

TRICOR PERSPECTIVES

# Top 3 Reasons Why Now is the Perfect Time for US Firms to Expand to Japan



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Japan is actively opening its doors to overseas businesses, with a goal to create the best possible environment for foreign investors. The country's key strengths are its position as a leader in advanced technology and research and development (R&D), as well as very strong purchasing power. According to Japanese Trade and Investment Statistics (JETRO), 23.6% of foreign direct investment (FDI) inflows in 2019 came from the United States. FDI inward flows have been clustered around four main sectors: finance and insurance, electric machinery, transportation equipment production, and chemicals and pharmaceuticals.

According to JETRO's survey of overseas affiliates in Japan during the COVID-19 pandemic, over 90% of companies reported that they were negatively affected by COVID-19. Despite this, fewer than 10% of companies said they would consider downsizing or withdrawing their business in Japan, with the majority planning to continue their operations.

The potential challenges for foreigners doing business in Japan are demographic, linguistic and cultural. This is where Tricolor can help.



Since taking office in 2012, Prime Minister Abe ushered in a suite of reforms that streamline regulations as well as incentivise productivity and competition. His complementary innovation strategy, Society 5.0, aimed to attract international entrepreneurs whose technologies can help to redress Japan's social issues, like its aging population.

For those businesses that aren't already doing business in Japan, there has never been a better time to invest. Beyond the short-term highlights, Japan has much to offer those who seek a sophisticated and stable base in Asia. Below are three top reasons why Japan's appeal to foreign investors will endure.

## #1: GOVERNMENT SUPPORT FOR FOREIGN INVESTORS IN JAPAN

Capitalizing on its history of advanced manufacturing, Japan is seeking to incubate emerging economies that can positively impact its environment and society. For foreign investors, this means access to a unique 'regulatory sandbox' for new industries like the Internet of Things (IoT), artificial intelligence (AI), and autonomous driving.

Japan's new immigration policy will also make it easier to hire foreign executives. The Immigration Services Agency reported that the number of non-Japanese people residing in Japan as specified skilled workers, a new category of residency status introduced in April 2019, stood at 15,663 as of the end of 2020.

This figure is 6,894 higher than three months prior, due to an increased shift in visa status from technical training and others, as well as a temporary relaxing of the country's coronavirus entry restrictions. The skilled worker status was introduced to alleviate acute labor shortages faced by various industries.

## #2. POLITICAL AND ECONOMIC STABILITY

Japan's transparent and orderly political system is bolstered by a transparent legal system grounded in western civil law. This political stability affords foreign firms the ability to plan for the long-term without the threat of critical disruption.

Unlike other economies in Asia, Japan's is proven to be resilient. The Tokyo Stock Exchange is the third largest in the world and Japan's currency, the Yen, enjoys status as one of the world's leading safe havens.



## #3. EXCEPTIONAL LIVING CONDITIONS

Japan's business culture may require some adjustment for expatriate executives, but they can expect plenty of benefits, too. Excellent schools, low crime and the country's unique cultural history make it a choice destination for those with families. To help welcome a predicted growth in foreign tourists and workers, the government is also upgrading infrastructure and bilingual signage at over 200 cultural assets - making it even easier for new arrivals to do business and travel around.

## HOW TRICOR GROUP CAN HELP IN JAPAN

Japan is a leading center for innovation and is a highly attractive market for foreign investors. However, it has repeatedly ranked one of the lowest in the world for ease of doing business and there are numerous challenges and potential pitfalls to navigate. So despite the many advantages of investing in the Japanese market, having local help on board from a consulting partner like Tricor Group is essential to the smooth running of an overseas venture. Whether you

are looking to set up shop or streamline your current operations, we can help you capitalize on the growing opportunities Japan has to offer.

Tricor Group (Tricor) is the leading business expansion specialist in Asia, with global knowledge and local expertise in business, corporate, investor, human resources & payroll, corporate trust & debt services, and strategic business advisory.

Strategically headquartered in Hong Kong, we operate out of 21 countries / territories and across a network of 47 offices. Tricor serves 50,000 clients, including ~2,000 companies publicly listed in Asia and over 40% of the Fortune Global 500 companies. With 2,700 employees, of which 630 are certified professionals, we deliver critical functions to help ambitious companies accelerate their growth in Asia and beyond.

To learn more about expanding your business into Japan, please contact one of our advisors.

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