

Priority Program for Attracting Foreign Direct Investment

Decision by the Council for Promotion of  
Foreign Direct Investment in Japan on May 13, 2024

**1. Basic Views**

In April 2023, the “Action Plan for Attracting Human and Financial Resources from Overseas” (hereafter referred to as the “Action Plan”)<sup>1</sup> compiled 100 policy measures to promote foreign direct investment in Japan. Subsequently, the “Basic Policies for Economic and Fiscal Management and Reform 2023”<sup>2</sup> set a target of achieving the FDI stock in Japan to 100 trillion yen by 2030 as early as possible.

In order to achieve this goal, the “Task Force for Attracting Human and Financial Resources from Overseas” (hereafter referred to as the “Task Force”)<sup>3</sup>, which included experts, has worked on the following up the Action Plan, and discussed the measures which should be accelerated and deepened with its priorities. In parallel with the Task Force’s discussions, the Cabinet Office conducted interviews with such stakeholders as embassies and chambers of commerce in Japan, as well as local governments and financial institutions. Based on the interviews and the Task Force’s discussions, this “Priority Program for Attracting Foreign Direct Investment” has been developed by extracting important measures to be intensively addressed and implemented from among the 100 policy measures of the Action Plan and challenges that were additionally pointed out during the interviews.

Attraction of FDIs in Japan that the Government of Japan has been tackling for a long time cannot expect immediate results by addressing certain challenges. Therefore, it is important to steadily build up progress by responding to each one of the issues being pointed out based on the needs of foreign companies and other stakeholders.

In this program, Key Performance Indicators (KPIs) and work schedules are identified for each of the key measures, and thereby the progress of each measure will be followed up on a regular basis.

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<sup>1</sup> Decision by the Council for Promotion of Foreign Direct Investment in Japan on April 26, 2023.

<sup>2</sup> Cabinet Decision on June 16, 2023.

<sup>3</sup> State Minister of Cabinet Office (Economic and Fiscal Policy) presides the Task Force. Members are State Minister in charge of the Vision for a Digital Garden City Nation, State Minister of Cabinet Office (Regional Revitalization), State Minister of Cabinet Office (Regulatory Reform), State Minister for Internal Affairs and Communications, State Minister for Foreign Affairs, and State Minister of Economy, Trade and Industry.

## **2. Priority Initiatives (4 pillars, 10 measures)**

The Task Force concluded to focus on the following four pillars from among the 100 measures of Action Plan and additional issues: (1) expanding investment opportunities in Japan, (2) securing highly-skilled foreign human resources in such areas as Asia who contribute to FDIs, (3) promoting collaborations between domestic and foreign companies which contribute to FDIs, and (4) improving business and living environments that are in high demand by foreign companies. The following issues and measures will be addressed in line with the four pillars in this Program.

### **(1) Expanding Investment Opportunities in Japan**

While enhancing the growth potential of the Japanese economy and fostering an economic environment in which foreign companies are willing to invest, the Government will actively conduct public relations and promotions with a view to having foreign companies recognize Japan as the promising country to invest from abroad. In addition, it will promote the settlement and follow-up investment of foreign companies that have already invested in Japan. To this end, the following measures will be implemented.

- ① Steadily and promptly implementing the measures included in the “Comprehensive Economic Measures to End Deflation Completely” which was compiled in November 2023. For this purpose, follow-ups on each measure were conducted three times in FY2023, and will be held one more time in the first half of FY2024. The results will be publicly announced to ensure the effectiveness of the whole Measures.

【Cabinet Office】

- ② In FY2023, the meetings of “Follow-up Council for Regional Investment Promotion” were held with the participation of local governments, etc. in order to grasp the challenges of foreign companies who had established themselves or make follow-up investments in Japan. The council meetings will be held four times a year to summarize the issues identified and the direction of their solutions, and report back to the Task Force. In FY2025 and beyond, the Government will continue to identify the issues, and will consider and implement their countermeasures as needed.

【Ministry of Economy, Trade and Industry】

- ③ The five overseas diplomatic missions that established the FDI Task Forces<sup>4</sup> implemented 26 activities, including the hosting of FDI promotion seminars, to attract FDI in Japan in FY 2023. The FDI Task Forces aim to conduct 74 activities from FY2024 to the end of FY2026, and 200 activities from FY2027 to the end of FY2030. In addition, the Government will conduct public relations activities regarding the investment environment, including the latest government efforts, through overseas diplomatic missions, as well as through engagement with foreign embassies in Tokyo.

