

Foreign Investment Across Japan

By *Kyodo News, Economic News Section*

Host entity: Sendai City

Host region: Sendai City



Implementing a research project to develop high value-added health/welfare equipment and services in collaboration with Finland, one of the world's trailblazers in the fields of information technology (IT) and welfare services. Attracting foreign businesses particularly from European Union (EU) member countries, taking advantage of the rich research resources accumulated by Tohoku University through its joint projects with local businesses.

On a 10,000m² site in the hilly north-western Sendai suburbs stands a cluster of new buildings that house the facilities of a health and welfare equipment research and development (R&D) laboratory, offices of Finnish companies and a care center for the elderly. The Sendai municipal government has invited Finnish businesses to set up offices in the Mizuno-Mori park in Aoba Ward under a new project aimed at creating a concentration of research facilities, connecting R&D sectors and care homes. Based on IT online medical care and home care support for elderly persons, the idea is to put the new equipment developed there to experimental use at the adjoining care center.

Sixteen Finnish Firms Represented

Since the project made a full-fledged start last November, 16 Finnish enter-

prises and organizations have had talks with the city government to discuss their business proposals. Their activities would cover a wide spectrum, ranging from "music therapy" to an air purifier and software for organizing data on medication.

The 16 Finnish firms and organizations were represented in a workshop hosted in February this year by the city government. "Products proposed by Finnish firms are not only easy to use. At a glance, you'll easily know what they are meant for. Their products adopt what you might call 'universal designs,'" said Suzuki Hayato, of the Industry Promotion Section, who helped organize the workshop. "We plan to have some of those products customized to fit the taste and habits of Japanese people, have them produced in Sendai and ship them out to the rest of Asia and the world."

Self-Support is the Concept

Negotiations are continuing intermittently between the municipal government and the Finnish businesses. "The talks so far have made us strongly aware that 'self-support' is the key concept that underlies the care services designed for elderly people in Nordic countries," said Suzuki. "When you talk of a 'light wheelchair' in Japan, it means a wheelchair a care assistant finds lighter and easier to push. But in Finland, it means a wheelchair the person who uses it will find easier to handle." He added, "It is ideal for elderly people to participate in the regional community in their daily lives without relying too much on others. The difference is whether you really value self-support or care." Self-support is about to be accepted as an important concept in Japan, which stands at the threshold of a society characterized by a low birth rate and an aging population.

Japanese Firms Also Taking Part

On June 6, the municipal government hosted a "Sendai-Finland Welfare Equipment Exhibition" at the city's Information & Industry Plaza. Twelve Japanese firms put their products on display there along with the Finnish firms and organizations, led by the country's National Technology Agency. The products on display covered a wide range of welfare activities. They included a bathtub that allows a single care aide to help a bedridden person take a bath while lying on his or her bed and a wireless system that traces an elderly person who has wandered off and got lost. "I helped organize a number of projects while I was with the Economic Affairs Bureau. But I have never had so many inquiries and marketing offers from so many businesses and universities," Suzuki said. Japan has now begun to see the unavoidable trend of an aging population as a real business opportunity.

Cost Reduction

Health care equipment for elderly people often has to be tailored to individual needs. Businesses need to cut the cost before they commercialize products and put them on the market. "Large companies have kept shy of health and welfare equipment except for a handful of products such as wheelchairs and nursing-care beds that are fit for mass production. In that sense, large and medium-sized businesses will be able to coexist in this market," Suzuki said. "If they can make most of their specialty, cut the cost and put up an efficient marketing drive, Sendai may have a good chance to send out products that can compete in world markets." An effort to establish a "Sendai brand" has just started, aiming for the development of products and services, and the nurturing of venture businesses.

