

Advantages of Investment in Japan

By JETRO Invest Promotion Department

JETRO: Inviting Investment to Japan

As the core institution promoting investment in Japan, at JETRO, we are aggressively pursuing the expansion of direct investment in Japan through publicizing the investment climate of Japan, sponsoring activities both in Japan and overseas to attract foreign companies, and conducting seminars and symposiums, as well as through support for local governments seeking to invite foreign companies. The following is an overview of the various JETRO activities with respect to investment in Japan.

The JETRO Invest Japan Business Support Center

On May 26, 2003, the "JETRO Invest Japan Business Support Center" was established in Tokyo to provide comprehensive information on the investment environment in Japan and pertaining to required procedures, as well as consultation and guidance for specific investment plans.

This Center, with 36 full-time staff members (including 11 advisors), provides foreign companies with a wide-range of information on our country's markets and industries, business start-up administrative procedures, location and so forth, as well as living conditions such as educa-

tion and health care. In addition, the Center provides thoroughgoing services including consultation related to law, labor, taxes and accounting, administrative procedures and referrals to the general information sections dealing with investment in Japan at the various governmental ministries and agencies on an as-needed basis.

JETRO's Overseas Business Offices

JETRO's 80 overseas business offices spanning 60 countries are engaged in encouraging plans for investment in Japan and in providing information and individual consultation for companies interested in investing in Japan. (Table 1 on page 11)

Information Available on the Internet

We compile the latest information on the deregulation of industries in Japan, as well as regional information on investment environments such as preferential treatment, and relay the particulars in detail via the Internet site "INVEST JAPAN!" and other channels.

"10 Advantages" outlines 10 reasons for investing in Japan, while "Attractive Sectors" introduces the various business sectors that comprise Japan's promising markets. In addition to these,

JETRO is eagerly awaiting your inquiries and consultations with respect to investment in Japan.

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A scene from the dedication ceremony of the JETRO Invest Japan Business Support Center on May 26, 2003

Table 1 Contact information for JETRO's overseas business offices

North America	http://www.jetro.go.jp/ov/e/n_america/index.html
Central and South America	http://www.jetro.go.jp/ov/e/cs_america/index.html
Europe	http://www.jetro.go.jp/ov/e/europe/index.html
Asia	http://www.jetro.go.jp/ov/e/asia/index.html
Oceania	http://www.jetro.go.jp/ov/e/oceania/index.html
Middle East and Africa	http://www.jetro.go.jp/ov/e/me_africa/index.html

"INVEST JAPAN!"<http://www.investjapan.org>

A one-stop website for foreign companies with an eye on investment in Japan that allows visitors to peruse comprehensive information on Japan's investment environment presented in English. The website features the following: (1) information on Japan's investment environment; (2) information on investment environments by geographic region; (3) information on systems and procedures related to the establishment of a business base; and (4) information related to costs involved in establishing a business base.

we post the "Invest Japan" newsletter on quarterly basis.

We are also dispatching investment promotion missions and conducting overseas seminars and symposiums in order to encourage collaboration between Japanese and overseas enterprises and to attract companies interested in investing in Japan.

Cooperating with Local Governments to Invite Investment

JETRO is assisting local governments that seek to

invite foreign investment at every stage, ranging from the study of region-specific strategies to supporting publicity and promotional activities overseas. In response to foreign investment proposals, JETRO's trade information centers, located throughout the country, work in partnership with local governments or alternatively with the Bureau of Economy, Trade and Industry to bring ideas to fruition. Additionally, we are assisting in the cultivation of human resources to help build the capacity of local governments and other bodies that wish to invite foreign investment.

Greetings

Hiranuma Takeo, Minister for Economy, Trade and Industry



Japan is the world's second-largest market, following the United States. The nation's populace has immense buying power and is highly responsive to new products and services. Many of the companies that have satisfied the needs of Japanese consumers and succeeded in the Japanese market are not simply dispensing products, but are investing in Japan in such areas as marketing, distribution and aftercare. Trade in services related to goods will be a key factor in doing successful business in Japan. In order to realize this kind of success, investment in Japan is essential. The Japanese market is not merely large. It offers companies merits such as exceptional technology – robots for instance – in advance of the rest of the world, as well as industrious and highly-trained top quality labor. Given continued deflation and the declining cost of land and labor, now is the time to invest in Japan. I look forward to welcoming your company to Japan and sincerely hope that together we can realize a prosperous future.

