JAPAN STEPS UP EFFORTS TO ATTRACT FOREIGN INVESTMENT: NEW OPPORTUNITIES FOR INTERNATIONAL BUSINESSES

Japan's 2026 investment promotion program places greater emphasis on strategic industries, regional development and practical support for foreign businesses. For international SMEs considering the Japanese market, the measures offer new opportunities to establish operations, develop partnerships and benefit from investment incentives.

On 2 July 2026, Japan's Council for Promotion of Foreign Direct Investment adopted the **Program for Promotion of Foreign Direct Investment in Japan (2026)**, setting out the government's latest measures to attract overseas investment, technology and expertise.

The program builds on Japan's existing investment promotion strategy, which aims to increase the country's inward FDI stock to JPY 120 trillion by 2030 and JPY 150 trillion in the early 2030s. At the end of 2025, the stock had reached approximately JPY 58.6 trillion.

The 2026 program places particular emphasis on attracting investment in strategic industries, developing regional industrial clusters and making it easier for foreign companies to establish and expand their operations in Japan.

WHICH SECTORS OFFER INVESTMENT OPPORTUNITIES?

Japan is expanding its investment promotion priorities beyond the previously established focus on digital transformation (DX), green transformation (GX) and life sciences.

The program identifies several areas where the government intends to attract foreign companies and strengthen domestic industrial capabilities:

- **AI and semiconductors:** support for foreign semiconductor companies entering Japan and the development of related industrial infrastructure.
- **Quantum technologies:** investment in research, testing facilities and commercial applications.
- Biotechnology and synthetic biology: development of biomanufacturing platforms, pharmaceutical production and advanced manufacturing facilities.
- **Energy and green transformation:** investment in energy security, sustainable technologies and related infrastructure.

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- **Pharmaceuticals and advanced medical care:** attraction of overseas pharmaceutical companies and support for domestic manufacturing, including biopharmaceuticals.
- **Information and telecommunications:** development of data centers and submarine cable infrastructure.

These priorities may be relevant not only to large multinational groups, but also to specialized SMEs supplying technology, components, equipment and professional services to these industries.

For foreign companies, opportunities may include establishing local production or research facilities, supplying Japanese industrial groups or developing technological and commercial partnerships with domestic businesses.

WHAT SUPPORT IS AVAILABLE TO FOREIGN COMPANIES?

The program also addresses some of the practical difficulties that foreign businesses may encounter when entering Japan.

Among the initiatives are:

- **Company incorporation:** expansion of local one-stop supports centers providing assistance in English with commercial registration, incorporation documents and social insurance procedures.
- **Bank account opening:** continued efforts to improve access to corporate banking services, particularly in designated investment promotion zones.
- **Access to legal information:** priority translation of Japanese laws and regulations into English. The government's March 2026 Translation Development Plan includes 325 laws.
- **Business partnerships:** continued support through JETRO's J-Bridge initiative, which connects foreign companies with Japanese businesses for commercial partnerships, technological cooperation and joint ventures.
- **Foreign talent:** improvements to immigration and residency procedures, alongside measures to attract highly skilled international professionals.

These initiatives are particularly relevant to SMEs, which may have fewer resources to manage incorporation, administrative procedures and local business development than larger international groups.

However, the availability of support varies by location and program. Companies should check which services are accessible to their proposed business and investment structure.

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INVESTMENT INCENTIVES: WHAT SHOULD SMES KNOW?

Japan's FY2026 tax reform also introduces a new framework to encourage large-scale, high-value-added capital investment.

Subject to approval by the Ministry of Economy, Trade and Industry (METI), qualifying investments may benefit from either immediate depreciation or a tax credit of 7% for eligible assets other than buildings, for which a 4% credit applies.

The main eligibility requirements include:

- **A minimum investment of JPY 3.5 billion, reduced to JPY 500 million for qualifying SMEs;**
- **An expected average return on investment of at least 15%;**
- **Verification of the investment plan by METI;**
- **Compliance with the applicable requirements concerning investment plans and eligible assets.**

The scheme is available in principle across industries and may cover qualifying machinery, equipment, buildings, software and other specified assets.

For foreign SMEs planning substantial investments in production facilities, machinery or equipment, the reduced investment threshold is worth considering. Nevertheless, the requirements remain significant, and the incentives should not be treated as automatically available to every foreign company establishing operations in Japan.

TAKE AWAY

The new program provides further reasons for international companies to consider Japan as a destination for investment and business expansion. This is relevant not only to European companies looking towards Asia, but also to Chinese and other Asian businesses seeking to establish a presence in Japan or develop partnerships with local companies. Whether the objective is to establish a subsidiary, set up a production facility, acquire an existing business or enter into a commercial partnership, choosing the right investment structure and understanding the local business environment are essential first steps.

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