Host entities: Osaka Prefecture, Osaka City, Higashi Osaka City, Ibaraki City, Osaka Chamber of Commerce and Industry

Host regions: Northern Osaka region centering on Saito International Culture Park (SICP), Osaka City and Higashi Osaka City



Attracting foreign investment, taking advantage of the high concentration of biotechnology R&D around the northern Osaka region and the manufacturing bases in Osaka and Higashi Osaka cities, and making the most use of the vast resources accumulated by electrical appliance and pharmaceutical manufacturers, and academic institutions led by Osaka University. Incentives include a five-year exemption of land rent in the industrial estate.

A signboard reading "Saito, a new town opening in spring 2004" stands along a road in northern Osaka. Dump trucks and wagons shuttle along the road cutting through the expansive hilly area dotted with farms and houses. Saito literally means "Colorful city." The condominiums and monorail bridges under construction there are reminiscent of the nearby Senri New Town, which was built at the time of the Osaka Expo of 1970.

Biotech Venture Businesses

International Culture Park Corp. (ICPC) is pushing ahead with a plan to turn Saito into a hub of biotechnology-related businesses. "We are inviting foreign businesses to set up offices here to market their research equipment and reagents," said Hashimoto Hidehito, a director of the Planning Department of ICPC. The key players in the SICP are

the laboratory for medicinal technology of the Ministry of Health, Labour and Welfare and the Saito Biotechnology Incubator (SBI), a new 4,500m² laboratory designed to hatch biotech venture businesses.

It is said that Japan's biotech business could grow into a ¥25 trillion market in 10 years. It hopes to see at least 20 venture businesses take part in research work at the SBI in collaboration with Osaka University located four kilometers away. ICPC also hopes the SBI will join forces with the Senri Life Science Center in adjoining Toyonaka City to produce synergy effects. The 21-story center houses the offices of medical companies and biotechnology venture businesses. Academic conferences take place there frequently. Local people predict the center will host more international conferences after the completion of the SICP. Hashimoto said, "We have received inquiries from several South Korean companies about possible tenancy at the SBI and some other foreign businesses have indicated they may set up research facilities there."

Tanaka Katsuaki of the Osaka Prefectural Government said that the

SBI expects to accept survey missions from the United States, France, Sweden and China by the year-end. "We hope to conclude some agreements by March next year," he said. "We want to make the most effective use of Osaka's potential to attract foreign investment." Dosho-machi in central Osaka City is home to a number of pharmaceutical and medical businesses, including Takeda Chemical Industries and Fujisawa Pharmaceutical Co.

Higashi Osaka City, known along with Tokyo's Ota Ward as a hub of small and medium-sized manufacturers, is also keen to play a part in this project. The city takes pride in manufacturing everything "from toothbrushes to rockets." The city is near Osaka City, one of the three largest cities in Japan, and another strong point is that it has easy access to the huge markets of Kyoto and Kobe.

Value-Added Parts on Display

In recent years, however, Higashi Osaka City has been running against head winds. Major Japanese manufacturers, who used to provide the city's small factory operators with abundant subcontracts, have sifted their produc-

Photo: Kyodo News



A new exhibition facility, "Creation Core Higashi Osaka"

tion facilities to neighboring Asian countries. Their factories have been losing much of their work to low-priced Chinese products. The number of businesses in the city has dropped to 8,000 from more than 10,000 a few years ago. High-rise condominiums stand where machines once hummed. "There used to be a whole range of factories in operation over here. Now condominiums have replaced many of them," lamented a local factory owner.

To reverse this trend, the Japan Regional Development Corp. (JRDC) has just set up a new exhibition facility, "Creation Core Higashi Osaka." Located next to the municipal office building, the four-story facility has a total floor space of 2,358m². A permanent exhibition hall is to open on the first and second floors in August. Arrangements have been made to display the products of 200 local manufacturers there. The hall will be run by the Higashi Osaka branch office of the Osaka Industrial Promotion Organization (OIPO). Office manager Ito Yukio said, "The economies in China and Southeast Asian countries keep on growing. There's the possibility that high value-added products on display will find good buyers from those countries. We want foreign business people visiting Osaka for international conferences to pop in to our hall."