A World-Class Market

Japan's gross domestic product (GDP) constitutes 15% of the world's GDP and is second only to the United States, whose GDP makes up 32%. Japan's per capita GDP and its household saving rate are the highest among the Group of Seven (G7) countries, and it is expected that the Japanese market will continue to be characterized by a high rate of personal consumption, supported by a stable balance between savings and consumption.

Furthermore, with high income levels and large cities scattered throughout the nation, Japan boasts several major economic regions with scales that exceed the entire national economies of China, South Korea and Thailand.

Sustained by vigorous business operations and strong consumer confidence, Japan is an attractive market of world-class economic magnitude, benefiting from the merits of productivity and high buying power. (Figs. 1, 2 and 3)

Japan's Role as Asia's Business Hub

Japan possesses strength in both manufacturing and services. It is securely allied with East Asia, including China,

and the Association of South-East Asian Nations (ASEAN) through its trading ties and serves as the nucleus of Asian trade. The construction of a new runway at the New International Airport has increased the number of flights connecting Tokyo with major cities in Asia.

As the most advanced economy in Asia, with close historical and cultural ties to the other nations of Asia, Japan is the traditional heart of the Asian market, and investment in Japan is vital to taking advantage of the Asian market as a whole. (Fig. 4 on page 13)

Abundant and Highly Skilled Human Resources

Japan has an abundant labor force topping 60 million, and with one of the highest rates of university education among developed nations, there is a wealth of talented and highly educated human resources. In addition, as Japan's labor market evolves from the concept of "lifetime employment" toward a more liquid model along the lines of interna-

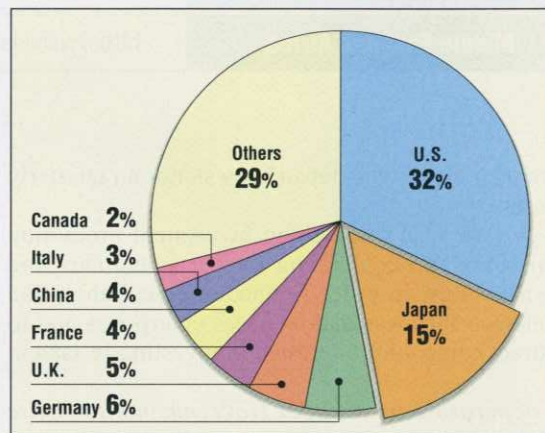
tional standards, the phenomenon of changing jobs is taking root, and therefore, it is now possible to hire talented and experienced personnel.

Moreover Japan's labor-management relationship is generally amicable, and lost work days are few, allowing businesses to operate smoothly. (Figs. 5 and 6 on page 13)

Advanced Technology and the Protection of Intellectual Property

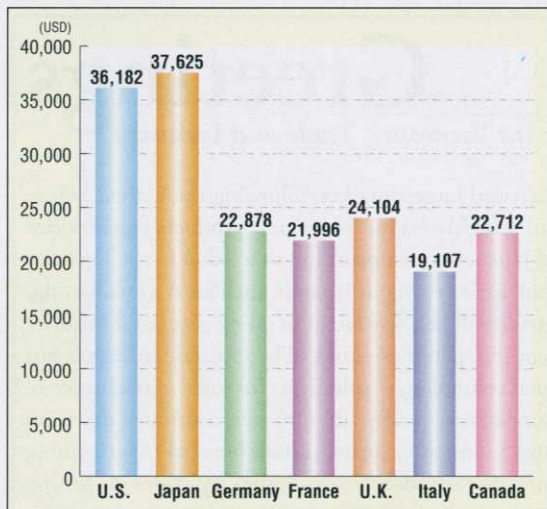
Japan spends generously on research

Figure 1 GDP by country (2000)



