

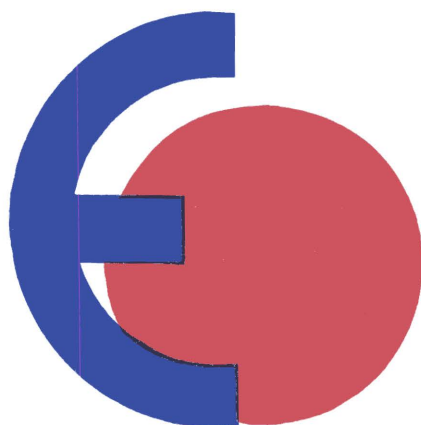


**GUIDE FOR
EUROPEAN
INVESTMENT
IN JAPAN**



**BASED ON A STUDY FOR THE COMMISSION OF THE EUROPEAN COMMUNITIES
BY BOOZ. ALLEN & HAMILTON**

Guide for European Investment
In Japan



December 1990

***A Message from Frans Andriessen
Vice President of the Commission of the European
Communities, Commissioner for External Relations and
Trade Policy***

Japan is becoming one of the most rewarding markets in the world. The demand for high quality foreign products which are adapted to Japanese requirements is increasing at a healthy rate.

Direct investment is in most cases necessary to assure longer term success in this profitable market and most foreign firms operating in Japan report a higher return on investment in this market than elsewhere. Nonetheless, investments by EC firms in Japan have remained modest in comparison with Japanese investments in Europe or even US investments in Japan.

The Commission of the European Communities attaches great importance to the strengthening of investment by EC firms in Japan, as the long term future of EC-Japan trade relations will be determined by investment as much as by trade.

The guide before you is meant to facilitate your investment decisions in Japan by presenting and analysing the investment possibilities offered by different prefectures for different types of investment.

I hope that it will help your firm to build a long and profitable presence in Japan.

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Executive Summary

- **Japan is a large and growing market of major strategic importance**

Japan's domestic market is both the second largest single country market and the fastest growing market among OECD nations. Strategically Japan is important as a trend setter for product quality requirements and as a source of new technology. In addition, foreign firms have found that competing with Japanese rivals in Japan better enables them to defend their market position against Japanese competitors.

- **The Japanese market appears more open now than ever before**

Government restrictions on foreign investment appear to have been substantially reduced in most industries. Only the notification of central government officials is required in the majority of cases. In addition, the central government is beginning to change its attitude towards foreign imports -- in some areas encouraging it.

- **However, Japan is still a difficult and demanding market**

Japan is arguably one of the most competitive markets in the world. Also, there are significant differences in cultural and business practices which impact a foreign company's ability to compete there. These difficulties are severe for small and medium sized firms particularly in recruiting qualified local personnel.

- **There is no substitute for preparation and patience -- the reward for this can be substantial**

Foreign companies which have succeeded in Japan have, for the most part, been those who have developed a clear understanding of the differences in customer service requirements and have modified their products to meet Japanese standards. They have also been companies which have not expected short-term returns on their investments. The rewards have been above average profitability once their business base has been established.

- The Tokyo area continues to be an attractive site for a foreign firm's first headquarters/sales office in Japan

Tokyo continues to be the best location for access to customers and key government officials. When first starting operations in Japan, it is important to develop credibility and first hand experience of customer requirements as quickly as possible. This is best accomplished by being in Tokyo.

- As foreign firms move to a further stage of business development, the area outside of Tokyo offers attractive location sites particularly for manufacturing

Prefectures in the secondary and tertiary Tokyo area, and potentially in more remote areas such as Hokkaido and Fukuoka prefectures, are increasingly the most attractive manufacturing sites in Japan. Land and labour availability and lower costs (mainly for land) are the main attractions.

- Yet, European companies, including small and medium sized, can successfully compete in Japan

A number of European companies (including small and medium sized) , from machine tool makers to food processors, have established successful businesses in Japan. This guide will serve as a practical tool to help you and your company to also succeed there.

I. Introduction

Japan offers a significant investment opportunity for European businesses. In addition, this market is becoming more open to foreign participants -- a growing number of European companies have achieved significant success there. This guidebook is intended to offer European firms, particularly small and medium sized enterprises, practical help in entering and building a business in Japan.

In particular, this guidebook focuses on investment opportunities in the regional areas away from Tokyo and other major urban centres. These regional opportunities are most relevant for manufacturing investment decisions which are typically made after your company has established some initial presence in Japan. There has been very little written on this subject for the European industry. This guidebook fills this important gap in information on the investment environment in Japan.

1. Japan is an attractive and important market opportunity for European companies

- It is a large and fast growing market

It has the second largest single country economy in the world and has consistently had one of the fastest growth rates in terms of GNP among OECD countries.

In addition, in the late 1980s, growth of the Japanese economy has been fueled by increases in domestic consumption as the economy shifted from an export orientation to more of a domestic market orientation.

- A presence in Japan is now a vital part of building a strong global company

The Japanese market is arguably the most demanding and sophisticated market in the world. As a result it now sets the global performance and product standards for many products -- particularly in industries such as electronics and automotive where Japanese firms are becoming dominant. In light of this environment, many European companies believe that they need to have a significant presence in Japan to be competitive with their Japanese rivals (see Exhibit 1).

Increasingly, Japan is also a leading source in technical innovation for developing next generation products -- the old adage that the Japanese only borrow technology from the rest of the world is no longer true. The results of a recent US Department of Commerce study indicate that Japan is a world leader in 5 of the 12 high technology industries surveyed.

Exhibit 1

Why European Companies Compete in Japan ?

| Strategic Rationale | Example | Why There ? |
|--|---|--|
| <ul style="list-style-type: none"> • Understanding leading-edge product/application requirements | <ul style="list-style-type: none"> • German chemicals company (VCR tape) | <ul style="list-style-type: none"> • Needed to better understand customer requirements (consumer electronics manufacturers) • Improved monitoring of competitors • Enabled firm to work with customers to develop improved solutions |
| <ul style="list-style-type: none"> • Improving technology access | <ul style="list-style-type: none"> • British pharmaceutical company | <ul style="list-style-type: none"> • Established basic research facility in Japan to access Japanese creativity/research productivity |
| <ul style="list-style-type: none"> • Defending home market by taking the offensive in competitor's market | <ul style="list-style-type: none"> • French automotive supplier | <ul style="list-style-type: none"> • Reduced profitability of main competitor in the Japanese market • Forced competitor's management to focus more time and attention on home market • Helped qualify products with Japanese vehicle manufacturers (for cars sold in Europe) |

- Competing in Japan also provides the best defense against the increasing threat of Japanese competitors in your home market

Many of the European companies interviewed for this study reported that part of the defense of their home market included competing against their Japanese rivals in their home market. In particular companies interviewed indicated that competing with Japanese rivals in Japan prevented these competitors from using their more profitable domestic operations to subsidise their overseas expansion. In addition it distracted senior management attention away from their overseas activities.

2. Now Is a good time to consider entering the Japanese market

- The formal restrictions to foreign direct investment in Japan have largely been eliminated

The Japanese government has made major reforms to the direct foreign investment regulations since the early 1970's. Today formal regulatory barriers to foreign investment in Japan appear to have largely been removed. The only requirement for the majority of investments is advance notification to the Japanese government of planned investment. Companies interviewed indicated that this requirement is a mere formality and has not been used as a barrier to investment. In addition there are no restrictions on repatriation of funds from Japan to your home country.

There are, however, restrictions for national industries such as telecommunications or mining (see Exhibit 2). These should be weighed carefully by European companies considering entry into Japan in those particular industries.

- Further, the Japanese government attitude towards foreign firms and products appears to be favourable

Increasing pressure from Japan's trading partners has, in part, led to various Japanese initiatives actively encouraging higher levels of imports. Government agencies such as MITI (Ministry of International Trade and Industry) and JETRO (Japan Export and Trade Relations Organization) now promote trade fairs and industry tours to encourage imports. Furthermore, the government has recently announced an "Import Now" programme to increase public awareness. In certain industries, in particular the electronics and automotive sectors, Japanese industry organisations have announced targets to significantly increase their purchase of imported items in response to government pressure. In addition, MITI announced an Import Promotion Programme (see Exhibit 3) in January 1990 to encourage a range of imports. It is still too early to assess what impacts (if any) this programme will have since many of the benefits may also help Japanese companies importing products from overseas locations.

Exhibit 2

**Industries with Restriction
on Foreign Ownership**

| <u>Industry</u> | <u>Restriction on Foreign Ownership</u> |
|-------------------------------|--|
| Mining | Less than half |
| Airline Transportation | Less than one-third |
| Telecommunication | Less than one-third |
| Broadcasting | Less than one-third |

**Areas of Technology Introduction
Requiring Government Approval in Japan**

- Manufacturing of airplanes and parts
- Manufacturing of arms and parts
- Manufacturing of gunpowder
- Nuclear energy utilisation
 - Manufacturing of nuclear furnace
 - Manufacturing of nuclear power plant etc.
- Space development
- Computer manufacturing
- Manufacturing of next generation computer parts
- Manufacturing of optical equipment
- Manufacturing of new materials
- Non-mercurial salt electrolysis
- Submarine oil production
- Manufacturing of leather and leather products

Exhibit 3

**Summary of MITI Import Expansion
Measures Announced in January 1990***

- I. **Announced tax incentives to promote manufactured imports**
 - 5% tax credit on increased levels of manufactured imports
 - Wholesaler and retailer pre-tax reservation of funds allowed for import promotion programs
 - Will be in effect for 3 years

- II. **Eliminated tariffs**
 - Tariffs on 1,008 manufactured products will be reduced or eliminated
 - After measure is implemented, 56% of manufacturing imports will have zero tariffs, up from 42%

- III. **Increased import expansion programme budget**
 - Budget will increase from approximately 10.5MECU in 1989 to approximately 80.5MECU in 1990
 - Programme is used to promote information availability and trade fairs to encourage imports

