

Overseas Business Investment Support Package (Overall Picture)

Grand Design and Action Plan for a New Form of Capitalism (Excerpts, Cabinet Decision on June 7, 2022)

- With a view to strengthening Japanese growth potential and ensuring its economic security in the post-COVID-19 world economy, it is imperative for Japanese companies to expand their business globally in the fields where they have technological advantages. Many Japanese companies have advanced technologies not only in hardware but also in software, including business operations and services. However, they tend to be conservative in their investment decisions due to risks and hurdles inherent in overseas business. The Japanese government will support overseas business investments by Japanese companies with advanced technologies and willingness to invest, including SMEs' products development and overseas sales channel creation.

1. Background and Objectives

- **The current business activities** : In anticipation of the post-COVID-19 demand recovery and growing decarbonizing needs, major foreign companies are enhancing their investment activities to build and expand their overseas business bases (including through equity investments and M&As).
 - ⇒ Meanwhile, Japanese companies tend to weigh cautiously various investment risks.
 - ⇒ More support to lower the hurdles of overseas investments need to be provided to Japanese companies with advanced technologies.
- **Policy Objectives** :
 - 1) **Strengthening corporate earning power** : Investing in the fields where Japanese companies have technological advantages (including software) will contribute to sustained earnings and higher corporate value.
 - 2) **Raising Japan's growth potential** : More overseas corporate earnings repatriated to Japan would lead to broad-based wage hikes and contribute to raising Japanese domestic growth potential.
 - 3) **Addressing global challenges** : Japan's technologies help address such challenges as decarbonization and improving ocean pollution.

2. Actions to be taken

- In light of the uncertain risks associated with overseas investments, particularly for SMEs (including start-ups), it is warranted to consider the following actions to mitigate the investment risks:
 - building up the "support team" by connecting the line ministries and their agencies into "one team"; and
 - improving the "support menu" offered by the government agencies and disseminating it to potential clients.

3. Measures ①: building up the "support team"

- **Connecting the government players into one team.** Aim to improve the quality of services, vertical and horizontal collaborations need to be strengthened among relevant ministries, embassies/consulates, and government agencies.
- **Reaching out to regional support organizations.** Discuss ways of effective collaboration with local governments, Chambers of Commerce and Industry ("CCI"), regional banks, etc.
- **Reaching out to international players.** Have dialogue with international organizations, global investors, and governments of like-minded countries to exchange information on specific projects and companies, with the aim of developing collaborative projects and matching Japanese and overseas companies.

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4. Measures ②: Improving and disseminating the “support menu”

➤ Seamless support will be provided to projects "from upstream to downstream."

⇒ The "upstream" includes support to companies in the initial stages of considering overseas investment, such as helping enhancing staff capacity, gathering information, and partnering overseas companies. The "downstream" includes financing support (equities and debts) and assisting business expansions abroad.

➤ In particular, support to SMEs (and start-ups) will be strengthened through a wide spectrum of support measures offered by government agencies, e.g., Organization for Small & Medium Enterprises and Regional Innovation and JETRO who collaborate to assign experts to each client company to provide tailored support.

⇒ More actions, e.g., improving collaboration framework and support measures will be discussed with relevant government agencies, local governments, CCI, and university VCs.

➤ The following specific measures will be implemented.

- Collecting information on overseas companies and projects, local risks and investment needs, etc. and sharing those pieces of information with government agencies/companies as appropriate
- Increasing opportunities to match Japanese and overseas companies, while ensuring the organizers will continue to follow them up closely
- Supporting project developments through assisting pilot projects and feasibility studies to check business viability of the plans
- Considering further improvement of financing (equity, debt, insurance, etc.) menu with a view to addressing policy issues (enhancing decarbonization, innovation, supply chain, sales channels for agriproducts and food, etc.) and to improving quality of client services
- Exploring ways to enhance co-investment functions of government agencies and public-private funds (e.g., for ventures and start-ups)
- Making more efforts through the embassies/consulates to advocate to host governments improving their business regulations, standards, certification processes, etc.
- Disseminating information proactively on what government agencies can do what for their clients, through reaching out, in particular, to local governments, CCI, etc., to raise their awareness for actions

(Note) Actions to date

- ◆ Visited Japanese companies (over 30 companies, including VCs), and government agencies (10 agencies)
- ◆ Started exchanging information and having dialogue with international organizations including ADB and EBRD
- ◆ Delivered a key-note speech at meetings with global investors to discuss investments in decarbonization projects (2 times)
- ◆ Held meetings with relevant ministries (3 times) and government agencies (2 times)
- ◆ Met with sovereign wealth funds, etc.