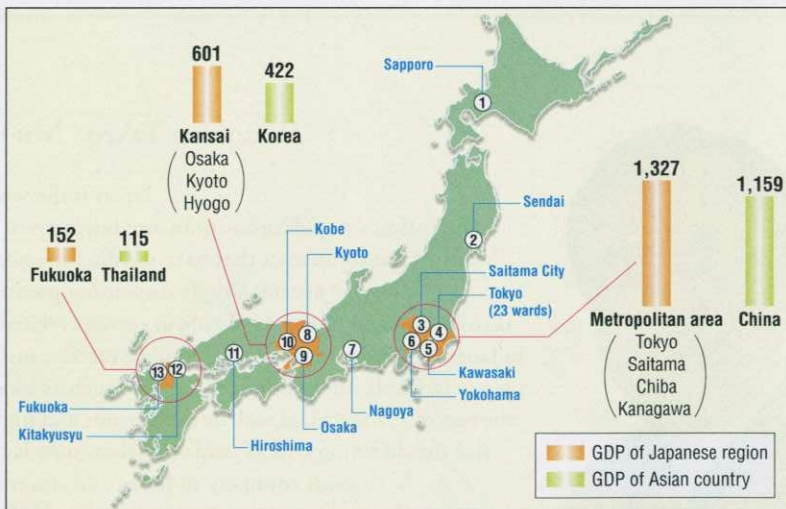
Source: "World Economic Outlook," IMF

Figure 2 Per-capita GDP in the G7 countries (2000)



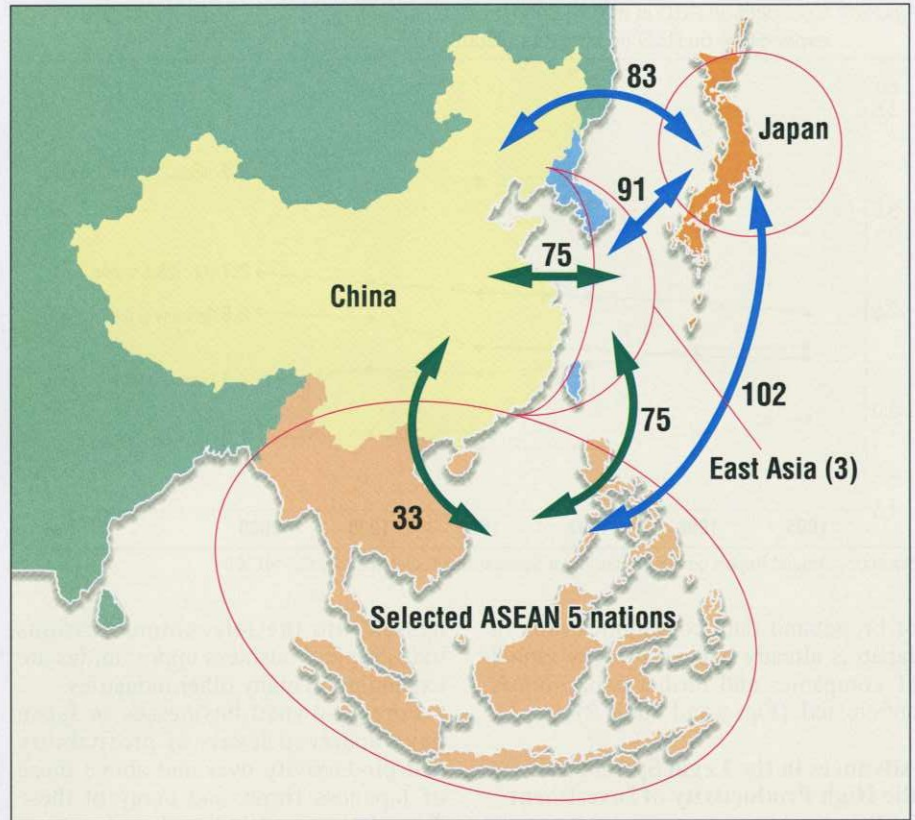
Source: "World Economic Outlook," IMF

Figure 3 Comparison of GDPs of major regions in Japan with those of selected Asian nations (in billion USD; Japanese figures from 1999, Asian nations' figures from 2001)



Source: Bank of Japan

Figure 4 Trade value between Japan, China, East Asia and ASEAN (2001, in billion USD)



Note: East Asia (3) comprises South Korea, Taiwan and the Hong Kong Special Administrative Region of China. The ASEAN 5 nations comprise Singapore, Malaysia, Thailand, Indonesia and the Philippines. Source: Export statistics of each nation (Hong Kong figures include domestic exports only. Re-exports credited to the original exporting country.)

and development (R&D) and has many researchers, even when compared with other developed nations. Its advanced technology, supported by aggressive investment in R&D, is renowned worldwide, and the success of its R&D is reflected in the impressive number of Japan's registered patents (the highest in the world).

Japan prepared Patent, Trademark and Patent Attorney Laws early on and has long held the protection of intellectual property in high regard. December 2002 saw the introduction of a new Basic Law on Intellectual Property, and now more than ever, Japan intends to engage actively in expediting registration procedures related to intellectual property as well as the processing of related disputes.