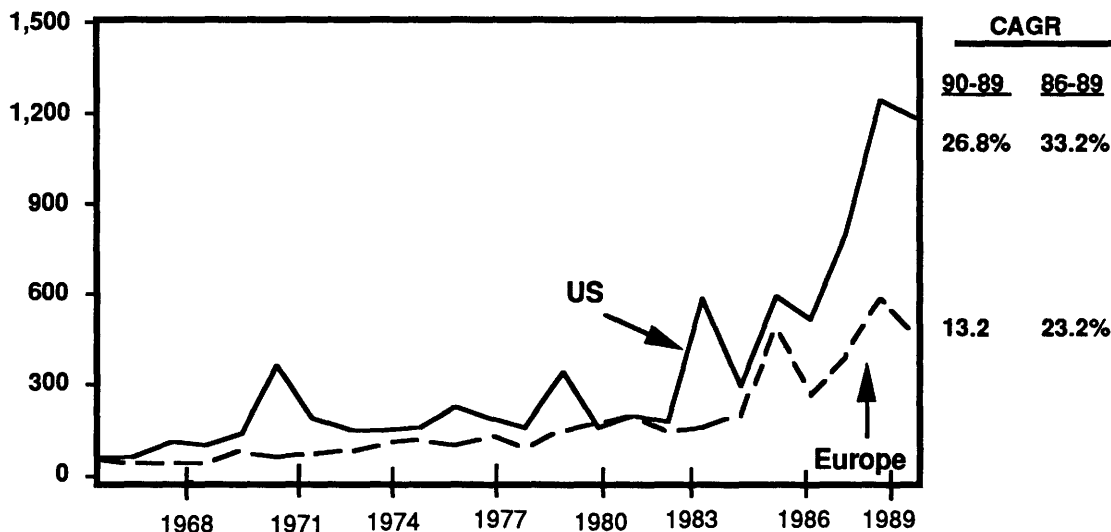
- IV. **Enhanced import expansion loan programmes**
 - Expansion of financing for manufactured imports
 - Expansion of financing for import facilities and investment by foreign companies in Japan
 - Expansion of financing for import by Japanese small and medium sized retailers and wholesalers
 - Establishment of financing for international comprehensive import centres

*: For details of programme see Appendix C

Exhibit 4

Annual Foreign Investment in Japan, US vs. Europe

* ECU Millions



*: 1989 year and exchange rates
 Note: Loans are excluded from total before 1985
 Source: Booz.Allen/MOF

3. A number of European firms are succeeding in Japan

- Both large and small European companies have demonstrated that foreign firms can be successful in Japan

There is a growing list of European firms which are operating successfully in Japan. For example, large European firms such as BMW have become household names there. Smaller European firms such as ASM, a Dutch semiconductor equipment manufacturer, and German machine tool manufacturers, such as TRUMPF and Guhring, have also successfully carved out attractive niche businesses in Japan.

Overall the level of imports into Japan has increased rapidly since 1986. For example, in the automotive industry, the number of imported cars has almost tripled since 1985. This was led by the successes of European companies such as BMW, Volkswagen and Mercedes-Benz, the three top foreign car importers.

As another example, in the high fashion consumer goods sector, L' Oreal and other European consumer products companies have seen their Japan sales grow dramatically -- in part due to growing domestic demand for their fashion oriented products.

4. European investment in Japan, although increasing rapidly, is still lagging far behind the US investment in Japan and Japanese investment in Europe

- The overall level of foreign investment in Japan has increased dramatically since the mid 1980s

Overall, the level of foreign investment in Japan has increased significantly since 1986 -- by over 23% per annum for European companies (see Exhibit 4). This is despite the fact that the yen appreciated significantly against all major currencies during most of this period. European firms clearly are placing increased importance on Japan. In addition, the number of European new entrants in Japan is also growing quickly; since the mid-1980's the number of new cases of foreign investment in Japan by European companies has been higher than the number of new cases of US investment in Japan.

- However, European investment in Japan lags significantly behind US investment in Japan and Japanese investment in Europe

The cumulative European industry investment in Japan lags behind that by US industry. European industry is also significantly under-invested in Japan when compared to Japanese investment in Europe; by a margin of almost 10:1 (see Exhibit 5). Further, the gap in Europe's investment versus the US and Japan is increasing. European companies will have to substantially increase their investment in Japan to achieve a balance -- this may be crucial for global competitiveness versus their Japanese and US rivals.

5. Succeeding in Japan requires careful planning and preparation. This guidebook is intended to help you in this process

- Despite the more favourable environment, Japan is a tough market to succeed in

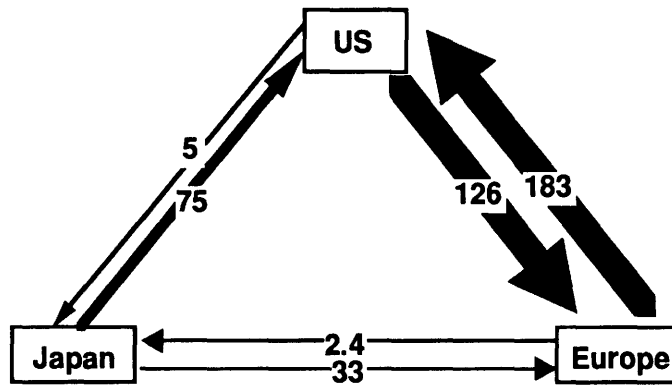
While the rewards for foreign firms which do succeed in Japan are high, Japan remains a difficult country to do business in. Not only is the market highly competitive, but there are substantial differences in business practices between Japan and Western countries. These differences represent a significant challenge particularly to small and medium sized European companies.

- Careful business planning and preparation is essential to succeed -- this guide provides the framework for your approach to the market

The key to success in Japan lies in understanding how Japanese customer requirements and business practices differ from your home market. Of course there is no substitute for getting to know the Japanese market first hand. However, this guidebook summarises some of the well-documented practical, "How to", steps for entering and building your business in Japan (see Exhibit 6).

Exhibit 5

Japan Investment Patterns
Cumulative Investment Value
Between Regions* in BECUs
1951-1989



* : 1989 year end exchange rates

Source: MOF/US Department of Commerce
Booz, Allen

Exhibit 6

Structure of this guidebook

Chapter II: Process of building a business in Japan

1. Japanese Customers
2. Local Capabilities Requirements
3. Evolution of Local Capability
4. Case Examples
5. Evolution of Location in Japan
6. Timeframe and Results

Chapter III: How to initially establish a business in Japan

1. Your Business's Potential in Japan
2. Product Selection
3. Business Approach
4. Time Horizon for Initial Market Entry
5. Office Set-up/Recruiting
6. Internalise Key Success Requirements

Chapter IV: Where to invest/regional investment opportunities

1. Criteria for Investment Location Decision
2. R&D Facilities
3. Manufacturing Sites Criteria
4. Most Attractive Prefectures for Manufacturing Investment
5. Company Size and Industry Issues

Chapter V: Investment environment in selected attractive prefectures

1. Fukushima
2. Chiba
3. Saitama
4. Aichi
5. Fukuoka

Chapter VI: How to pursue regional investment opportunities

1. Preparation
2. Site Selection
3. Negotiation and Permission Requirements
4. Conclusion

- In particular, this guidebook specifically focuses on considerations which are relevant when investing in the regional areas away from Tokyo

Much has been written about the steps necessary for a company to initially establish itself in Japan. In this initial stage, a company is typically operating in Tokyo or one of the other major urban centres. In this guidebook, we have tried to summarise some of the important lessons learned during this initial entry stage and to identify references to other documents which the reader can go to for further information.

The primary focus of this guide is to describe investment opportunities for European companies in the regions of Japan outside Tokyo or other major urban centres. These investments will most likely be considered as part of further investments in Japan, particularly investments in manufacturing facilities. Given the limited information available to European industry on these types of investments, this guide fills an important gap in information on the Japanese investment environment for European industry.

II. Process of Building a Business in Japan

Japanese customers set demanding requirements for products and services. Foreign firms can best meet these requirements by gradually building their presence and capabilities in Japan. While this development takes time and money it is eventually rewarded with above average financial returns.

This chapter will outline the stages which a foreign company typically goes through as it builds its business in Japan. It also addresses issues relating to the location and timing of investment over the course of this process.

1. Japanese customers are amongst the most demanding in the world

The Japanese market is characterised by high demands and strong relationships between buyers and sellers. In addition, there is tough competition based on service -- often more than on price. This emphasis on service over price is much more pronounced in Japan than in the Western countries. In light of this, three requirements for success bear special consideration.

- Companies operating in Japan (whether Japanese or European) need to maintain high service levels and have a strong commitment to business relationships

Japanese customers tend to be slow at shifting their loyalties. They typically have a long history of working with specific suppliers who provide a regular and secure supply of goods, are responsive to specification changes or problems, and are willing to enter into joint investments in next generation product development programs.

Thus, foreign firms need to demonstrate their willingness and ability to work closely with Japanese customers in order to convince them that they too can provide the same service and support as the existing Japanese suppliers.

- They need a high level of quality control

The standards for quality assurance set by Japanese companies for suppliers are amongst the highest in the world. For example, they demand 100% quality assurance for industrial materials.

Some European suppliers have found that even a low defect rate of 1% tends to be unacceptable to the Japanese customers.

- Foreign businesses should be prepared to customize and tailor their products to meet distinct local requirements

Japanese buyers tend to demand that "exact" specifications are met. Often what sells in other markets may not sell in Japan unless the companies tailor their products to meet the distinct Japanese market requirements.

2. The best way to meet these demanding requirements is to develop a set of local capabilities

Without these local capabilities, it is impossible to fully understand Japanese customer requirements and to provide the service levels demanded by these customers. These local capabilities may include an R&D facility, a marketing and distribution network, and access to local manufacturing all coupled with a strong local management structure.

- Local R&D enables a foreign company to meet customer requirements

A local development facility is often essential to interface with Japanese customers and share in the planning for new product development. Consequently, an investment in facilities is often required before a business base can be built to support the investment. This facility can also be vital for monitoring and accessing Japanese technology.

For example, a German chemicals company is currently investing in research and development facilities in Japan to work more closely with Japanese customers in the semiconductor and consumer electronics industries. Without the local technical presence this company feels that it will always be one generation behind its Japanese competitors in new product development.

