japan's business environment in terms of the risk of disaster, electricity supply, and radioactive contamination. Therefore, the importance of activities to attract global companies, and provide accurate information relating to Japan's business environment has increased. The government has put more and more effort into creating meetings to match up with Japanese companies and provide press releases for global companies, including initiatives for such as a special zone system.

At the end of the 2012 financial year, a new webpage was created for direct domestic investment in Japan within the prime minister's official residence homepage. From the perspective of strengthening public relations in the future, this webpage, top sales and other similar items will be used effectively, and Japan will send out messages to welcome global businesses to locate their sites to Japan and promote the country itself.

Furthermore, to reinforce the attraction of and assistance to global companies, it is important to establish mechanisms that allow government institutions to respond appropriately after consultation from foreign companies that are unfamiliar with Japan's system and administrative procedures. Comprehensively assisting such things as solutions to problems, and clarifying important matters when foreign companies are investigating plans for investment in Japan, is expected to provide more incentive when foreign companies are deciding to invest in Japan.

As we have seen, putting more energy into working on activation measures for direct domestic

investment and developing the business environment within Japan in the future, will promote the expansion of direct domestic investment with a view to strengthening location competitiveness, and improve Japan's productivity and create further employment.