Some multinational corporations have suffered serious losses in East Asia as a result of counterfeit products. By setting up its operations in Japan, a firm can devote its precious time and funds to core business activities, rather than diverting these to combat counterfeiting. (Fig. 7 on page 14)

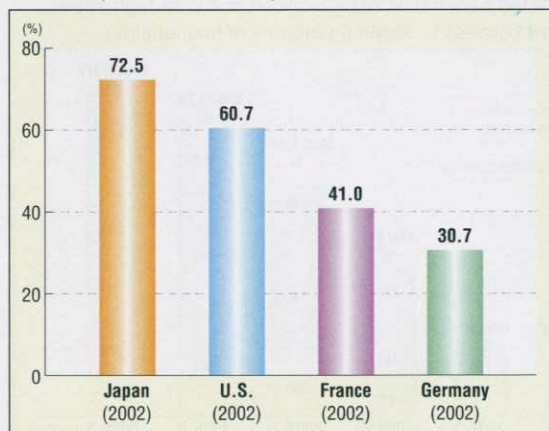
Enhanced Infrastructure

In addition to its network of transportation infrastructure, which boasts a level of precision unparalleled elsewhere in the world, Japan's infrastructure has achieved a superior standard

for information/telecommunications and distribution technology, enabling the development of sophisticated information businesses and distribution systems.

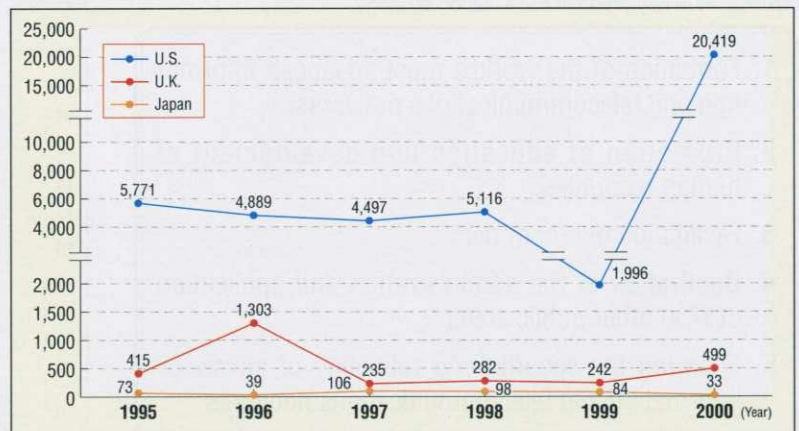
The e-Japan strategy, launched in January 2001, outlines five areas in which Japan will focus its endeavors to become the world's most advanced IT nation by 2005. The rapid penetration

Figure 5 Rates of university education (at universities or equivalent educational institutions)



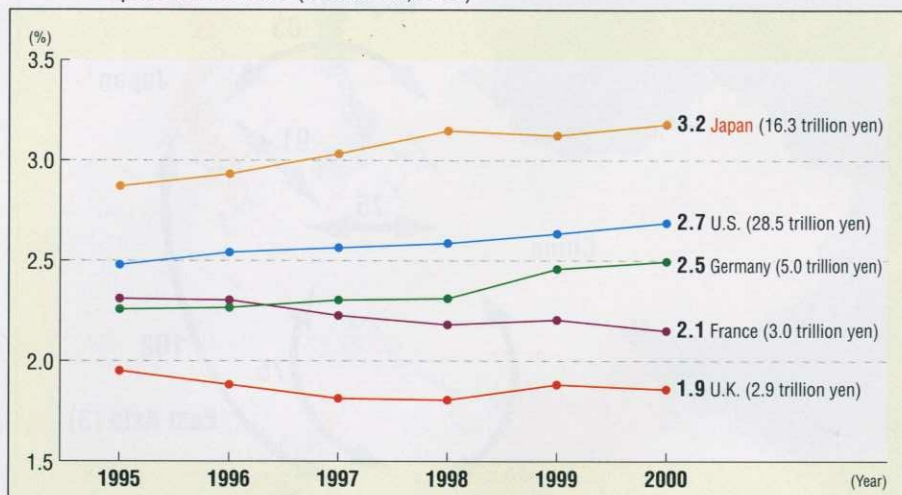
Source: Ministry of Education, Culture, Sports, Science and Technology (MEXT)