- **Local marketing and distribution is a must to ensure market access**

Market access is a hot topic in Japan today. Discussions often focus on the complexity and the inefficiency of the Japanese distribution systems and how difficult they are for foreign companies to access. However, interviews with foreign companies in Japan suggested that everyone has to play pretty much by the same rules. In fact, foreign companies with a differentiated product may have some advantages because they are often more flexible and willing to try innovative distribution approaches.

Overall, the major trend for both Japanese and foreign manufacturers is to try to increase their control of the distribution system. As a result, manufacturers are seeking more control and commitment from wholesalers and sometimes are themselves going directly to the retailers or the customers. This approach requires setting up an own local sales and distribution system in Japan.

- **Local manufacturing helps to improve customer responsiveness**

A survey of foreign executives in Japan by Booz, Allen and Hamilton for the European Business Council (EBC) and the American Chamber of Commerce in Japan (ACCJ) indicated that the overwhelming reason for locating manufacturing in Japan was to meet Japanese customer requirements; quality and delivery, product formulation and guarantees of a stable supply source. Not surprisingly, few companies claimed to be manufacturing in Japan to achieve lower costs.

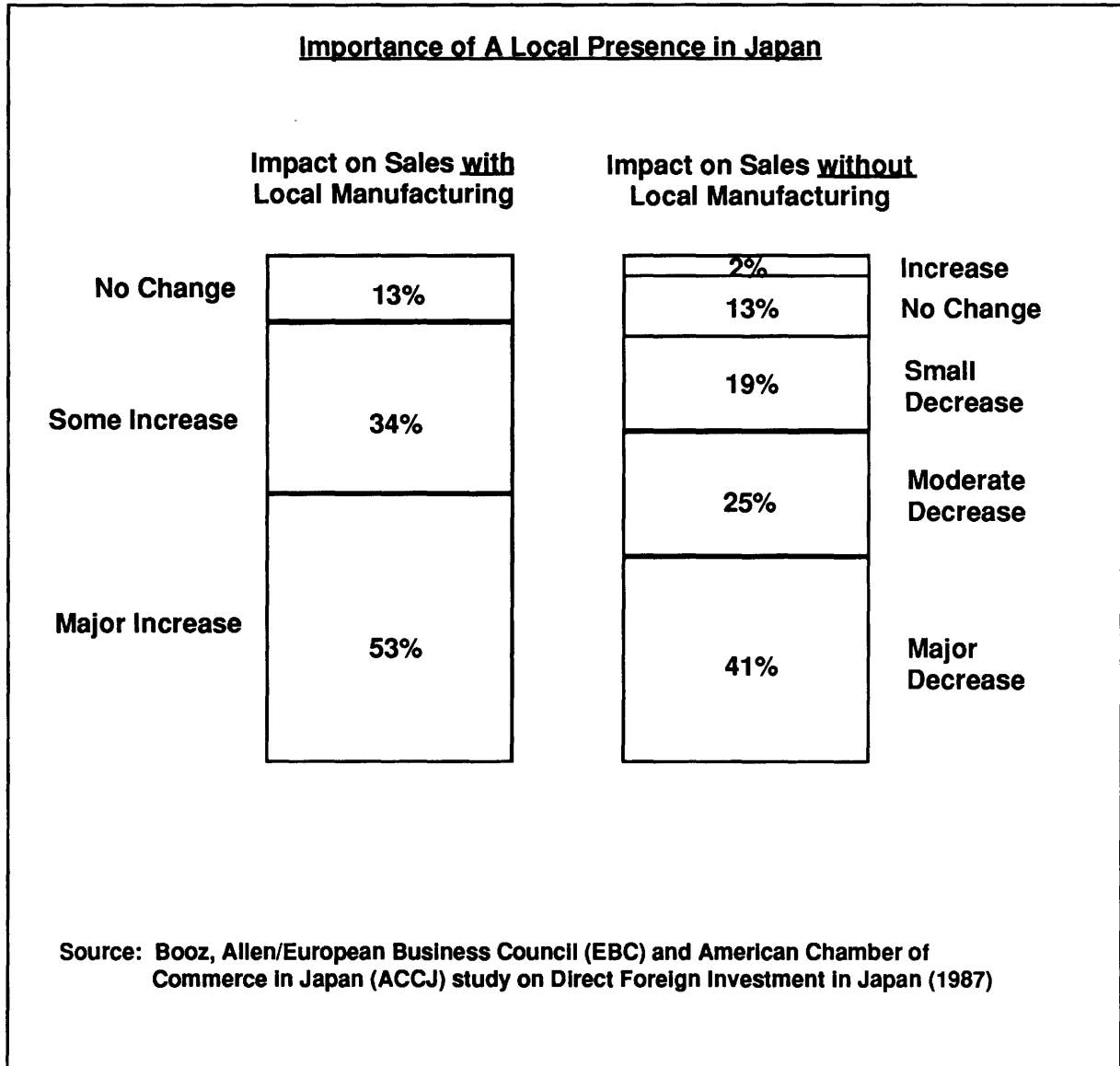
Some 53% of respondents in the study (see Exhibit 7) indicated that they experienced significant increases in sales after establishing a local manufacturing capability. Eighty-five percent expected a decrease in sales if they did not manufacture in Japan.

- **Finally, a strong self-sufficient local organisation can be a valuable part of a global portfolio of operations**

The final challenge for foreign companies in building local capability is to build a strong self-sufficient organisation with its own flexible and responsive business systems. This organisation should be able to recruit and develop local staff and make the local, regional and global business trade-offs needed to coordinate activities within the company.

Most companies operate with some form of country vs. product line matrix organisations. However, in these companies the organisation tends to be oriented toward the home market. The challenge is to build a strong enough local presence in Japan so that it can take more control of its own destiny. This requires recruiting and developing good people in Japan in addition to strong home office management commitment to Japan.

Exhibit 7



3. The building of a local infrastructure generally evolves with increased experience in Japan

While successful foreign companies have all developed a local infrastructure, they have typically developed this in an evolutionary manner. That is, foreign firms in Japan tend to follow a similar pattern of development; initially operating in Japan on a limited basis and then building their level of resources and capabilities as their sales increase (see Exhibit 8).

- **The first stage: Export to Japan through an agent or a representative**

Foreign firms can gain quick, low cost access to the Japanese market by working with a trading company or with a Japan-based agent or a representative (sometimes referred to as an exclusive distributor). This allows the foreign firm to enter the market at a relatively low level of risk and build an initial customer base for its products.

This approach tends to be triggered by relationships built at trade fairs or by Japanese companies trying to expand their imports. Some medium sized companies are reacting to the current import incentive programs to start trading with Japan. It is, however, unclear whether these measures will be effective in the long term.

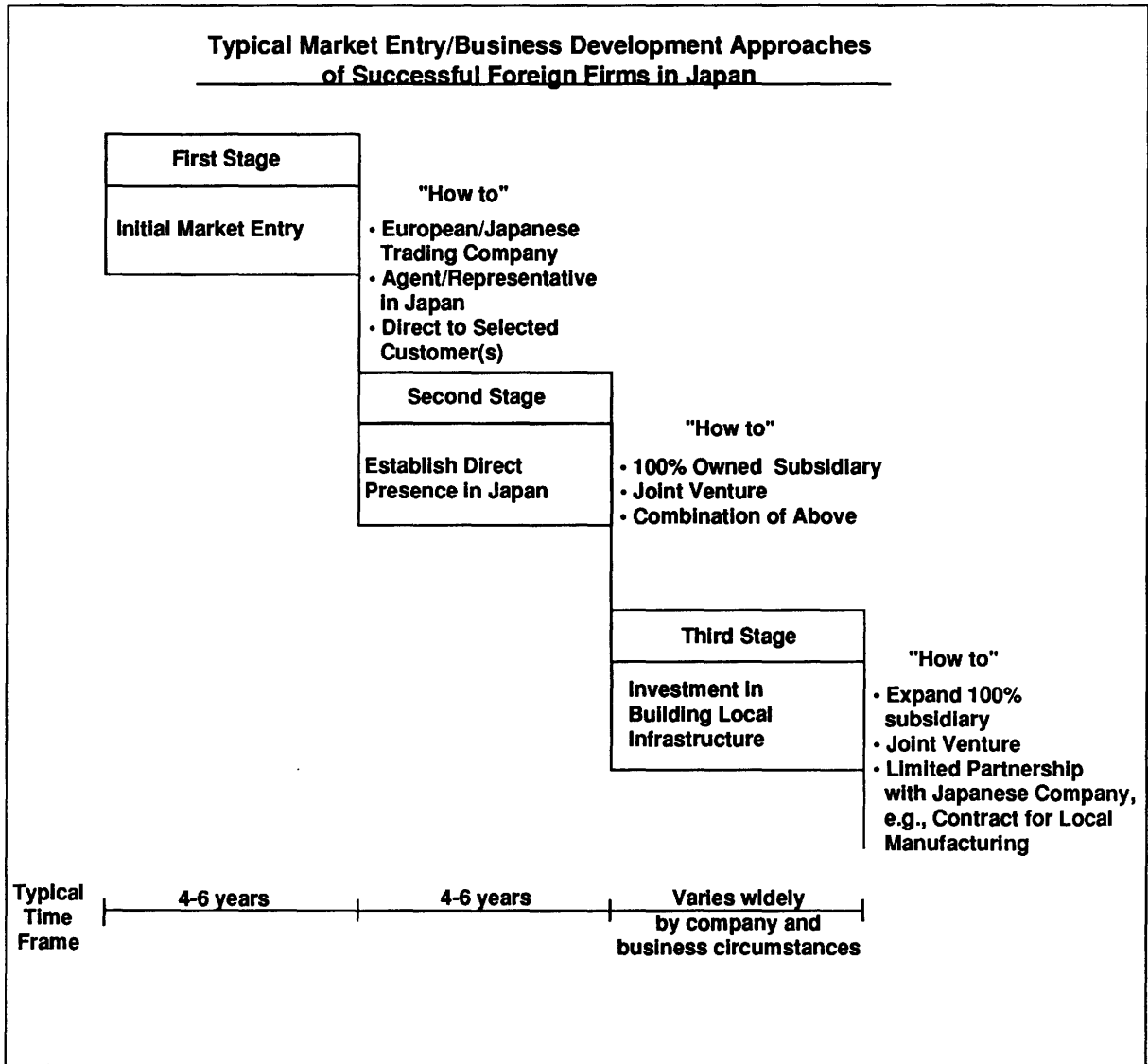
- **The second stage: Establish own direct presence in the Japanese market**

A firm's desire to participate more directly in the market is usually driven by the opportunities which the firm feels it can better pursue by directly accessing customers rather than going through a third party.