The Higashi Osaka Space Development Council, which plans to launch a small satellite in 2005, has decided to occupy one of 10 "incubator" rooms set up in the JRDC building. JRDC is preparing to start building a three-story annex in the autumn, which will be able to house three laboratories of Osaka University. As at Saito, academia may trigger the birth of venture businesses in Higashi Osaka, to lay the ground for foreign businesses to invest.

Cutting Investment Costs

In March this year, the Higashi Osaka municipal government unveiled a plan aimed at creating a special economic zone in the city. The scheme contains a range of incentives to attract foreign businesses and help them market their products outside Japan. On the city's

future strategy, Economic Planning Section chief Nakatsuka Kinko said, "Higashi Osaka City has full agglomeration capacities to produce not only parts and components but finished goods. We expect some of the manufacturers with production facilities in other Southeast Asian countries, for example, will move their finishing processes to Higashi Osaka."

"Japan has technology we would like to study and could be an enormous market for our products," commented a foreign company executive. "One big hurdle," he added, "is that you need to pay a huge investment cost." The question is whether Osaka's biotech and manufacturing infrastructure can be linked to the increased state subsidies to lower that hurdle.

Host entities: Hyogo Prefecture, Kobe City

Host region: Kobe City



Promoting the "Kobe Medical Industry Development Project" and the "Shanghai and Yangtze Trade Promotion Project" to attract foreign medical businesses to the region where P&G, Nestle Japan Group and many other global businesses have succeeded in setting up footholds. Tax breaks and other incentives are in place along with easy access to airports and comfortable amenities for foreign residents.

An airport is currently being built on reclaimed land south of Kobe's Port Island. By the time Kobe Airport is ready for use in 2005, the Port Liner railway will have been extended to link the airport to Sannomiya station in the city center in about 16 minutes.

Post-Quake Rehabilitation

The Port Island that was reclaimed 22 years ago as the site of an international exposition is again drawing attention, this time as an investment target for foreign businesses. The city government has just launched two grand designs – the Kobe Medical Industry Development Project and the Shanghai and Yangtze Trade Promotion Project. Kobe hopes that the schemes will provide an additional impetus to its slow recovery from the killer earthquake that hit the city eight years ago. The Ministry of Economy, Trade and Industry (METI) threw its support behind both projects in January, designating Hyogo Prefecture/Kobe City as one of five selected areas for accelerated foreign investment.

The quake that jolted wide areas of Hyogo Prefecture on the morning of Jan. 17, 1995 shattered much of its industry. Hardest hit were the steel mills and shipyards in Kobe and adjoining cities that had supported the regional economy. In addition, the collapse of the bubble economy made the rehabilitation process slower and harder, especially for small subcontractors. Four years after the disaster, only 80% of Kobe's economic activity had recovered. The years that followed have brought no significant change for the better.

Medical Industry Development Project

Driven by a sense of crisis, the Kobe city government sought to identify a new core industry that could bring it a better future. It found a clue in September 2000, five years after the quake disaster. The Kobe Medical Industry Development Project aims to nurture a new industry in the fields of advanced medical care and welfare that can meet the new requirements of Japan's rapidly aging society.

The project calls for spending ¥91 trillion before 2010 to create what will become the nation's first concentration of medical industry on the Port Island, where no major development projects have been undertaken since the burst of the bubble economy.

Two institutions have opened their

facilities in the nascent medical town. They are the Center for Developmental Biology (CDB) of the Institute of Physical and Chemical Research (better known as Riken) and the Institute of Biomedical Research and Innovation (IBRI). They have just been joined by the Translational Research Informatics Center (TRI), geared to act as a bridge to link the results of basic research and clinical studies. With the three facilities as the core, the project aims to establish advanced medicine, which includes regenerative medicine and gene therapy, develop new medical equipment and support the start-ups of medical businesses.