Figure 6 Number of lost work days (year, in 1,000 workers/days)



Source: International White Paper 2001-2002, Ministry of Health, Labour and Welfare (MHLW)

Figure 7 Spending on R&D in major countries as a percentage of GDP (graph), and total expenditure on R&D (in brackets, 2000)



Source: "Annual Report on the Promotion of Science and Technology 2002," MEXT

of broadband data communications in Japan is already being hailed by global IT companies and further expansion is anticipated. (Fig. 8 and Table 2)

Advances in the Legal System and the High Productivity of Investment in Japan

Sweeping changes have been made in recent years to Japan's commercial laws and major elements of its economic legal framework in order to respond with speed and flexibility to changes in business management and globalization. This deregulation has paved the way for the free entry of foreign busi-

nesses into the telecommunications industry, and business opportunities are expanding in many other industries.

Foreign-owned businesses in Japan have achieved levels of profitability and productivity over and above those of Japanese firms, and many of these firms have reaped great benefits from their Japanese investments. (Figs. 9 and 10 on page 15)

Reduced Cost of Doing Business

In recent years, the cost of doing business in Japan has declined dramatically, namely with respect to land prices, public utility charges, labor

costs and interest rates, and taxes, too, have decreased to a level comparable with that of other countries. Convenient office space is readily accessible, capable managers are a viable resource, and an accurate distribution infrastructure is available, all at a reasonable cost.

(Figs. 11 and 12 on page 15)

Business Fields in the Spotlight in Japan

Information and Communications Technology (ICT)

From R&D to design and manufacturing, Japan's ICT industry, based on the nation's advanced technology, is among the foremost in the world, and its market in Japan is enormous. (Figs. 13 and 14 on page 15)

Environment

Japan is a world leader in the field of environmental technology, including soil pollution cleanup and fuel cell batteries. It has also achieved the most distinguished results in the world in the field of solar power generation. Since the oil crisis (1973 and 1978), Japan has continued to promote energy conservation and is also one of the leading nations in the battle against global warming. Cutting-edge technology and

Table 2 Five key areas in the e-Japan strategy

1. Formation of the world's most advanced information and telecommunications networks.
2. Promotion of education and development of human resources.
3. Facilitation of e-commerce.
4. Digitization of the administration and application of IT in other public areas
5. Ensuring the security and reliability of advanced information and telecommunications networks.

Source: "National Broadband Initiative," Ministry of Public Management, Home Affairs, Posts and Telecommunication (MPHPT)

Figure 8 Projected penetration of high-speed and ultra-high-speed Internet access in Japan (in millions of households)

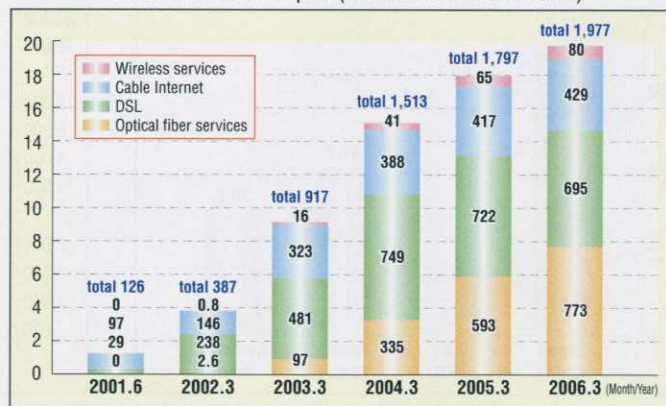


Figure 9 Trends in ordinary profit to net sales ratios

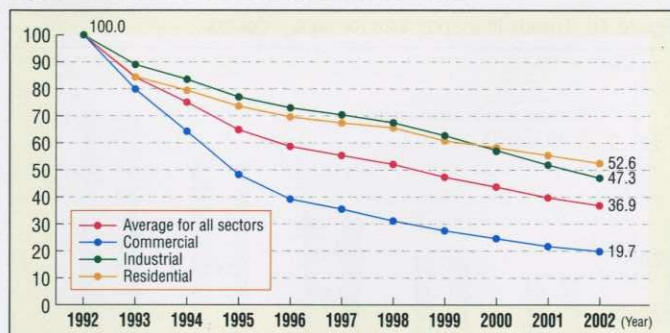


Source: "Survey of Trends in Business Activities of Foreign Affiliates," Ministry of Economy, Trade and Industry (METI), "Financial Statements Statistics of Corporations by Industry," Ministry of Finance