Depending on the foreign firm's particular circumstances, there are two main ways to establish a direct presence -- either invest in a 100% owned subsidiary or enter into a joint venture with a Japanese partner.

During this stage, a sales and marketing organisation tends to be the most common critical functional capability established. In all cases, the goal is to begin building the key capabilities needed to control the positioning of your firm's product in Japan.

Exhibit 8



- **The third stage: Invest in business capability and control of the local infrastructure**

During this stage, the foreign firm typically increases its participation in or ownership of joint ventures and/or expands the scope of operations of its 100% subsidiary. These further investments occur as local management capability grows and knowledge of key market requirements expands. This stage involves significant direct investment in Japan.

4. While generally there are three stages of development, many business approaches are possible during each stage

Of course the approach which a company takes to build its presence in Japan varies by time and by format according to the firm's individual circumstances. These differences in specific business approaches are reflected in the case examples which follow.

- **Medium sized European semiconductor equipment manufacturer -- a 100% wholly owned subsidiary approach to the market**

The company initially entered Japan in the mid 1970s on an export basis distributing products through a major Japanese trading company. In the early 1980's, there was a serious business downturn in the semiconductor industry, and their sales in Japan went down sharply. Faced with this environment, the trading company lost interest in their products. At the same time, the company identified their own market opportunity in Japan and believed (for strategic reasons) that they needed to be in Japan to catch up with the advanced technology in the market place.

The company proposed a joint venture (JV) with the trading company which was rejected. In 1982, they decided to establish a 100% subsidiary and hired several managers from the trading company who had been in charge of their products. Since then, they have opened three sales offices in Tokyo (1982), Osaka (1984) and Sendai (1986) -- where their major customers are located. From the beginning of their history in Japan, the company management was determined to manufacture locally to show their commitment to the market and to satisfy local customer requirements. In 1985, they invested 400 KECU and opened a plant in Niigata prefecture.

Today, they employ 120 people and sell their products to major Japanese electric companies, such as Hitachi, Toshiba, NEC. Their sales have grown from 200-300 KECU in 1982 to 45,000 KECU in 1989. Japan sales now account for more than 30% of their total worldwide sales.

- **French Optics Manufacturer -- a joint venture (JV) approach to penetrate the Japanese market**

When the company first came to Japan, they set up a JV with a large Japanese lens manufacturer. The company supplied technology and the JV partner manufactured lenses at their plant and sold them through their distribution channels. Under this approach, the company had difficulty controlling the large Japanese company whose products directly competed with theirs.

As a result, the company decided to form another JV with a medium-sized Japanese lens coating company. This new partner was attractive to the company because it is not a direct competitor and has a strong distribution channel. For their business, local production is necessary to grind lenses to meet customer specific requirements. Now, the JV is building a plant in Aichi prefecture which is close to the JV partner's lens coating plant.

- **German Machine Tool Manufacturer -- a combination of a 100% wholly owned subsidiary and a joint venture**

The company initially entered the Japanese market in 1950 and exported and sold their products through a Japanese trading company. In the middle of the 1970's, the Japanese economy was stagnated by the first oil crisis and their sales went down sharply. At this time, the trading company lost interest in their products.

The company decided that it needed to strengthen its marketing and sales capabilities if it was to continue to participate in the Japanese market. They also realised the need to adjust product specifications to Japanese customer needs and have access to vital information from the field.

In light of these needs, the company established a 100% owned Japan subsidiary in 1977 and started importing, selling and servicing their products. Today, they have 50 people in the company; 25 in service, 15 in sales and 10 in management. Their sales last year in Japan are estimated to be around 14,000KECU.

Most recently (in 1989), the company established a JV with IHI (a large Japanese shipbuilding/heavy machinery company) to start manufacturing high frequency transmitters, beginning in the summer of 1990. The company was looking for a Japanese partner with good basic technology and strong marketing capability. IHI was looking for diversification opportunities -- and their needs were complementary to each other.

5. The location of a foreign firm's facilities in Japan also changes as the company's business evolves

This section briefly outlines the geographic evolution which a foreign firm goes through as its business grows in Japan. A more detailed discussion of where to invest in Japan is in Chapter IV.

- **The first stage: At the initial entry stage, a foreign firm typically has no major presence in Japan**

When a foreign firm first begins business in Japan, at most, they may have only a representative office which consists of basically one person. The partner in Japan (trading company, agent or representative) is in control of the day to day operations of the business.

The selection and the location of the Japanese partner is important to success at this stage. The partner selected should have strong access to potential customers, the appropriate expertise to sell the product, and most importantly, should not be a competitor. This partner selection process is addressed in greater detail in Chapter III.

- **The second stage: A foreign firm's presence is established in Japan with Tokyo (or sometimes another major urban centre such as Osaka) as the most preferred choice of location**

Headquarters (HQ) locations for foreign (and Japanese) firms have been and are expected to continue to be located predominantly in Tokyo. There are currently no trends for large Japanese companies to move HQs away from the main Tokyo area. There is, however a trend for the larger Japanese companies to move some of their secondary HQ functions, i.e., systems departments, to the outer suburbs of Tokyo due to the limited space availability and the high costs of central Tokyo (see Exhibit 9).

Foreign company's HQ locations are clearly concentrated in Tokyo -- almost 80% of foreign companies locate their Japan HQs there (see Exhibit 10). This concentration in and around Tokyo is not surprising given the level of Japanese economic and political concentration. In Europe, there are often different economic and political capitals within a country (Frankfurt vs. Bonn; Milan vs. Rome) as well as a broad distribution of economic activity across the different countries. However, in Japan, Tokyo is the centre of both economic and political power. And despite years of government effort to change the situation, Tokyo continues to grow its share of the population, GNP and political importance.

Exhibit 9

Possible Relocation of Selected HQ Functions

- Disadvantage of having HQ in Tokyo

| | |
|--|-------|
| High cost of office | 56.2% |
| Shortage of office space | 65.6% |
| Traffic confusion | 43.8% |
| High cost of housing support for employees | 41.2% |
| Long hours for communication | 45.8% |

- Advantage of having HQ in Tokyo

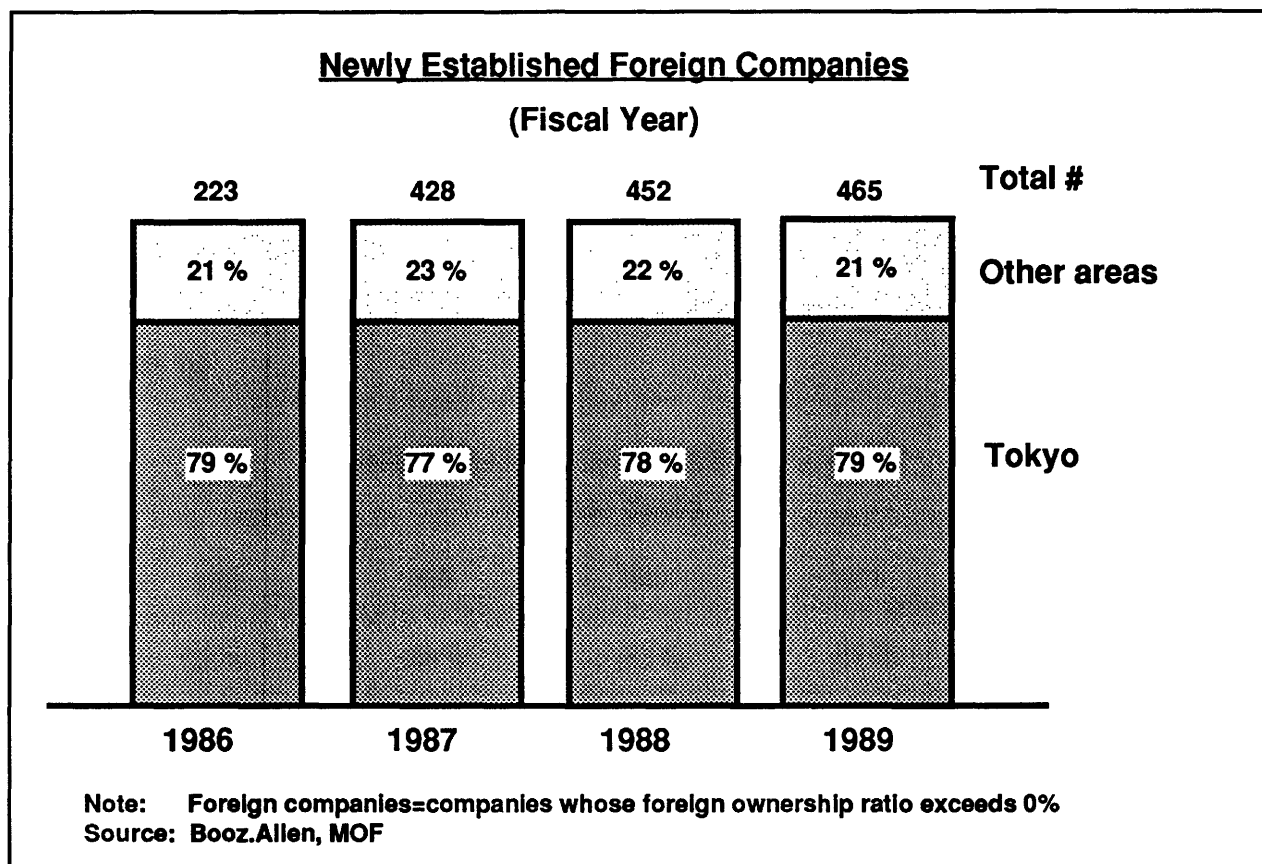
| | |
|--|-------|
| Enough information on the industry/competitor | 52.4% |
| Easy access to government | 50.3% |
| Enough information on market/customer | 47.6% |
| Easy control of other functions (plants, branches etc.) | 30.0% |
| Easy access to each region in Japan | 25.5% |
| High corporate image | 23.8% |

- Possibility of relocation of HQ within next 10 years

| | |
|------------------------------------|-------|
| All functions | 6.0% |
| Planning/management functions | 6.6% |
| Administration/personnel functions | 7.8% |
| System/information functions | 47.3% |
| R&D functions | 44.7% |

Note: Subjects: 326 member companies of Keidanren in Tokyo Source: Keidanren Study

Exhibit 10



One German chemical company official remarked on how they had done a study in response to home office requests to relocate out of Tokyo and found that all but one of their major customers and competitors were located in an eight kilometer radius of central Tokyo. In support of this conclusion, another European executive mentioned office morale issues and fears of defections when it was announced that they were considering moving their HQ to an area in Chiba prefecture -- only forty-five minutes from central Tokyo!

