

# *Japanese Economic Trends and JETRO's activities for attracting overseas companies*

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Oct 2019

Japan External Trade Organization (JETRO)

Ho Chi Minh Office

## JETRO : Japan External Trade Organization

- Established in 1958
- Incorporated Administrative Agency, funded by the government
- Domestic: JETRO Headquarters Tokyo, JETRO Osaka, Institute of Developing Economies and 47 regional offices
- Overseas: 74 offices (54 countries) (As of Nov 2018)

## Main Activities

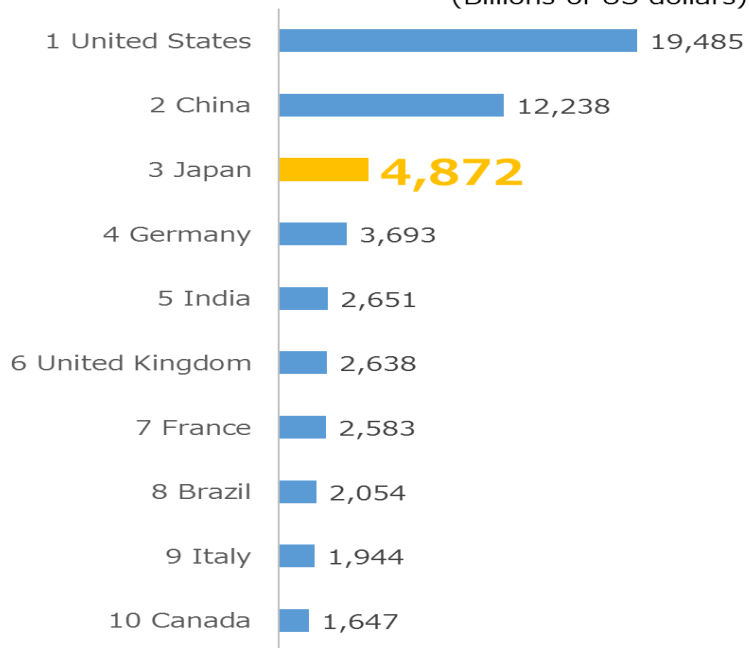
1. Assisting Japanese Companies with Their Overseas Businesses
2. Facilitating Innovations Through Inward Foreign Direct Investment (FDI) in Japan and Supporting Overseas Expansions of Startups
3. Contributing to the Activities and Trade Policies of Japanese Companies Through Surveys and Research

# Japan's GDP is ranked 3rd in the world

- Japan's GDP exceeds 500 trillion yen.
- "A leading world economy that boasts large-scale economic power."(Cabinet Office)

World Ranking of GDP (2017)

(Billions of US dollars)



Global GDP ranking forecast for 2030 and 2050

2030

(Billion US dollars)

Rank	Country	GDP
1	China	26,499
2	US	23,475
3	India	7,841
4	Japan	5,468
5	Germany	4,347
6	UK	3,530
7	France	3,186
8	Brazil	2,969
9	Indonesia	2,449
10	Italy	2,278

2050

(Billion US dollars)