Up till now, 34 private businesses have set up offices and facilities in the town. Many of them are large pharmaceutical firms and medical-related start-ups. Specialists from these organizations have formed more than 30 teams to launch various joint research programs. "A good start has been made possible by full state support and a set of favorable conditions," said a city government official. The Kieihanshin Region, where Kobe is located, has a number of academic and medical institutions such as Osaka University, Kyoto University, Kobe University and the National Cardiovascular Center (NCVC). This makes information exchanges and joint research easier. Efficient traffic infrastructure, such as highways and airports, is in place in the region. As exemplified by Kobe's Chinatown, many ethnic Chinese live in the region which traditionally has close links with China and other Asian countries.

Making a New Chinatown

The Shanghai and Yangtze Trade Promotion Project has been prompted by Kobe's close ties with China. Launched as part of the city's rehabilitation program, the project includes the building of cargo ships which link Kobe and the Yangtze River region, and port maintenance. This program got a boost in 1999 when a partner organization was formed in China by the governments of Shanghai and three adjoining provinces at the suggestion of former Premier Zhu Rongji, a Shanghai native.

Work has been in progress to construct a new Chinatown in a segment of the Port Island by 2005. Already, 26 Chinese provincial and municipal governments and private enterprises have set up offices there. Some of these Chinese businesses are run by people who once studied in Kobe. "We are pleased that those people who know Kobe well have come back," said an official with the Kobe city government's Asian Economic Development Division. "We hope such private-level interchanges will help us attract more foreign investment."

The Hyogo prefectural government has pledged to support Kobe City with the expertise it has acquired while encouraging 160 foreign businesses to invest in the prefecture. An official of the Hyogo prefectural government said, "Companies are the most important players for the promotion of foreign investment. We cherish our customers." Hyogo Prefecture is ready to meet the demands of companies as much as possible.

Host entities: Hiroshima Prefecture, Hiroshima City

Host regions: Hiroshima City, Kure City, Higashi Hiroshima City



Attracting foreign businesses related to an "integrated mobility" industry, taking advantage of the advanced technology derived from the concentration of automobile and related manufacturing industries. Promoting foreign investment based on tie-ups between overseas businesses and local automobile-related manufacturers centering on Mazda Motor Corp.

At 10 a.m. on June 18, board mem-

bers of Hiroshima Vehicle Engineering Co. (HIVEC) were meeting in a conference room on the seventh floor of a real estate building, a short distance from Hiroshima's Atomic Bomb Dome. HIVEC is a new auto design company founded by local auto-related businesses under the initiative of the Hiroshima city government with the backing of Mazda and General Motors Corp. (GM). Most of its board members are veteran engineers and designers provided by the participating firms.

"Can't you spare more of your time for the company?" "I'd like you to have a deeper sense of corporate management," groaned Tanaka Yukio, chief of the Hiroshima city government's Business Placement Promotion Division who played the role of a coordinator in putting together the new venture.

Making Efficient Use of Hiroshima's Automobile Industries

HIVEC is the brainchild of a casual conversation Hiroshima Mayor Akiba Tadatoshi had three years ago with a group of local business people. Their talks focused on how the city could make the most of its concentration of automobile industries with a vast hoard of accumulated technology. Carmakers worldwide were in the midst of a drastic reorganization. Many of them pushed ahead with restructuring programs, seeking in that process to outsource more of their design work. Akiba hit on an idea. A business to design car interiors and exteriors might have a good chance of finding clients among carmakers across the world.

Akiba named Tanaka to organize a task force to look into the feasibility of his idea. The team, made up of specialists from five auto-related firms, first met in October 2001 and wound up its sixth and final round of discussions in May 2002. HIVEC was founded in May this year with the initial participation of 16 firms. Otsubo Eiji was named to head the new company. He doubles as adviser to OA Proto Corp., a Hiroshima-based sheet metal specialist.