Japanese employees often associate the prestige and credibility of their company with their ability to locate in Tokyo -- hence a Tokyo location is also an important aid in recruiting.

- The third stage: When making further investments foreign companies seek to locate in the regions outside of Tokyo -- particularly in establishing manufacturing facilities

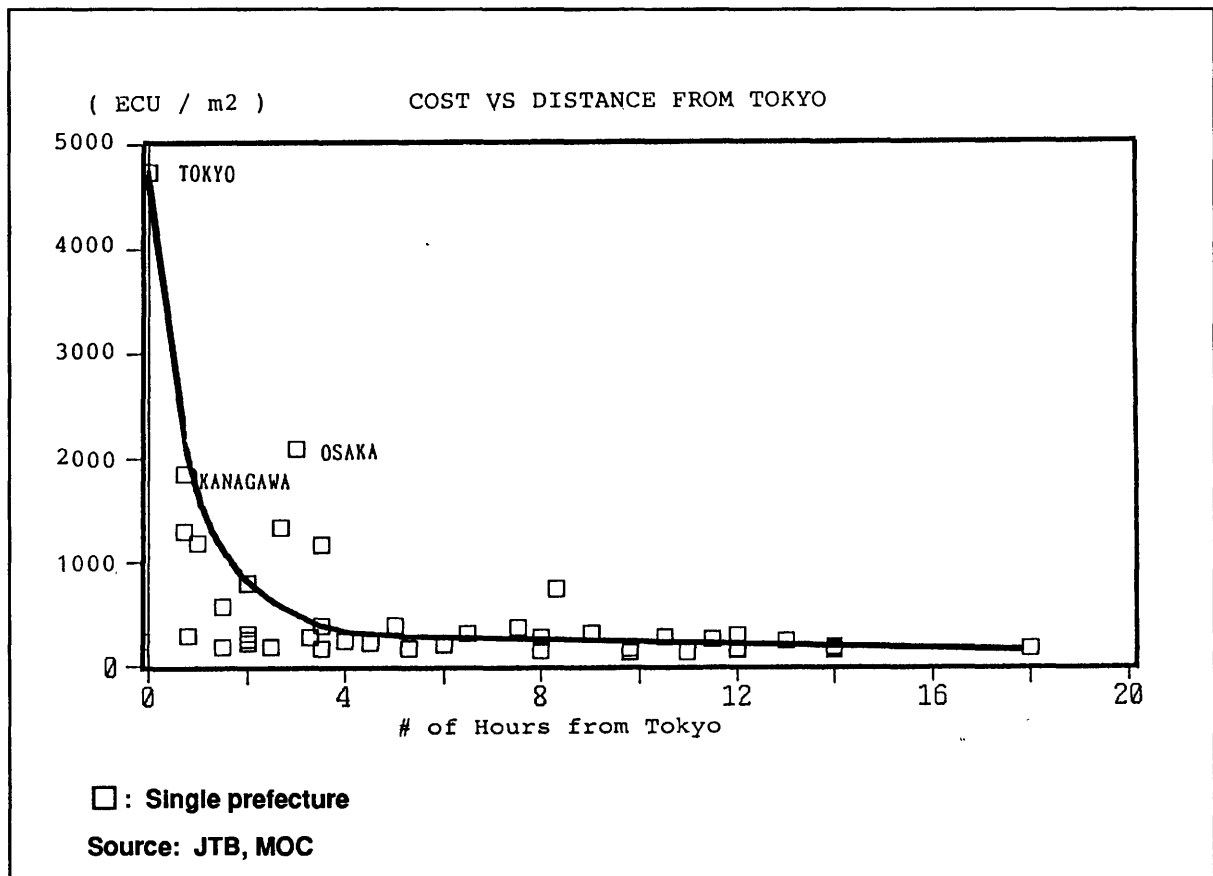
The high rate of economic growth in Japan has resulted in a serious land and labour shortage in the immediate Tokyo area. Thus, a foreign firm significantly expanding its presence in Japan (such as when investing in manufacturing facilities), has difficulty in finding appropriate labour and land which is not prohibitively expensive.

The areas outside of the immediate Tokyo area are generally more attractive for these further investments. For example, there is a sharp drop in land prices away from Tokyo (see Exhibit 11). Moreover, the labour availability situation (as measured by the ratio of job seekers to jobs available) while tight throughout Japan is over 10 times tighter in Tokyo than in some rural areas. As a result, the majority of investment in new plants is outside of Tokyo for both foreign and Japanese companies. This issue of infrastructure location is covered in greater detail in Chapter IV.

6. Foreign firms need to realize that it takes time to succeed in the Japanese market. However, patience eventually gets rewarded with above average profitability

The path to success in Japan requires patience and perseverance. The differences in business practices and customer requirements between Japan and other developed economies necessitate a long apprenticeship. Thus, in the short term, profits are hard to come by but there is an opportunity for good financial returns longer term.

Exhibit 11



- The time required to develop a successful business in Japan varies widely; though typically the first 2 stages require a minimum of 8-12 years to complete

Typically a foreign firm spends a minimum of 4-6 years at the first (exporting) stage before establishing a direct presence in Japan.

The next step of establishing a sales office and building your own sales and distribution network requires another 4-6 years to accomplish. Thus, it is vital to consider entry into Japan to build a business as a medium to long term objective. There are few "quick wins" in Japan.

The third stage of building a more complete local infrastructure in Japan varies widely by business type, company circumstances and motivation. It is not at all unusual to find that foreign companies have taken more than 15-20 years in total to fully establish themselves in Japan. While there are examples of firms that have done this in a shorter period of time, these are exceptions rather than the rule.

- Start up costs in Japan are amongst the highest in the world and the payback period nearly the longest among developed markets

Typically a new foreign firm in Japan underestimates its first year expenses by as much as 30-50% -- despite the careful estimates that were prepared for the initial operation. The US Department of Commerce offers a rough guideline of ¥40-46 million (240-270 KECU) for the first year costs of a 4 person office in the Tokyo business district (see Exhibit 12). In addition, ex-patriate living costs must be included as well as salaries and benefits. All in, the first year operating and one-time set up expenses can run from 700-1,000 KECU.

The time required for foreign firms to reach breakeven and average corporate profit levels in Japan is given in Exhibit 13. The breakeven time is measured from the time a company first makes its initial direct investment in Japan, typically in the second stage of business development. It should be noted that these are average timeframes and a particular company's experience may vary. For example, the timeframe for 100% subsidiaries to reach average profit levels ranged between 4 and 10 years for two-thirds of the companies surveyed. This variability is generally thought to lie behind the perception among foreign executives that it takes longer to reach acceptable profit levels in Japan than in other developed markets.

Exhibit 12

| <u>Estimate of Set Up Costs in Japan</u> | <u>First Year*</u> (ECU) |
|--|-----------------------------|
| • Rent (Central Tokyo) | 70,000-90,000 |
| - Deposit | 60,000 |
| • Renovation | 85,000 |
| • Accounting/auditing fees | 3,000-7,000 |
| - Payroll | 350-900 |
| - Book keeping | |
| • Legal/consulting | 2,000 |
| • Utilities | 7,000-14,000 |
| • Office equipment/machines | 12,000 |
| | <u>240,000-270,000</u> |

*: Sample costs for four person office – does not include salary and ex-pat expenses
Source: US Department of Commerce

Exhibit 13

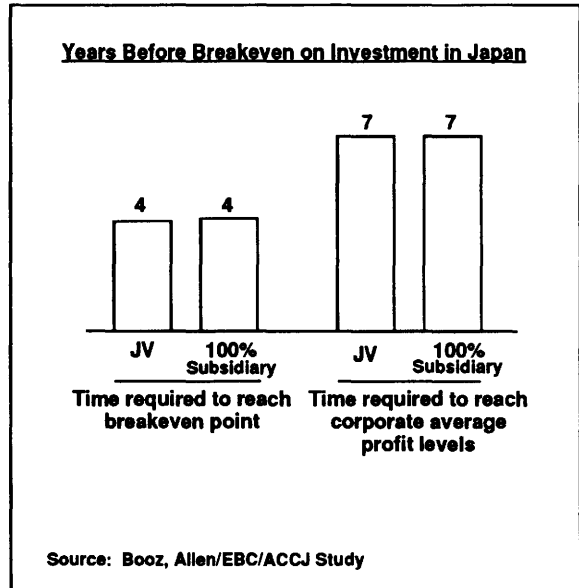


Exhibit 14

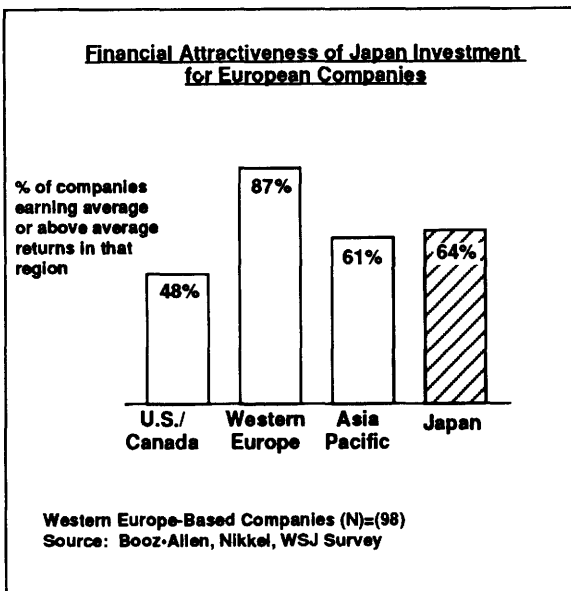
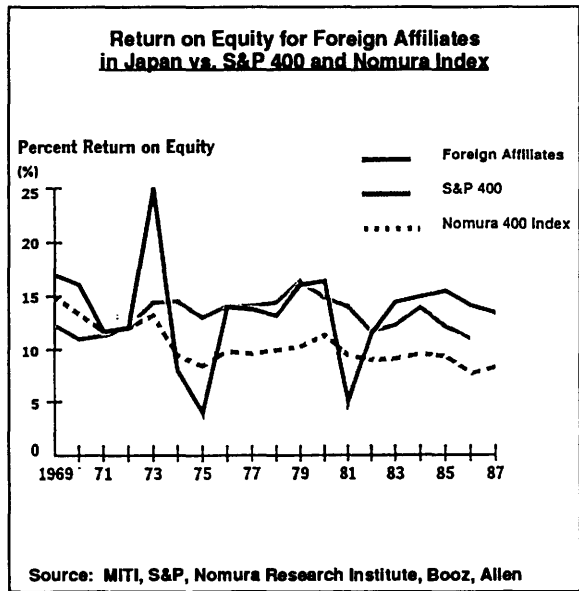


Exhibit 15



- However for those that do succeed, the financial rewards in Japan can be substantial; Japan is one of the most profitable markets in the world for European companies.