Figure 10 Trends in labor productivity

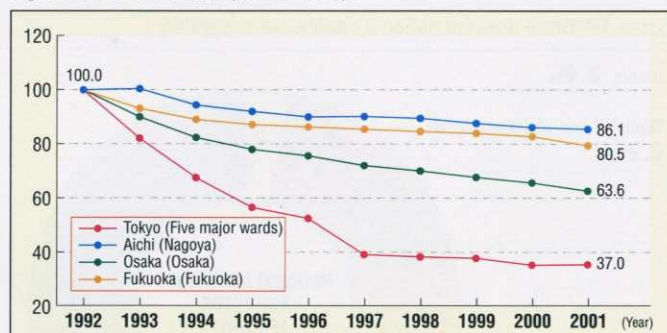


Figure 11 Real estate prices (Sept. 1992 = 100)



Source: Japan Real Estate Institute

Figure 12 Office rents (1992 = 100)



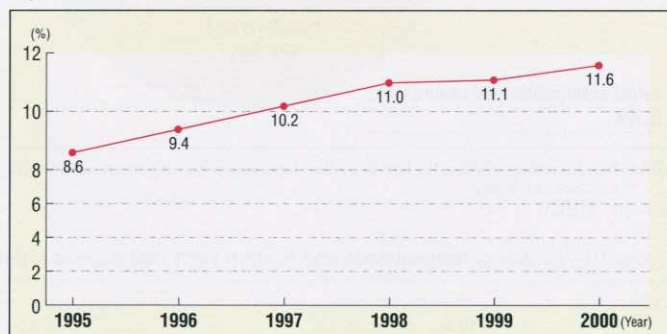
Source: White Paper on Real Estate, K.K. Ikoma Data Service System

Figure 13 Japan's information and communications market size



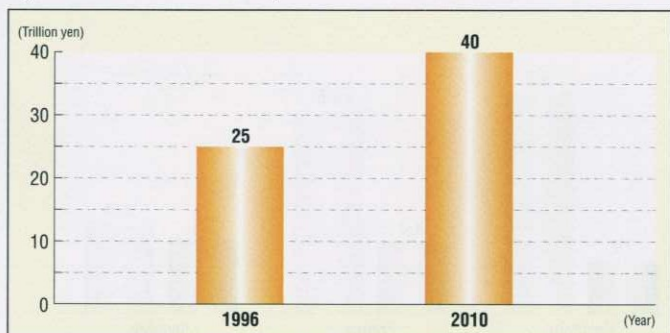
Source: MPHPT

Figure 14 Share of all industries



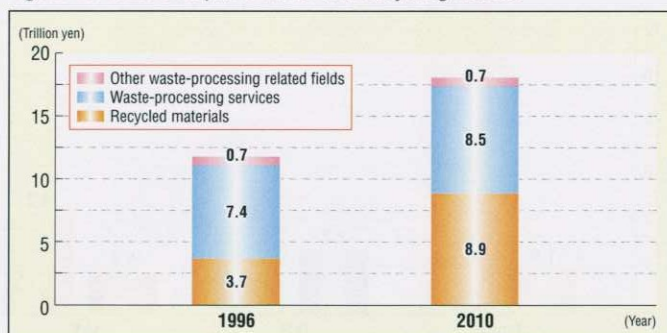
Source: MPHPT

Figure 15 Overall size of Japan's eco-business market



Source: Ministry of Environment

Figure 16 Size of Japan's waste and recycling market



brisk growth have sustained the success of Japan's environmental businesses. (Figs. 15 and 16 on page 15)

Medical Care and Welfare

Under the national health insurance system, Japan's national healthcare expenses have grown to ¥30 trillion. Japanese boast the longest average life span in the world, and the demand for health maintenance and improvement