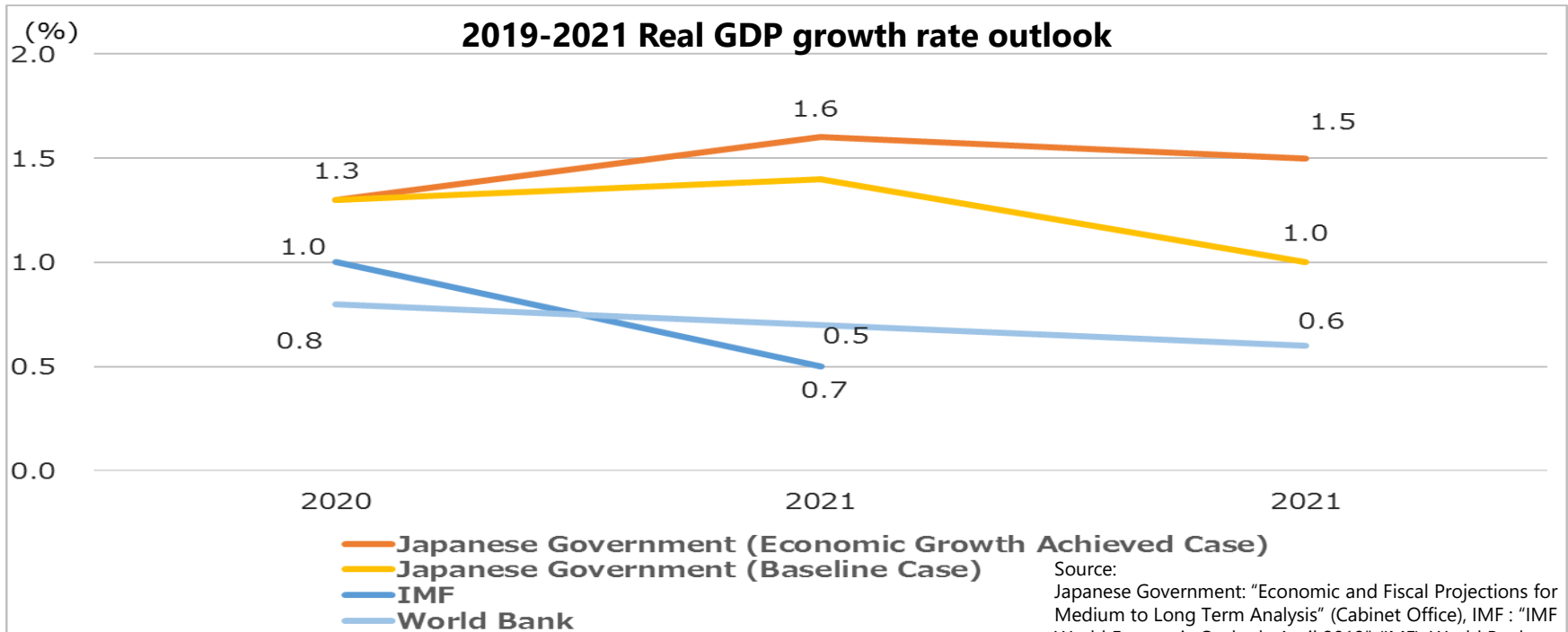
Rank	Country	GDP
1	China	49,853
2	US	34,102
3	India	28,021
4	Indonesia	7,275
5	Japan	6,779
6	Brazil	6,532
7	Germany	6,138
8	Mexico	5,563
9	UK	5,369
10	Russia	5,127

Source: "The long view: how will the global economic order change by 2050?" (PwC)

Source: "GDP Ranking" (World Bank)

# GDP forecast —The Government’s Scenario

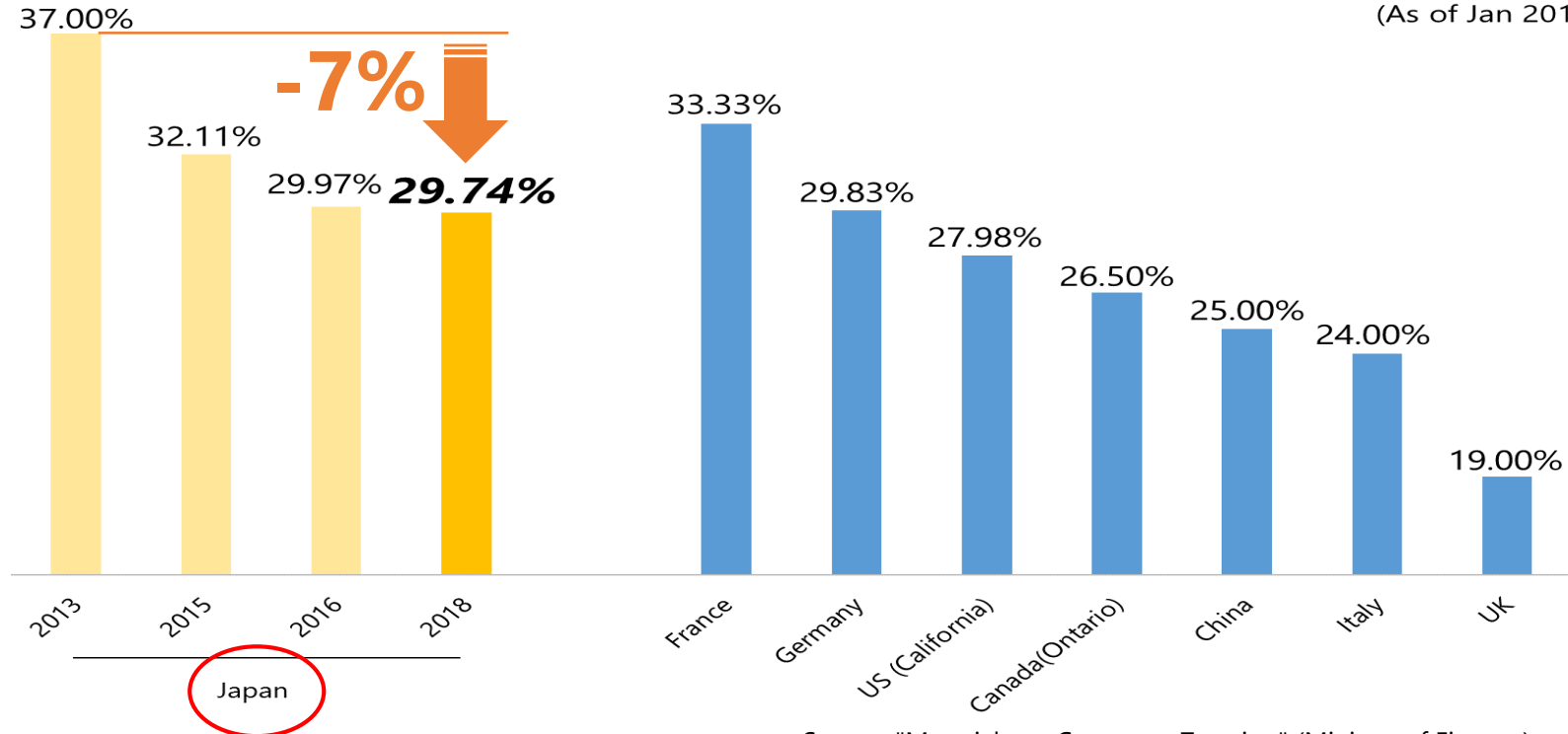
In the “economic growth achieved case” scenario of the government, which reflects the effects of the Economic Policy at a feasible pace, the growth rate is projected to reach 2% in real terms and more than 3% in nominal terms. In the “baseline-case” scenario, the economy will grow at the current potential growth rate, and the growth rate is projected to be 1% in real terms and high 1% in nominal terms.