Two-thirds of the European companies participating in a recent Booz, Allen survey of Chief Executives worldwide reported that they earned average or above average returns in the Japanese market and earned higher average returns in Japan than in the US (see Exhibit 14).

This is also supported by the Booz, Allen/EBC/ACCJ study which indicated that since 1969, with the exception of the years immediately following the oil shocks of 1973 and 1979, foreign companies have outperformed Japanese firms as measured by the Nomura 400 Index as well as the S&P 400 (see Exhibit 15). In fact, US Department of Commerce data reveals that for the latest year available, 1988, returns on investment for American firms in Japan were better than similar investments for US firms in Europe: 19% vs. 14%. This suggests that the myth of Japan being an unprofitable market is exactly that, just a myth.

It should, however, be recognized that profitability levels can and do vary significantly by type of industry and, within the industry, by product segment.

III. How To Initially Establish A Business In Japan

This chapter offers some practical guidance on how to start-up your company's business base in Japan. This process consists of three main steps:

- *Understand your business's potential in Japan*

- *Decide on with what, how and when to enter the market*
 - *Select products/services*
 - *Business entry approach (joint venture vs. 100% owned subsidiary)*
 - *Timeframe expectations*

- *Get started with your business in Japan*

Generally, completing these steps and establishing an operational organisation in Japan takes 12 to 18 months (see Exhibit 16). Our focus is on lessons learned based on the experiences of foreign companies operating in Japan. In Appendix D we have provided detailed references to several guidebooks on how to initially establish a business in Japan.

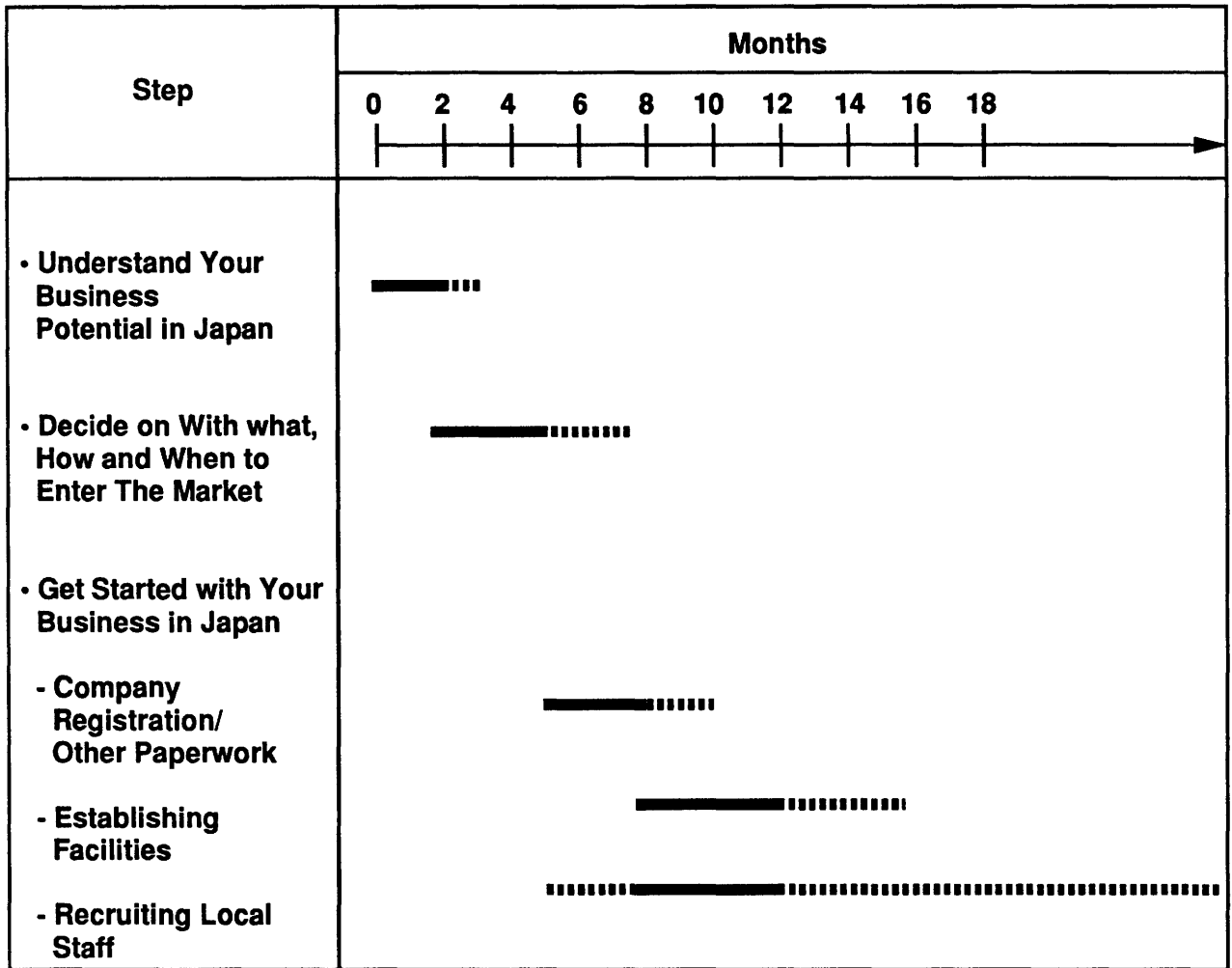
1. First, understand your business's potential in Japan

- Understanding your product and market potential enables you to set expectations and allows you to negotiate from a position of strength

There is no substitute for developing your own information on the market opportunity for your products in Japan.

Too often foreign firms rely on their Japanese partners for all their information on the Japanese market. As a result, they have a weak bargaining position in business negotiations. Further, Japanese partners have their own agenda to fulfill and this may bias the information you have access to.

Exhibit 16



- The best place to begin to gather background information is in your home country

Using these resources available to you in your home country, you can begin to build a basic knowledge of the market potential and the possible partners/competitors in Japan before you leave home. In addition, this will also provide you with the names of some initial contacts with whom you can schedule meetings prior to your visit to Japan -- a good time saving device. Typical sources, e.g. JETRO offices in your home country or the export promotion agencies of your government are listed in Exhibit 17. Specific organisations and their contact addresses are listed in Appendices A and B.

- Several trips to Japan will, however, be necessary before deciding whether to establish a business in Japan

It is necessary to visit Japan to directly access relevant information -- through both secondary data sources and "face to face" interviews.

In Japan many "off-the-shelf" market research reports are available. While the majority of them are available only in Japanese, with the aid of a good translating service you can access a great deal of relevant information. For more customised needs there are a number of reliable market research and business consulting firms serving foreigners in Japan. These firms will also be able to help you understand whether there are any government restrictions which would limit your company's ability to do business in Japan.

It is important to understand the requirements of potential Japanese customers as well as the capabilities and approaches of competitors. The best way to do this is by meeting face to face with potential customers and competitors in Japan.

With the right introductions it is possible to obtain interviews with most companies. Again, up-front preparation and contact with people and firms before you arrive in Japan is helpful.

2. Second, decide on what specific product to enter with

- Your product or service needs to be differentiated versus current Japanese competitors

As was previously discussed, the Japanese market is arguably the most demanding in the world. The key is to offer a product or a service which has differentiable features and which gives it a clear edge over the Japanese competitors' offerings.

Exhibit 17

Types of market research resources* available

- Trade Fairs (Both in Europe and Japan)
- Home Country's branch of Chamber of Commerce in Japan
- Export Promotion Agency of your home country
- Commercial section of home country consulate in Japan
- European or Japanese trading companies
- Potential customers
- Business consultants (in Europe and Japan)
- JETRO offices in your home country
- Banks (European and Japanese -- often good for local introductions in Japan)
- MITI office for your particular industry (in Japan)

*: list of specific names and addresses are found in Appendices A and B

Selling products that are the same as or of a lesser manufacturing quality than those offered by Japanese firms is difficult. Too often Japanese competitors have established distribution channels and a number of long standing relationships with end users. A foreign firm has to have a superior product for a successful entry.

- **You must modify your product to meet exact Japanese requirements/standards**

Companies must modify their products as necessary to fit Japanese customer requirements. For example in the clothing industry, this means labeling sizes by Japanese categories and cutting patterns to fit the Japanese body type.

Many foreign companies have failed in Japan by trying to enforce their home market standards on Japanese customers. This typically comes about in two ways.

First, the foreign company has product features which are inappropriate for the Japanese market. For example, US car manufacturers do not generally offer right hand drive vehicles for sale in Japan -- they insist on selling left hand drive cars in a market where the standard is right hand drive.