"Just excellent," Tanaka replied when asked about the immediate prospect of HIVEC getting design orders. The

company, which initially targets South Korea and China, is currently in talks with five automakers. Otsubo said HIVEC has set its annual sales target at ¥600 million in the initial year and ¥7 billion in the third year. "We plan to attain a stock exchange listing in three to five years," he added.

Mayor Heads Sales Promotion

When Tanaka was told by Akiba of his new assignment, he questioned himself: "What were the essential elements that brought the world's three biggest automakers within a radius of 100km of Detroit?" In October 2000, Akiba headed a delegation of business executives sent to Detroit by Hiroshima. Tanaka accompanied Akiba on this trip. Visits by Hiroshima's government and business people to Detroit had been previously arranged and each time their prime mission was to pay a courtesy call at Ford Motor, which had put Mazda under its control. Akiba, once an assistant professor at Tufts University, broke the custom by visiting other automakers to promote auto parts makers in his own town.

The mayor visited Detroit just as Toyota Motor Corp. and Nissan Motor Co. bared plans to cut their spending on auto parts purchases. Manufacturers in Hiroshima were faced with the need to broaden their customer list and sharpen their competitive edge. Akiba met GM people without any preliminary talks. But GM listened to him and promised to send a procurement team to study the capacity of Hiroshima manufacturers. "It was just like a bolt out of the blue," Tanaka recalled. GM did send a team to Hiroshima shortly afterwards, short-listed 21 auto parts makers and awarded contracts to 14 of them. GM's assessment gave an impetus to the HIVEC project.

The Hiroshima city government has pledged its full support for HIVEC until it has been listed on the stock exchange.

A spokesperson for the Hiroshima prefectural government's Commerce & Labor Department said: "An ideal way to promote foreign direct investment is, first of all, to produce results by winning orders from foreign businesses.

Then you invite them to send personnel and set up their own research facilities." He hoped that HIVEC will set a new model for other businesses in the prefecture.

Host entities: Fukuoka Prefecture, Kitakyushu City, Fukuoka City

Host regions: Kitakyushu City, Fukuoka City



Attracting foreign investment, taking advantage of the accumulation of system large scale integration (LSI) design enterprises, the environmental cooperation project with Germany and the official designation of the region as an "International Distribution Special Zone." Both cities, accessible in 90 minutes from Seoul, Shanghai and Tokyo, have sufficient infrastructure including airports, ports and distribution networks. With their concentration of IT and automobile-related businesses and academic institutions, both cities aim to form a top-rated business center in Asia.

Host entities: Yamaguchi Prefecture, Shimonoseki City

Host region: Shimonoseki City



Attracting foreign investment, taking advantage of international distribution facilities such as the sea lanes between Shimonoseki, Busan and Qingdao. Shimonoseki forms a major marine transport network together with the two northern Kyushu ports of Kitakyushu and Hakata. As a hub to link Japan with the rest of East Asia, it can provide better opportunities for businesses seeking to expand their operations in the Yellow Sea economic region.

Kyushu as a Gateway to Asia

What can Kyushu offer foreign investors? The answer to this is clear-cut, according to the governments of Fukuoka Prefecture, Fukuoka City and Kitakyushu City. The semiconductor industry that accounts for 6% of global production. The automobile industry represented by Nissan plants. And above all, the geographical proximity to fast growing East Asian economies. The three local entities made the most of these characteristics in drawing up their strategy to attract foreign investment.

Fukuoka City's Momochihama district is a tourist spot known for the Fukuoka Dome, home of the professional baseball club the Fukuoka Daiei Hawks. Few outsiders realize this tract of reclaimed land is also home to a number of IT businesses. In the 1990s, Hitachi and Fujitsu set up plants in Momochihama, trailed later by other big names. "At this moment, 7,000 people from more than 100 firms do business here," says an official with the city government's International Economic Division.