# Reduction of effective corporate tax rate

Reduced corporate tax rate down to a range of the twenties in FY 2016. It was lowered about 7% in three years.

(As of Jan 2018)



Source: "Materials on Corporate Taxation" (Ministry of Finance)

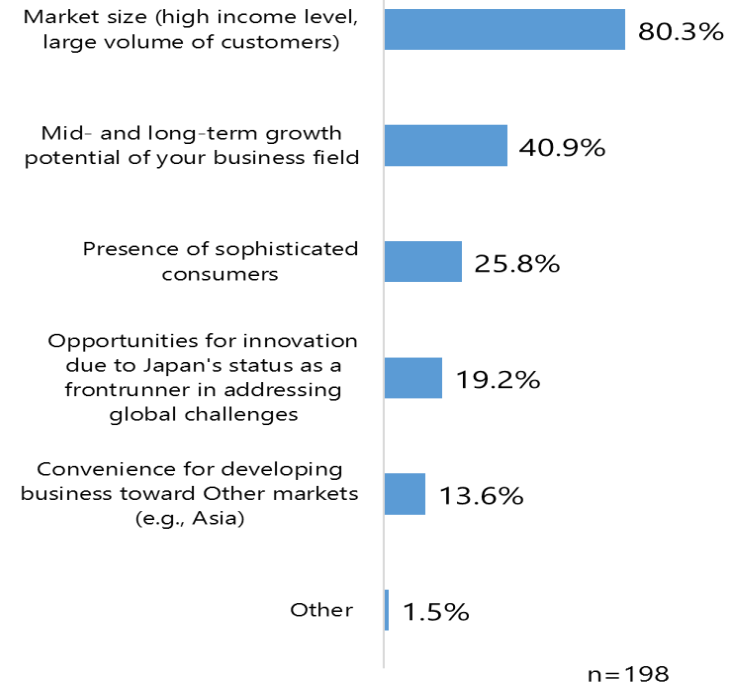
# The greatest appeal is “Japanese market”

Attractiveness of doing business in Japan  
(select each from 1st to 3rd position) n=266

Rank	Answer	Votes			Points
		1st	2nd	3rd	
1	<b>Japanese market</b>	<b>158</b>	<b>20</b>	<b>20</b>	<b>534</b>
2	Existence of suitable partners, (companies, universities, etc.) with outstanding technology or products	25	50	29	204
3	Stability of country and society	16	43	60	194
4	High quality of R&D	19	38	15	148
4	Existence of renown global companies	24	26	24	148
6	Infrastructure (traffic, logistics, ICT, energy, etc.)	4	39	30	120
7	Potential for securing talented human resources	4	14	19	59
8	Well-maintained living environment	4	7	23	49
9	Japan's location (e.g. position as a gateway to Asia, advantage as a base for regional headquarters, etc.)	3	12	14	47
9	Expected increase in demand and sales toward the 2020 Tokyo Olympics	3	9	20	47
11	Well-structured legislation regarding intellectual property	2	6	5	23
	Other	4	2	7	23

Note: In regard to the 1st, 2nd and 3rd place answer selected by respondents, each is awarded points as follows: 1st = 3 points, 2nd = 2 points, 3rd = 1 point, and are listed in order of answer with the highest points total.