The second more common mistake is when a foreign company does not offer service levels which are equal to those offered by Japanese competitors. One foreign consumer credit company came to Japan with a product which had a number of unique attractive features. However, it found itself at a strong disadvantage when Japanese competitors quickly provided similar consumer financing packages. The Japanese firms took two to three days to approve loans while the foreign firm remained wed to its standard practice of up to two weeks for loan approvals. Two years after entering the market the foreign firm exited Japan.

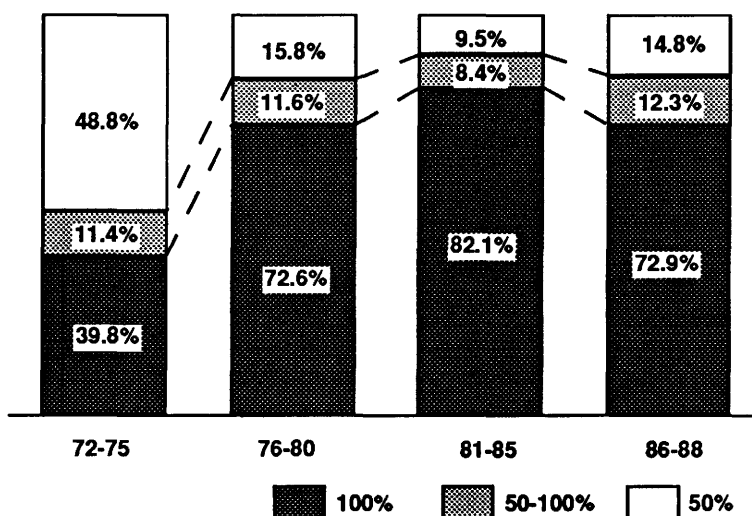
3. Third, select a business approach (100% subsidiary vs. joint venture)

There are three basic approaches to building your business in Japan: 100% owned subsidiary, joint venture, or a combination of the above. In general, the greater the level of capabilities and financial resources a foreign firm has, the more likely it is to pursue a 100% owned approach. A firm will opt for a JV or combination approach where the level of risk is too high or resources are limited. Acquisition/equity investment as a market entry approach is still uncommon in Japan. The tradeoffs among these various approaches are summarized in Exhibit 18.

Business Entry Approach - Tradeoffs

| JOINT VENTURE | 100% OWNED SUBSIDIARY |
|--|--|
| <p>Advantages:</p> <ul style="list-style-type: none"> • Immediate market access -- Leverage partner sales and distribution network • Immediate access to business organisation in Japan -- use partner personnel and facilities • Decreased financial risk of market entry and high leverage of limited foreign firm resources | <ul style="list-style-type: none"> • Direct contact with customers allows building of market understanding • Build control of product image and market positioning • Over time develop local management organisation and personnel to provide foundation for future market growth |
| <p>Disadvantages:</p> <ul style="list-style-type: none"> • Lack direct access to customers -- information filtered through partner's organisation • Careful management attention required to ensure partner does not take control of venture • Risk of technology/product transfer • Do not acquire/build own organisation and personnel in Japan | <ul style="list-style-type: none"> • Higher direct investment required to build own organisation • Longer time required to build market access • Difficult and lengthy process to recruit personnel • Overall higher risk |

Trend in Investment Approach - Newly Established Foreign Subsidiaries (Value Basis)



Source: MOF

- The trend for foreign companies has been towards 100% subsidiaries

Over 70% of investment in newly established foreign companies has been in 100% subsidiaries since reforms to foreign investment laws began in 1973. This contrasts with 40% of such investment in the 1972 to 1975 period (see Exhibit 18).

- However, joint ventures continue to be an important part of foreign investment in Japan -- particularly for small and medium sized firms

This is particularly true for manufacturing companies where about 60% of direct investment is in joint ventures despite the recent trend toward 100% subsidiaries. For non-manufacturing companies, investment in joint ventures has been slowly increasing (see Exhibit 19).

Joint ventures are particularly attractive for small and medium sized firms facing resource constraints in developing their overseas business. In contrast to larger firms, with greater availability of personnel and access to capital, small and medium sized firms need to leverage their limited resources when expanding into Japan. The financial risk involved in entering Japan is also proportionally higher for smaller firms.

- Foreign acquisitions of Japanese companies are rare

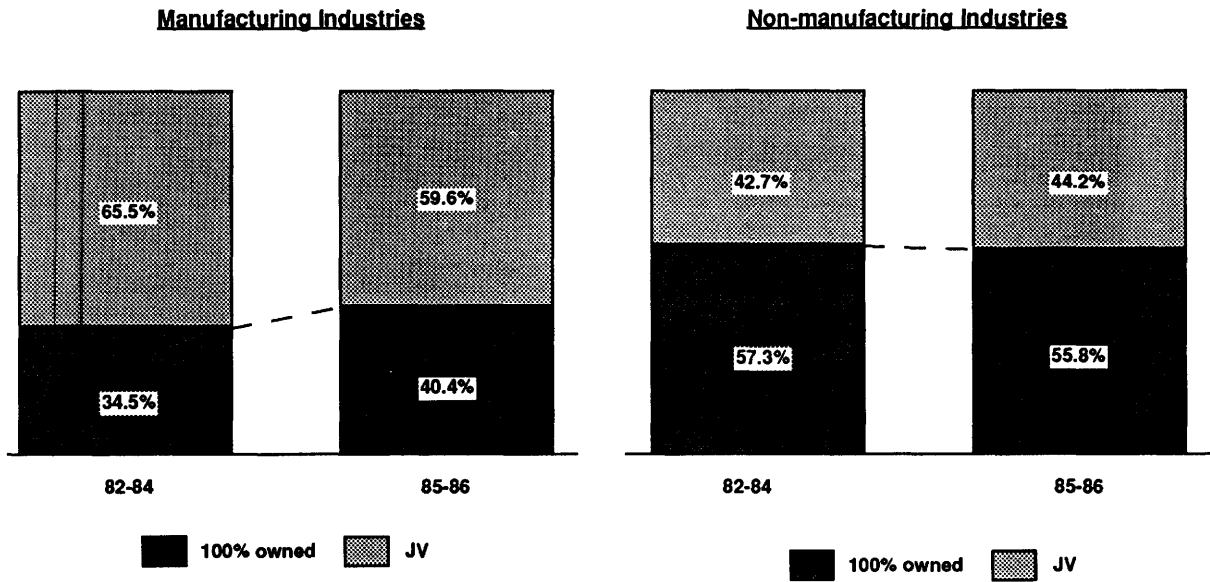
Cases of acquisitions or equity investments in Japanese companies are not common -- neither for Japanese nor for foreign companies (see Exhibit 20). These foreign company takeovers of Japanese firms typically involve the rescue of weak Japanese firms. While this situation could change in the future, the cultural inhibitions in Japan against takeovers of healthy companies, and hostile takeovers in particular, are unlikely to change. Further, current stock prices (even after the fall of the Nikkei stock average in March 1990) make such acquisitions prohibitively expensive.

- Where the business entry approach requires working with a Japanese partner, the foreign firm must play an active role in the management of the relationship

Active management begins with the care that is taken in the choice and selection of the partner in the first place. Here, once again, upfront investment pays significant dividends. In the case of a distribution-related partner, it is important to choose someone with a product portfolio which is targeted at the same general end user as your product. At the same time, the foreign company should also check to ensure there is no competitive overlap in the distributor's portfolio. Joint ventures/partnerships often fail where the partners are direct competitors. Surprisingly, a number of foreign companies have chosen partners who are direct competitors with them in the same area that they hope to co-operate in.

Exhibit 19

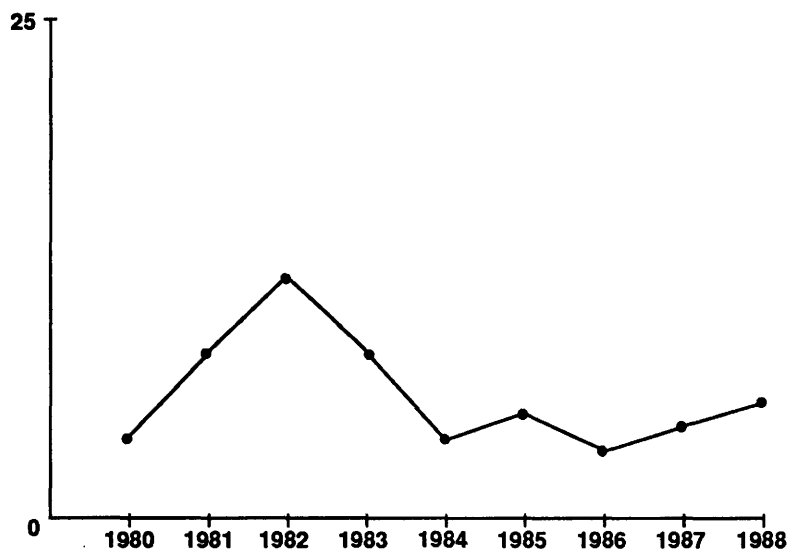
Trend in Investment Approach - Manufacturing vs. Non-manufacturing



Source: MITI Mail Survey

Exhibit 20

Number of Major Equity Investments by Foreign Companies in Japan (1980-1988)



Source: Booz, Allen

After selecting the partner, the foreign firm needs to ensure it has an active say in running the business. This is best ensured by the foreign firm viewing the relationship as a stepping stone to eventually operating in Japan on a stand alone basis. On this basis, it should gain as much direct contact with customers as it can and leverage the partnership to build its own presence and organisation in the market. This implies a consistent and a systematic investment in the joint venture, including personnel development and in some cases, introducing additional products/technologies.

One of the most common causes of failure in partnerships between foreign and Japanese firms is the shift in balance of contribution to the relationship. This usually arises due to the foreign company's failure to continually monitor and develop their participation in the business venture. Conversely, as the Japanese partner begins to introduce new products and technology to the operation, the shift in the balance of power begins to favour the Japanese side if the foreign firm does not match this by increasing its contribution.

4. Fourth, a long time horizon is required regardless of the type of business approach taken for market entry

- The Japanese equate consistency with reliability

There are few overnight successes in the Japanese market. Reliability and commitment to developing and servicing customer relationships are a cornerstone to succeeding in Japan. This takes time, often as long as six to twelve months with a single customer before they place even a sample order. However, while this entry may be difficult, the reward is that the exit barriers on the part of the customer are also high. Your loyalty and patience with them will pay off. On the other hand, inconsistency (stop-go changes) in your attitude towards being in Japan will seriously undermine your past hard work.