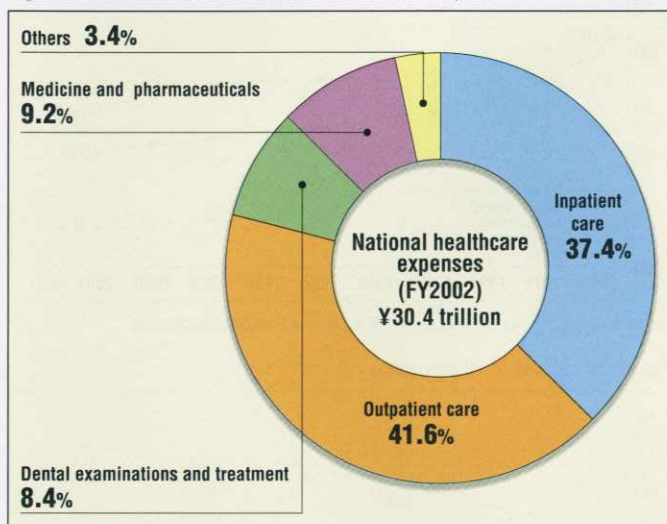
services and the markets related to healthcare, nursing and welfare are expanding rapidly. (Figs. 17 and 18)

Nanotechnology and Distribution

Japan is a world leader in nanotechnology. Japan maintains decisive technological superiority, particularly with respect to carbon nanotubes, which can be used in products such as flat-panel displays and fuel cells.

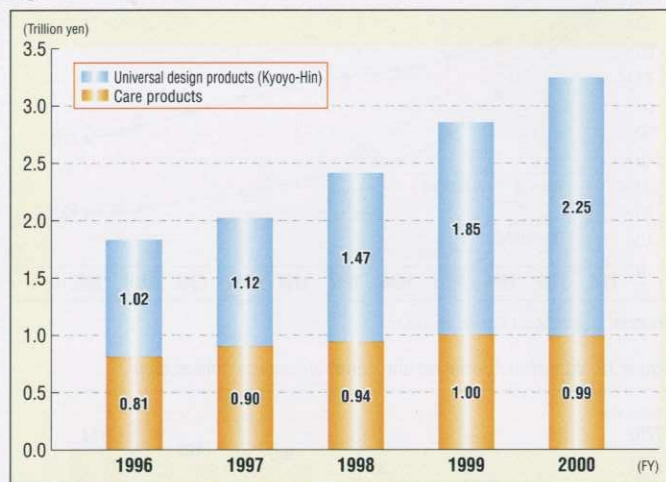
As the world's second-largest market, Japan is an attractive place for foreign distribution businesses. Numerous leading foreign firms are entering the Japanese market in succession, and more than a few of these firms have played a role in stimulating activity in Japan's consumer markets through the introduction of business models that did not previously exist in the country, namely the recent proliferation of members-only cash-and-carry warehouse-

Figure 17 Breakdown of national healthcare expenses



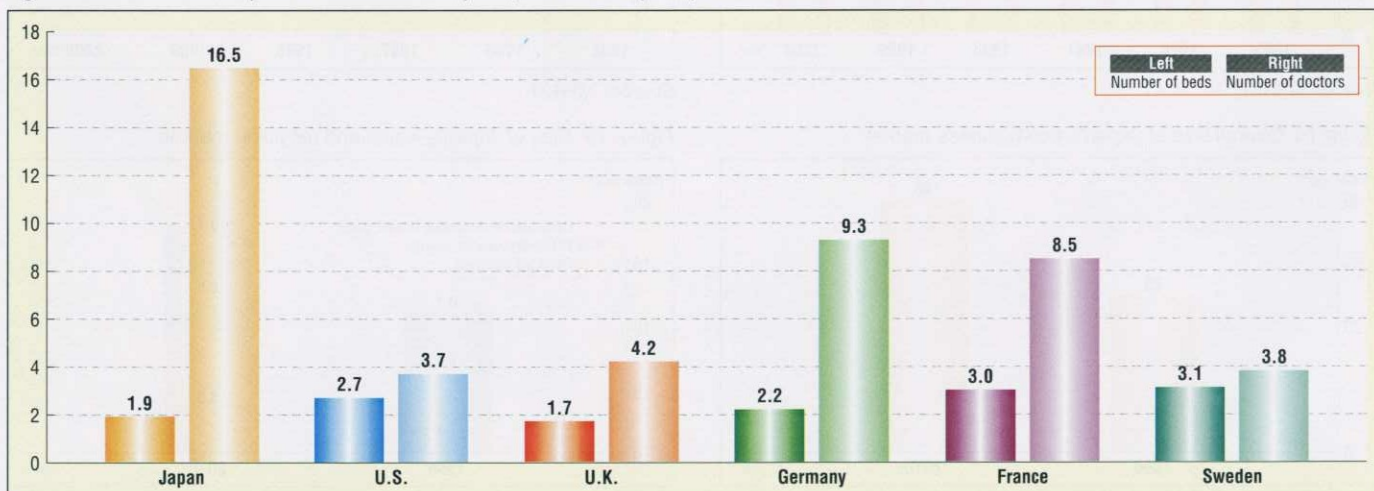
Note: Not including childbirth, health evaluations and other expenses not related to illness or injury
Source: MHLW