What is particularly appealing to you about the Japanese market?  
(top 2 options)



[Source] JETRO “Survey on Japan’s Investment Climate 2018”

# Obstacles to doing business in Japan

- The biggest obstacle is “Difficulty in finding human resources.”
- Particularly troublesome issues are “Lack of human resources with foreign language ability” and “Difficulty in finding experts.”

Obstacles to doing business in Japan  
(select one for 1st to 3rd position each) n=266

Rank	Answer	Votes			Points
		1st	2nd	3rd	
1	<b>Difficulty in finding human resources</b>	<b>87</b>	<b>35</b>	<b>37</b>	<b>368</b>
2	Difficulty in communicating in non-Japanese languages	54	69	31	331
3	High business costs	41	45	63	276
4	Complicated administrative procedures	36	40	39	227
4	Rigid regulations	24	32	31	167
6	Difficulty in finding business partners	11	25	15	98
7	Immigration control system	7	6	9	42
8	Difficulty in financing	0	7	12	26
9	Difficulty in living conditions for foreigners	0	2	11	15
	Other	6	5	18	46

Note: In regard to the 1st, 2nd and 3rd place answer selected by respondents, each is awarded points as follows: 1st = 3 points, 2nd = 2 points, 3rd = 1 point, and are listed in order of answer with the highest points total.

[Source] JETRO “Survey on Japan’s Investment Climate 2018”

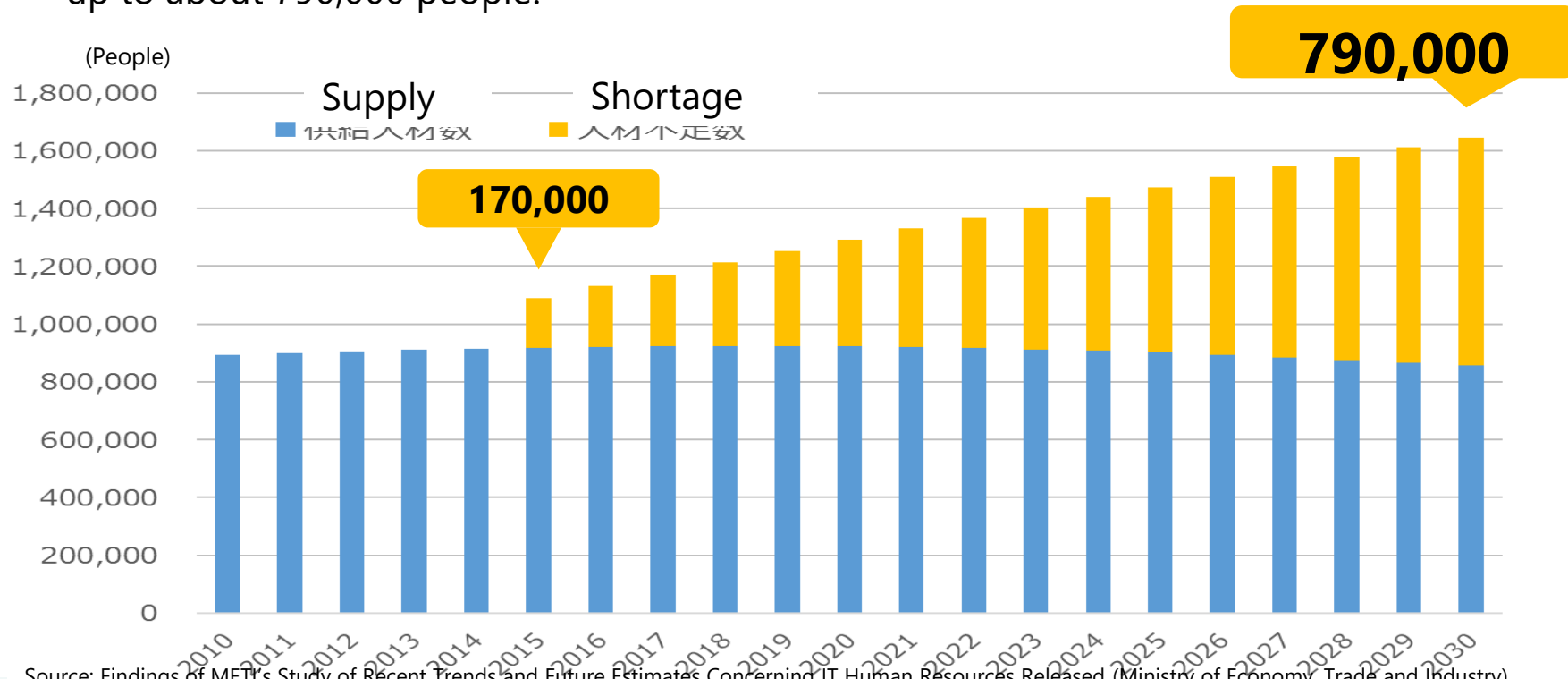
Regarding securing human resources, what difficulties in particular have you encountered?  
(Top two options)