【Cabinet Office, Ministry of Foreign Affairs, Ministry of Economy, Trade and Industry】

- (2) Securing Highly-Skilled Foreign Human Resources from Asia and Other Regions that contribute to foreign direct investments in Japan

The Government supports to secure human resources needed for foreign companies when they develop new businesses in Japan. In response to the needs for multilingual, IT, and technical human resources<sup>5</sup>, the following efforts will be made to secure high-level human resources from Southeast Asia, India and other economies from young age who are highly demanded from foreign companies.

- ① In FY2024, the Government will conduct a comparative study between competing overseas industrial hubs and 2-3 locations in Japan with regard to efforts to secure and train human resources such as engineers as well as to develop industrial infrastructure in key fields such as semiconductors. In FY2025, with reference to the overseas cases found by the survey, the Government will explore the ways to upgrade the industrial infrastructure along with local governments, etc., and take necessary measures while providing support to the regions that are attracting foreign companies, as needed.

【Ministry of Economy, Trade and Industry】

- ② In order to secure highly-skilled young foreign human resources, including graduates of top universities mainly in Southeast Asia and India, the Government will conduct a wide-range of survey during FY2024 about the issues in finding the employment in Japan, and specific needs from the company side which includes strengthening the collaboration with local universities through expansion of endowed courses, etc. and the desirable forms of status of residence. Based on the results of the survey, the Government will consider specific measures and will reach the conclusion by the end of FY2025.

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<sup>4</sup> The task force that engages with and provides support for foreign companies and high-level officials of foreign government agencies to promote FDI in Japan through collaboration at the level of heads of overseas diplomatic missions and JETRO overseas offices. The task force is established in five locations: New York (U.S.A.), London (U.K.), Dusseldorf (Germany), Paris (France), and Sydney (Australia).

<sup>5</sup> Cabinet Office, “Task Force for Attracting Human and Financial Resources from Overseas” (April 10, 2024), Document 2, Ministry of Economy, Trade and Industry, “Study Group on Highly Skilled Foreign Human Resources” (November 27, 2023), Document 3.

【Ministry of Justice, Ministry of Economy, Trade and Industry, and Ministry of Education, Culture, Sports, Science and Technology】

- ③ In order to increase the number of highly educated foreign students, the Government will enhance the research capabilities of universities, etc. by inviting the world top-level researchers and thereby create environments for foreign students to learn from these researchers. To this end, the percentage of foreign researchers at World Premier International Research Centers<sup>6</sup> will be increased, and by FY2030, the percentage of foreign researchers at all centers, including those to be newly established in the future, will at least exceed 30%<sup>7</sup>. In particular, in order to increase the number of high-level international students from Southeast Asia, India and other economies, the Government will conduct strategic recruitment for international students, prioritization in allocation of scholarships for students in specific regions, enhancing inter-university cooperations, creating the co-learning environment for domestic and international students and promoting employment of international students by Japanese companies. The Government aim to expand the number of international students from 312,000 in 2019 to 365,000 by the end of 2030<sup>8</sup>, with Southeast Asia and India, etc. as priority regions.

【Ministry of Education, Culture, Sports, Science and Technology】

(3) Promoting Collaborations between Domestic and Foreign Companies that contribute to foreign direct investments in Japan

When foreign companies start and expand their business operations in Japan, it is beneficial to find business partners who have deep understanding of Japanese business practices, and to collaborate with such partners. In the case where the business expansion is made through investment in a Japanese company, it is important for financial institutions to provide appropriate intermediary services and support, in addition to bridging the gap in the way of calculating corporate value. In order to address these issues, the following efforts will be made.

- ① Promoting collaborations between domestic and foreign companies, including investments from abroad. In cooperation with Japan External Trade Organization (JETRO), etc. the Government will assist in exhibiting at overseas startup events, support business matching between Japanese startups and venture capitals, etc. through their overseas offices, and

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<sup>6</sup> The centers were formed at universities through the World Premier International Research Center Program (WPI) conducted by the Ministry of Education, Culture, Sports, Science and Technology. As of March 2024, 18 centers have been established throughout Japan.

<sup>7</sup> As of the end of October 2023, some centers are still in the process of forming centers, and the percentage of foreign researchers remains at less than 20%. According to the “Overview of International Research Exchange (FY2021)”, the percentage of foreign researchers at universities and research institutes in Japan as a whole is 6.4%.