Kitakyushu City, with an academic town in its Wakamatsu Ward, promotes joint research projects by businesses and universities. Both Toyota and Nissan have plants on the outskirts of Kitakyushu. Honda Motor Co. runs a plant in Kumamoto Prefecture, south of Fukuoka Prefecture. A new plant built by Daihatsu Motors Co. in Nakatsu, Oita Prefecture, is due to become operational shortly. Kyushu is keen on attracting investment in auto parts production to support its "One Million Project" aimed at boosting the annual

motor vehicle output to one million units.

Sun Microsystems is among the foreign firms that have set up facilities in the Momochihama district. German semiconductor producer SZ Testsysteme AG and French auto parts producer Inergy Automotive Systems have selected Kitakyushu as their Japanese base.

The Fukuoka prefectural government has commended METI for designating the prefecture along with Yamaguchi Prefecture as one of five selected areas for foreign investment. "Like many others, our prefecture is having financial difficulties at the moment. State subsidies help a great deal when we try to attract foreign businesses," said Gono Koichi, director of Fukuoka's International Economy and Tourism Division.

Fukuoka City calls itself a "gateway to Asia." The city is capitalizing on its geographical proximity to East Asia. That was one of the reasons cited by Fresenius Medical Care, a provider of dialysis products, when it began business in Buzen City in Fukuoka Prefecture in March this year. An official with Fresenius Medical Care Japan said, "We have chosen northern Kyushu for two reasons. The attractive market emerging in Japan's graying society and Kyushu's proximity to the other markets in the Asia-Pacific region."

Gono said his initial target is to attract 21 foreign businesses to his prefecture. "We can hardly compete with China and South Korea in cost terms. 'High technology' is the keyword of our investment promotion campaign," he said. "After the severe acute respiratory syndrome (SARS) scare, some foreign businesses may feel uneasy about medical and hygienic issues in other Asian countries, but they will find it easier to build their foothold in Fukuoka."

In 1997, Kitakyushu was designated as one of the "Eco Town Business" areas under the central government's "Zero Emission" program. This has created a concentration of recycling and other environmental businesses in the city. "We had serious pollution problems during the years of high economic



Fukuoka City's Momochihama district is home to a number of IT businesses

growth. We have been addressing environmental problems since the 1980s," said Iwata Ken, manager of the Kitakyushu city government's Trade Promotion Section. "We have promoted technological interchanges with Germany. Now we can cooperate with other foreign businesses in wider areas of energy and urban planning."

Kyushu, which has one of the highest unemployment rates in Japan, pins its hopes on job creation and technology transfers that may result from foreign investment.

Shimonoseki's Port Facilities

Yamaguchi Prefecture and Shimonoseki City have sister affiliation agreements with China's Shandong Province and Qingdao City.

Shimonoseki's strong point is its top-rated port and harbor facilities. In 1995, Shimonoseki became the first Japanese port to offer 24-hour customs clearance services. Today, immigration and quarantine services are available 365 days a year at the port, making the ship moorage period shorter. Kampo Ferry Co. offers a daily service each

way between Shimonoseki and Busan in South Korea. There are two services a week between Shimonoseki and Qingdao. Koezuka Mitsuji, vice director general of the Shimonoseki city government's Tourism and Industry Affairs Department, said the port is proud of the speed with which it moves import cargo. "The cargo volume we handle is smaller than those at Hakata and Kitakyushu ports. But we deal with more value-added foodstuffs because we're better qualified and can quickly move perishable foods to other domestic points."

Shimonoseki has just started its investment promotion drive, setting its sights on fast-growing food processing businesses and electrical appliance makers based in Shandong Province. Haier Group, the world's ninth-ranking electrical appliance producer, is among its initial targets, Koezuka said. He admitted, however, that his government has yet to fix the details of its campaign strategy. Yoshino Michihisa, director of the section, said, "At the moment, we are trying to find out what sort of terms our potential partners will require of us." **JTI**