n=263

# Shortage of IT human resources

The shortage of IT human resources becomes more staggering in the future, and it is estimated that in 2030 (in the case of high-level scenario) the shortage scale will rise up to about 790,000 people.



Source: Findings of METI's Study of Recent Trends and Future Estimates Concerning IT Human Resources Released (Ministry of Economy, Trade and Industry)



# Business cost in Japan: office rent and salaries

Office rent and salaries in Japan are lower than those in other major cities in the world.

Prime office occupancy costs in the world  
(Unit: US dollars)

Rank	City	Cost
1	Hong Kong (Central)	3,229.9
2	London (West End)	2,529.6
3	Beijing (Finance Street)	2,162.6
4	Hong Kong (Kowloon)	2,040.4
5	Beijing (CBD)	2,039.1
6	New York (Midtown Manhattan)	1,978.2
7	New York (Midtown-South Manhattan)	1,846.7
<b>8</b>	<b>Tokyo (Marunouchi/Otemachi)</b>	<b>1,845.9</b>
9	New Delhi (Connaught Place - CBD)	1,649.7
10	London (City)	1,560.2

Note: Cost is measured per square meter per annum. As of Q1 2018  
Source: "June 2018 Global Prime Office Occupancy Cost" (CBRE)

International comparison of average salaries  
of IT human resources (2017)  
(Unit: US thousand dollars)

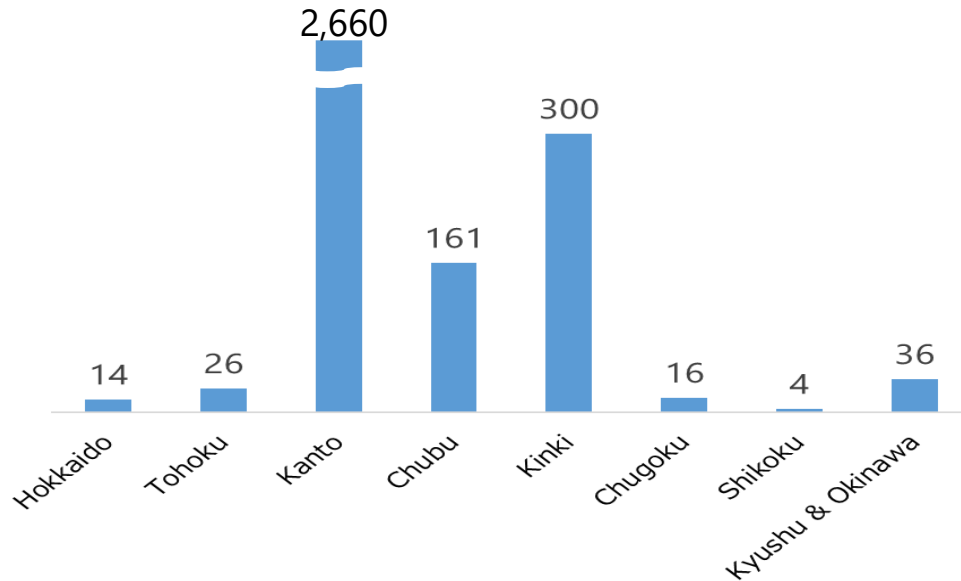
City	Salary
San Francisco	142
Seattle	132
New York	129
Los Angeles	129
Austin	118
London	78
Toronto	73
Paris	56
<b>Japan</b>	<b>4.9</b>

Note: Salary for Japan is in 2015  
Source: "Study of international comparison of IT human resources" (Ministry of Economy, Trade and Industry) for Japan, "State of Salaries Report 2018" (Hired) for the others.