<sup>8</sup> Toward the target of “380,000 international students accepted by institutions of higher education and Japanese language education by 2033,” as set forth in the “Second Proposal of the Council for Creation of the Future of Education (April 27, 2023), the point reached in 2030, assuming that the number of foreign students increases at a constant pace.

support business matching between domestic and foreign companies etc. through J-Bridge<sup>9</sup>. In FY2023, 31 collaboration cases were generated through J-Bridge. The target for FY2024 is to generate at least 17 collaboration cases, and the target for FY2025 will be set in late FY2024, based on the number of collaboration cases by 2024. In addition, in order to promote collaboration between Japanese companies, including small and medium-sized enterprises (SMEs) in the region, and foreign companies, case studies<sup>10</sup> which were compiled in FY2023, will be disseminated through seminars and other events to be held approximately six times in FY2024. Furthermore, by the end of FY2024, the Government will identify the issues for promoting collaboration, and will discuss their necessary measures, in collaboration with relevant parties including financial institutions who are familiar with the local situation of regional companies, as well as Japanese and foreign companies which have expertise in the practice of international collaboration. From FY2025 onward, based on the results of these studies, necessary measures will be taken as needed.

【Ministry of Economy, Trade and Industry, Financial Services Agency】

- ② Establishing an environment of facilitating investment by foreign investors. With regard to the performance evaluation of venture capital funds by investors, discussions have been underway in the Accounting Standards Board of Japan since December 2023, to shift from the cost method to the fair value method, which is the international standard, and the progress of the discussion will be confirmed within 2025. In addition, in March 2024, in order to expand the provision of information on performance indicators to foreign investors, the Tokyo Stock Exchange (“TSE”) revised its guidelines for the preparation of earnings report, etc., clearly stating with its possibility to disclose performance indicators that are considered important from a business perspective. The Government will work with the TSE to disseminate information on this initiative in the future. In addition, the Financial Services Agency aims to compile examples of best practices in which management-important indicators are disclosed in securities reports as a “Collection of Good Practices for Disclosure of Descriptive Information” and publicly announce by the end of June 2025.
- 【Financial Services Agency】

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<sup>9</sup> Common name for Japan Innovation Bridge. It is a business platform launched by the Ministry of Economy, Trade and Industry and JETRO to promote collaboration between Japanese companies, including start-ups, and foreign companies. In addition to providing information on promising foreign companies, the platform offers hands-on support to member companies, from organizing business meetings to assisting business development.

<sup>10</sup> The Ministry of Economy, Trade and Industry released “Case Studies Relating to the Use of Inbound M&A Transactions” (April 19, 2023) and “Case Studies Relating to Collaborations and Joint Ventures between Japanese and Foreign Companies in Japan” (April 24, 2024).

(4) Improving the Business and Living Environment, which has high demand by foreign companies

Foreign companies starting and expanding their businesses in Japan require improvements in the business environment, including administrative procedures for starting business operation, as well as in the living environment for employees and their families. In light of the fact, such environments can influence the final decision when foreign companies consider the investment by comparing with multiple countries. Therefore, the following efforts will be made to simplify administrative procedures for business and improve the living environment, including banking transactions.

- ① Some local governments have established one-stop consultation system in English for establishing a company in Japan by foreign companies. As a further response, there is a demand for English-language documentation and one-stop procedures for the establishment of corporations. The Government will present a proposal for the concept and range of implementation in the National Strategic Special Zones by the summer of 2024. Furthermore, in the “Special Zones for Financial and Asset Management Businesses” where the target areas will be determined, the Government will make efforts to improve government services, including the use of the “National Strategic Special Zone” system. Through these measures, the Government will promote business expansion by foreign companies and supply of funding to the growth fields such as domestic startups etc., by overseas investors.

【Cabinet Office, Financial Services Agency, Ministry of Justice, Ministry of Health, Labour and Welfare】

- ② Based on the aforementioned achievement, by the end of FY2030, based on the best practices in the “Special Zones for Financial and Asset Management,” the Government will disseminate the operations related to speeding up and facilitating procedures for opening bank accounts in other regions.

【Financial Services Agency】

### **3. Direction of Future Actions**

The Government will continue to conduct interviews with stakeholders and hold the Task Force meetings approximately four times by the spring of 2025 to follow up on the policy measures compiled in this Program. The measures listed here will be widely publicized both domestically and internationally through overseas diplomatic missions, embassies in Tokyo, JETRO, the Government public relations, etc. The ideas from foreign companies, etc. to promote FDIs will be received as needed and utilized in the follow-up process. Through these efforts, the

Government will further identify issues that need to be addressed in order to achieve the goal of 100 trillion yen in FDI stock.

Regarding technical issues, meetings consisting of senior officials of relevant ministries and agencies, will be held under the Task Force to conduct practical studies and discussions.

Based on the studies and discussions of the Task Force and the senior officials' meetings, the Government will aim to developmentally revise this Program at the Council for Promotion of Foreign Direct Investment in Japan to be held in the spring of 2025.