Figure 18 Trends in market size for care products



Note: "Care products" refers to goods specifically for use by the elderly and people with disabilities. "Universal design products (Kyoyo-Hin)" refers to general equipment or foods that facilitate equal access for all, such as buildings with wheelchair access and displays that also feature Braille.
Source: METI

Figure 19 Number of hospital beds and doctors per 1,000 citizens (1998)



Source: "World Statistics 2002," MPHPT

type wholesalers, hypermarkets and manufacturers' outlets.

A Comfortable Living Environment

Using Japan's advanced information technology network, you can access the latest information from around the world in real time. Blessed with oceans, mountains and rivers, Japan has a natural environment that is beautiful in all of the four seasons and is ideal for

weekend leisure. You can also enjoy traditional Japanese holiday destinations such as hot springs, shrines and temples.

Designer boutiques, department stores and shopping centers are also plentiful, and convenience stores that sell daily essentials round-the-clock are ubiquitous.

Even among developed nations, Japan's ratio of doctors and hospital beds per 1,000 population is one of the

highest, and its state-of-the-art medical facilities offer exceedingly advanced medical services.

Furthermore, concerns about children's education are allayed by the many international schools located in major cities and suburban areas nationwide; and with low crime rates and high arrest rates, Japan promises foreign residents and their families a comfortable life abroad. (Fig. 19 on page 16) **JTI**

Message from the JETRO Chairman

by Watanabe Osamu (Chairman and CEO)

The Japan External Trade Organization (JETRO), a non-profit organization established by the Japanese government, has been working positively to attract foreign investment to Japan. According to the results of the "JETRO Survey on Foreign Firms' Employment in Japan," which were conducted by JETRO in October 2002, there are presently over 5,000 foreign corporations in Japan with approximately 1 million employees. The average ratio of ordinary profit to sales for these foreign companies is 4.6% (in 2000) – much higher than that of Japanese corporations (2.5% in 2000). A large share of these foreign corporations that have entered the Japanese market have rendered positive evaluations with respect to the business climate in Japan.

Since the latter half of the 1990s, there have been dramatic changes involving the deregulation of Japanese markets in areas such as communications, finance and insurance services. Consequently, many foreign firms have entered these fields. Moreover, foreign companies have been able to readily enter these markets as a result of Japan's adoption of the U.S. system of corporate governance, based on revisions of the commercial code and company law. There have also been improvements in terms of cost.

For example, telecommunications rates in Japan are among the lowest in the world, and real estate prices (commercial) have fallen to one-sixth of the peak level they reached 12 years ago. In addition, reconsideration of the lifetime employment system and seniority-based pay system has resulted in increasing liquidity in the labor market.

The Japanese people have personal assets totaling in excess of ¥1,400 trillion. Japan is a nation of 120 million consumers who want advanced products and services. The country boasts an array of infrastructures facilitating production and sales and is a gateway to Asia and a base for Asian operations.

According to the results of a recent survey of 449 foreign companies in Japan conducted by JETRO, out of eight East Asian countries and regions receiving foreign investment, Japan had the highest overall rating and was named the country with the most attractive business environment.

In his general policy speech of January 2003, Prime Minister Koizumi Jun-ichiro called for the doubling of the cumulative amount of inward foreign direct investment within the next five years. And in March, 74 concrete measures aimed at increased foreign direct investment into Japan were designated as key points of the "Program for the Promotion of Foreign Direct Investment into Japan" by the Japan Investment Council, chaired by the Prime Minister. These moves exemplify the Japanese national interest in promoting investment.

In light of this situation, JETRO has taken the initiative by assuming the role of the core institution inviting investment to Japan, and on May 26, 2003, it established the "JETRO Invest Japan Business Support Center" in Tokyo to serve as a one-stop agency offering information on the investment environment in Japan and required procedures, as well as consultation and guidance for specific investment plans.

From now on, the Center will cooperate with the general information section at each of the relevant governmental ministries and agencies to function as a contact point for comprehensive information on administrative procedures and to improve the system that assists foreign companies interested in entering Japan. Our objective is to guide you and your business to success in Japan.