# Number of foreign-affiliated companies by region

About 1/3 of foreign-affiliated companies in Japan are located in regions other than Tokyo.

Number of foreign-affiliated companies by region



Top 10 prefectures where foreign-affiliated companies are based

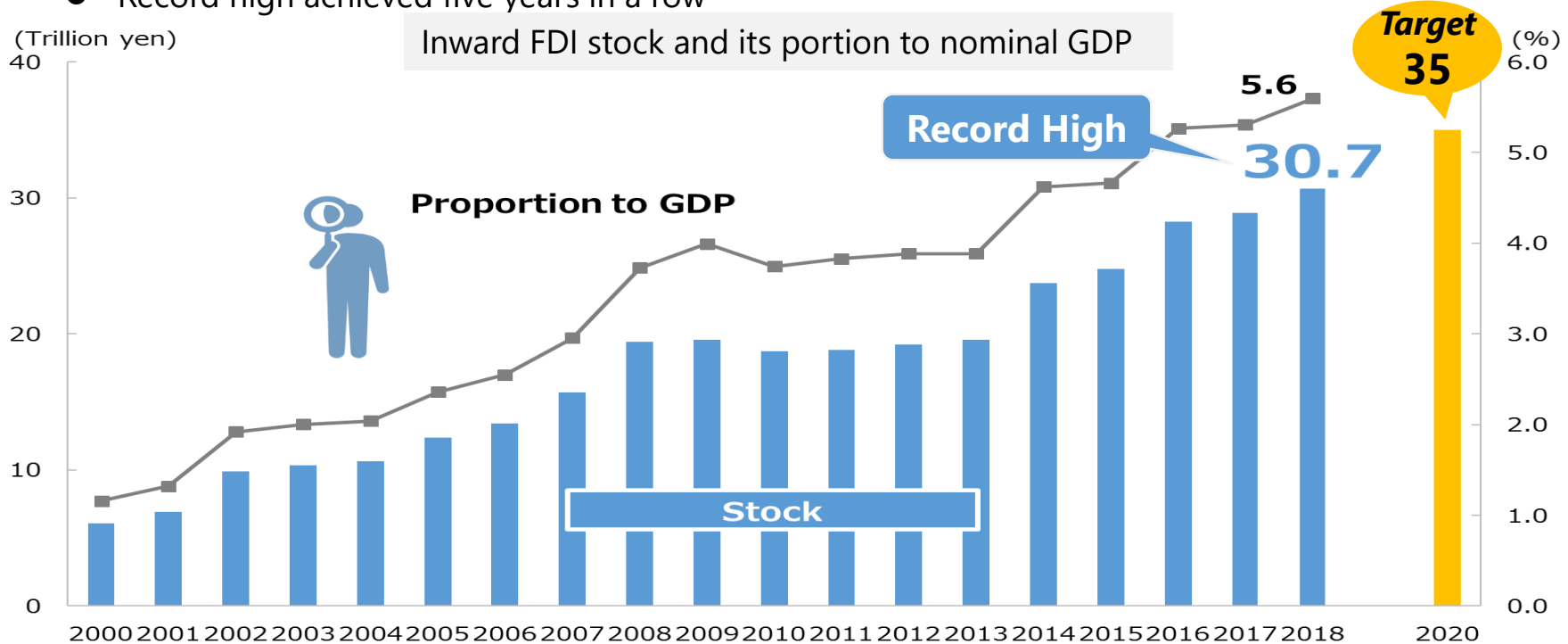
Rank	Prefecture	No. of Companies	Ratio(%)
1	Tokyo	2,167	67.4
2	Kanagawa	322	10.0
3	Osaka	172	5.3
4	Hyogo	80	2.5
5	Aichi	70	2.2
6	Saitama	68	2.1
7	Chiba	65	2.0
8	Shizuoka	26	0.8
9	Fukuoka	22	0.7
10	Ibaraki	20	0.6

Notes: 3,217 companies responded.

Source: "The 2017(51th) Survey of Trends in Business Activities of Foreign Affiliates (conducted in connection with business for FY2016)" (Ministry of Economy, Trade and Industry)

# Steadily increasing investment in Japan

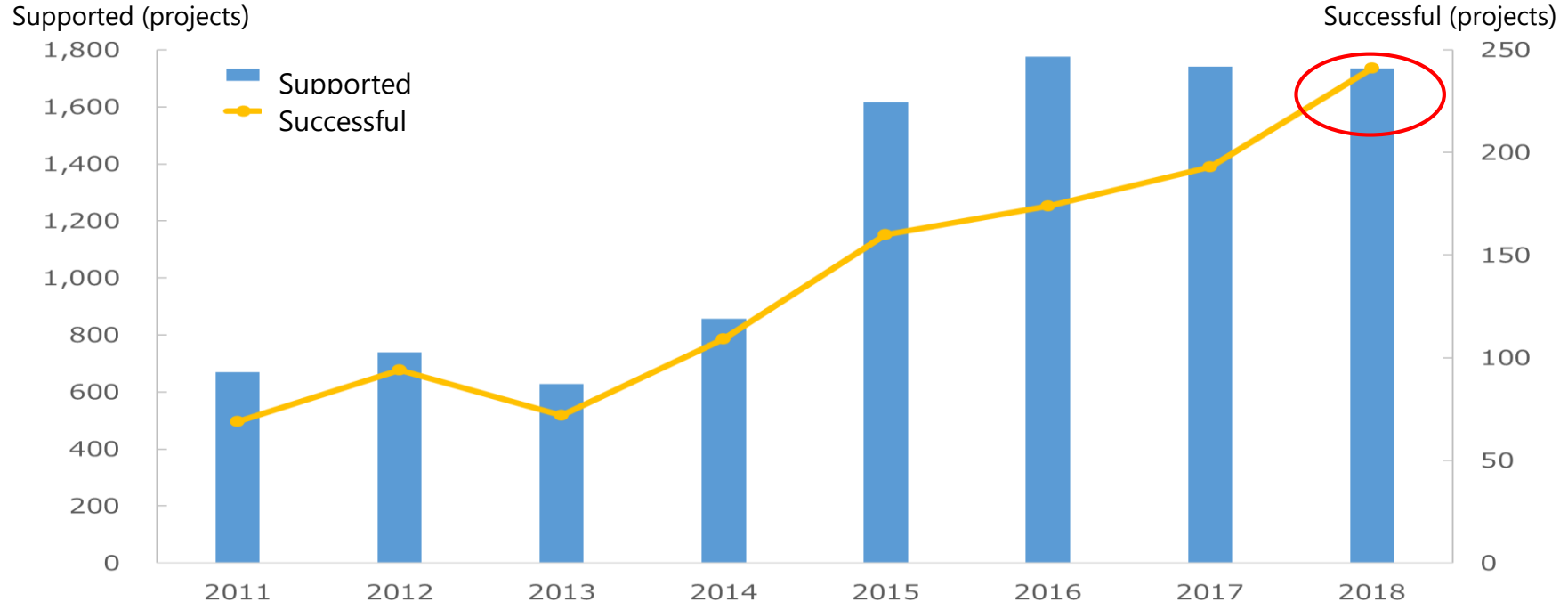
- Japan's inward FDI stock in 2018 renewed record at 30.7 trillion yen (approximately 278.2 billion US dollars).
- Record high achieved five years in a row



Source: "International Investment Position of Japan" (Ministry of Finance, Bank of Japan), "National Accounts of Japan" (Japan Cabinet Office)

# Investment projects JETRO supported

- JETRO supported 1,734 projects in FY2018.
- 241 projects achieved success in establishing business operation or business expansions in Japan in FY2018.



# Investment projects JETRO supported (FY2018)

JETRO-attracted investment projects  
Top 10 countries/regions (FY2018)

Rank	Country/region	No. of projects
1	China	44
2	US	41
3	Germany	20
4	France	16
5	Singapore	16
6	South Korea	14
7	UK	12
8	Taiwan	9
8	Vietnam	7
10	Canada	6

JETRO-attracted investment projects  
(by industry, FY2018)

Rank	Industry	No. of projects
1	ICT • telecommunications • PC-related devices	58
2	Services	42
3	Other manufacturing	34
4	Transport equipment and parts	16
5	Medicine • medical devices	16
6	Energy	13
7	Others	13
8	Logistics	11
9	Electronic devices and parts	10
10	Tourism	9

# Support to enter or expand business in Japan

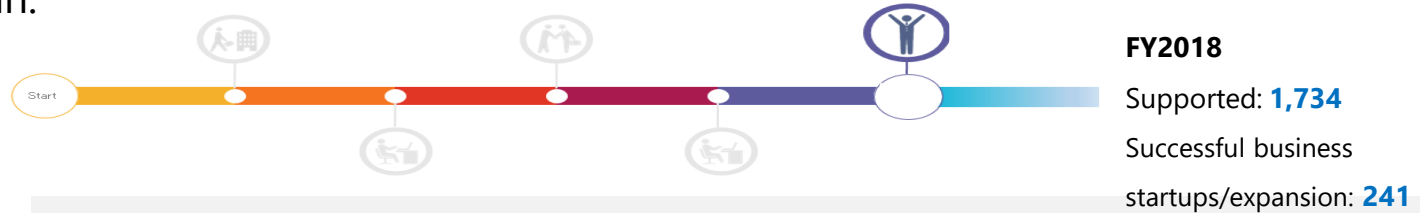
With offices in Japan and more than 70 offices in over 50 other countries across the world, JETRO assists foreign-affiliated companies planning to start or expand their business in Japan.

## Support for establishing a business in Japan

To enter the Japanese market

Set up a base in Japan

Expand business in Japan



### Overseas office & HQ:

- Provide information on Japanese market and regulations
- For setting up a business base in Japan, help to solve problems relating various filings, or business issues

### In Japan, JETRO IBSCs:

- Provide information through experts (registration of incorporation, visas, taxes, social security, etc.)
- Offer temporary office space (at IBSC in six major cities in Japan)  
\*Tenancy period: 100 Business days (free charge up to 50 business days, communication fee a



### Domestic offices and local governments:

- Provide information on regions throughout Japan (location sites, local incentives, etc.)
- Provide information for expanding business base

# Support Program for Regional Foreign Direct Investment in Japan

The program advances FDI into local regions by providing support and consultation to local governments formulating a strategy to attract foreign companies; and promoting their effective use of measures implemented by related ministries and agencies.

## Local governments

Want to formulate a strategy to attract foreign companies

Want to create PR materials for foreign companies

Want to know measures implemented by related ministries and agencies that contribute to attracting foreign companies

Inquiries, consultation

**JETRO**  
Local offices

## Related ministries and agencies that are members of the Council for Promotion of Foreign Direct Investment in Japan and that have "The Office of INVEST JAPAN"

- Cabinet Office
- Cabinet Secretariat
- Japan Fair Trade Commission
- Financial Services Agency
- Ministry of Internal Affairs and Communications
- Ministry of Justice
- Ministry of Foreign Affairs
- Ministry of Finance
- Ministry of Education, Culture, Sports, Science and Technology
- Ministry of Health, Labour and Welfare
- Ministry of Agriculture, Forestry and Fisheries
- Ministry of Economy, Trade and Industry
- Ministry of Land, Infrastructure, Transport and Tourism
- Ministry of the Environment

# JETRO Invest Japan Website (in English, German, French, Chinese, Korean and Japanese)

Investing in Japan

Why JAPAN

Setting Up Business

JETRO's Support

Latest Updates

Message from the Prime Minister

JETRO Investing in Japan

<https://www.jetro.go.jp/en/invest/>



Setting Up Business

Q & A

How to Set Up Business in Japan

JETRO IBSCS

REGIONAL INFORMATION

INCENTIVE PROGRAMS

SUCCESS STORIES

DIRECTORY FOR DOING BUSINESS IN JAPAN

PAMPHLETS

### How to Set Up Business in Japan

Provides an overview of the laws, regulations and procedures related to setting up a business in Japan, as well as an easy-to-follow flowchart outlining the basic steps and a Model Case showing approximate start-up costs.

#### Legislation and Regulations on Setting Up Business in Japan

- Full text (653KB) October 2013

**Section1: Incorporating Your Business**  
Definitions and comparisons of various business operations; procedures and guidelines for establishing/registering each of these distinct operations in Japan.

**Section2: Visas and Status of Residence**  
Entry procedures into Japan; conditions and provisions that apply to various types of visas and working/residence statuses; the alien registration process; details concerning family members accompanying foreign nationals.

**Section3: Taxes in Japan**  
Aspects of Japan's tax systems most relevant to a foreign corporation/individual investing in Japan (emphasis on corporate tax structures, tax treaties as well as personal and consumption taxes).

**Section4: Human Resource Management**  
Japan's labor laws and regulations; topics include: recruitment; employment contracts; wages; working hours; work rules; workplace safety and hygiene requirements; resignation and dismissal procedures and Japan's social security, health and pension systems.

**Section5: Trademark and Design Protection Systems**  
Japan's trademark and design protection systems; registration validities, periods of protection as well as trademark and design registration procedures.

选择日本

在日本设立据点

Jetro 的支援服务

REASONS TO INVEST IN JAPAN

ATTRACTIVE SECTORS

SUCCESS STORIES

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