- You need to have appropriate financial and business expectations.
Don't expect too much too soon

Research shows that foreign firms typically take anywhere from 3-6 years to begin to show a profit in Japan. In the long run, the returns are above average. However, in the short term the foreign company must be willing to invest to develop this market.

One pitfall that can come from inappropriate financial expectations is too aggressive an approach to market entry. For example, some foreign firms have sought to expand their early market position by cutting prices. This can often backfire as price decreases can sometimes lead to customers thinking the product is in some way inferior to the higher priced product of the Japanese competitor.

Further, in Japan a great premium is placed on steadily developing relationships with customers and distributors. Foreign companies that push too hard too soon for business results from these relationships may find such an approach to be counterproductive -- undermining their credibility with customers.

5. Fifth, recruiting is the most important of the many steps required to actually start up your organisation in Japan

- The complicated paperwork involved in setting up a business in Japan is best dealt with by experts

There are a number of different procedures to be followed to establish a company in Japan. These procedures are complicated because of the language barrier. Expert advice is offered by legal and accounting firms in Japan as well as bank offices which specialise in this field. The main steps in the process are:

- Obtaining necessary licences/government approvals to do business in Japan
- Formation and incorporation of your company
- Registration of trade name
- Registration of trademark and service mark
- Advance notification to the Bank of Japan (only when direct investment is required)
- Filing with the local tax office
- Visa application or change of status application for non-Japanese employees

These steps require considerable time and often rely on good working relationships with Japanese government officials in order to proceed through the process smoothly. Assuming you have checked to make sure there are no legal restrictions on your doing business in Japan, these steps should proceed without a problem other than the time they take to complete.

A list of the appropriate Japanese government officials to contact is given in Exhibit 21. See also Appendix A for a list of professional firms to contact in Tokyo to assist in this area.

- **The actual physical set up of your office requires action in three broad areas**

The first area is office location and set up. A foreign firm, at least initially, has the option of either utilising temporary business centers or setting up a permanent office from the start. Business centers are often used during the first 3-6 months of the operation to rapidly get started with a fully equipped office.

More permanent office site selection typically involves a tradeoff between price and location. The overwhelming choice for headquarter's location by foreign companies in Japan has and is expected to continue to be Tokyo due to the high concentration of economic and political power in that city. However, there is a tradeoff in where to locate within Tokyo. In general, the closer to the main business district the higher the rent. Each company needs to decide the exact location best for them depending on the location of key customers and the impact which a particular location may have on recruiting. Once a site is selected, the facility requires renovation and equipping to meet your requirements.

In addition to selecting an office site, you must also establish operating and personnel policies for notification to the appropriate authorities. Due to differences in practices between Western countries and Japan, foreign firms should seek expert advice on both legal requirements and "standard" business practices in Japan. Notification is required to the:

- **Labour standards inspection office**
- **Public employment security office**
- **Social insurance office**
- **Tax office**

Lastly, a company must develop promotion and sales material appropriate for the Japanese market. As a minimum you should have Japanese language material to give to potential customers and distributors. The extent to which you adopt your promotional materials to a Japanese "style" depends on your budget and the type of product offered.

Again a number of resources are available to help you in setting up your office in Japan (see Exhibit 22) and names of specific organisations are listed in Appendix A.

Exhibit 21

Example of Japanese government contacts*

- **Formation and incorporation of company**
 - **Bank of Japan**
 - Investment Section, Foreign Country Bureau
 - **Fair Trade Commission**

- **Trade mark and service mark registration**
 - **Japanese Patent Office**

- **Tax filings**
 - Corporate, e.g., Blue Returns
 - For personnel
 - **National Tax Office**
 - **Local Tax Office**

- **For information regarding particular licences/possible restrictions**
 - **Bank of Japan**
 - Investment Section, Foreign Country Bureau
 - **Agricultural, Forestry and Fishing business:**
 - Enterprise Promotion Section, Food Distribution Bureau, the Ministry of Agriculture, Forestry and Fisheries
 - **Petroleum and Mining business:**
 - The Agency of Natural Resources and Energy, the Ministry of International Trade and Industry
 - **Leather and leather products manufacturers:**
 - Cultural Goods Section, Consumer Goods Industries Bureau, the Ministry of International Trade and Industry

- **Visas**
 - **Tokyo Regional Immigration Branch (Otemachi)**
 - **Central Immigration Office, Ministry of Justice**

*: Addresses and telephone numbers are in Appendix B

Exhibit 22

Example of types of resources available to help setting up office, including recruitment*

- **Setting up office/operations**
 - Temporary business centers
 - Business consultants
 - Lawyers/accountants
 - AD/PR agencies
 - Marketing service firms
 - Japanese partner

- **Recruiting**
 - Search firms
 - Competitors
 - Current or former partners (e.g. trading companies)
 - Local government offices (outside of Tokyo or Osaka)

*: list of specific names and addresses are in Appendix A

- **Recruiting high quality Japanese staff is one of the most important factors affecting a firm's ability to compete in Japan**

The first step for recruiting good Japanese staff in Japan is to select a manager who is highly respected within your organisation to set up your office in Japan. It must be someone who knows both your product and your organisation well. Someone who doesn't impress your home country management is not likely to build a strong image and credibility or present a strong image to your local staff.

Second, you must make a careful selection of your first Japanese managers. Typically these are mid-career hires with directly applicable experience in your industry and/or with your target customer group. This initial group of 2-3 managers will form the nucleus around which you can recruit and build the rest of your organisation. Potential employees in Japan are extremely sensitive to the quality of the managers who hire them. Good people attract good people.

In evaluating candidates, it is important to look beyond the potential candidate's English language ability. Often foreign companies miss the opportunity to hire extremely capable managers because of a judgement of their language skill. In the process of selection of these key personnel, be patient and accept that you will make some mistakes. Even if only one of your initial three managers works out, it may be enough to carry you through the start up stage.

In the area of people development, foreign companies have often found it helpful to provide training for their Japanese employees in their home country. This has the twofold benefit of building loyalty to the company as well as improving their knowledge of the organisation. In fact, many foreign firms consider training and hiring Japanese staff to work in the home office for a period before they enter the Japanese market.

Many failures of foreign companies in Japan are due to not placing sufficient importance on the recruiting and development of Japanese staff. These companies fail to develop high quality Japanese employees. This limits their understanding of the market and constrains their ability to delegate responsibility/authority to local management.

- Once you have capable management in place, foreign companies need to delegate sufficient authority to the local (Japanese) subsidiary

Local management needs to have enough authority to make decisions on issues which are generated locally. In one joint venture between Japanese and U.S. consumer products companies, the company was eventually sold to the Japanese partner because the U.S. firm had lost the ability to give meaningful, "real time" input to the management of the joint venture.

The Japanese company had appointed a senior manager to be their representative and given him enough authority to cover the day to day management of the firm. In contrast, his U.S. counterpart was unable to make most decisions without first consulting the home office. The result was late and often misinformed input from the home country management. Over time, the Japanese management came to dominate the actual management of the business while the foreign company became merely a silent investor.

Even with good local management, some decisions will have to be reviewed by the home office. In these cases, the key is often quick, responsive decision making.

6. The steps and actions required to succeed in Japan are well understood -- Still, many new foreign entrants forget to internalise them

- Often the difference between success and failure in Japan is whether foreign firms put the lessons learned described in this chapter into practice; not whether they understand the theory

The key lessons learned from the experiences of other foreign companies are relatively straightforward (see Exhibit 23). However, many foreign companies entering Japan for the first time tend to underestimate their importance. While individual company capabilities and business requirements vary widely, every new entrant into Japan should closely consider how these key determinants of success apply to its particular circumstances.

- Additional reference material exists on how to initially establish a business in Japan. The remainder of this guidebook focuses on further investment opportunities in the regions outside Tokyo

Since several guidebooks already exist on how to initially establish a business in Japan, we have provided references to these sources in Appendix D. The remainder of this guide addresses opportunities to further expand your business in Japan (after initial entry) with particular focus on regional investment opportunities outside Tokyo and other major urban centers in Japan.

Exhibit 23

| Area | Do's | Don'ts |
|--|---|---|
| Recruiting/ Personnel | <ul style="list-style-type: none"> • Send one of your best people • Selectively use mid-career hires • Provide training (i.e., time in home office) | <ul style="list-style-type: none"> • Underestimate time/effort needed • Overvalue "English" language capability |
| Local Management Responsibility | <ul style="list-style-type: none"> • Give local decision making authority (as possible) • Adopt quick/responsive internal decision making • Maintain continuity of management | <ul style="list-style-type: none"> • Unclear responsibilities • Long time to make decisions internally |
| Products/ Technology | <ul style="list-style-type: none"> • Differentiate products vs. competitors • Tailor to meet local requirements | <ul style="list-style-type: none"> • Enforce home country standards on Japanese customers • Provide poor quality products |
| Timeframe for Results | <ul style="list-style-type: none"> • Take a long term perspective on customer/business development • Make a consistent commitment (in good times and bad) | <ul style="list-style-type: none"> • Expect too much too soon (e.g., over aggressive pricing) • Reduce support in bad times |
| Partner Management | <ul style="list-style-type: none"> • Pick a complementary partner • Play an active role in the local business management | <ul style="list-style-type: none"> • Leave business management to Japanese partner |

IV. Where to Invest/Regional Investment Opportunities

After establishing an initial business operation in Japan, the next stage of development involves the decision on where and how to make further investments to build a local infrastructure. This usually consists of establishing manufacturing access/ capability in Japan and investment in an R&D facility. R&D investments have and are likely to continue to be in and around the immediate Tokyo or Osaka/Nagoya regions. However, manufacturing investments are clearly moving into regional areas outside the main Tokyo area.

This chapter addresses the criteria for consideration when locating your R&D and manufacturing facilities in Japan and reviews the results of an indepth study on how the 47 prefectures (local government units similar to provinces or states in Europe - see Exhibit 24) are ranked in terms of attractiveness as investment locations for these facilities.

1. A common set of criteria are used by foreign companies when making investment location decisions in Japan

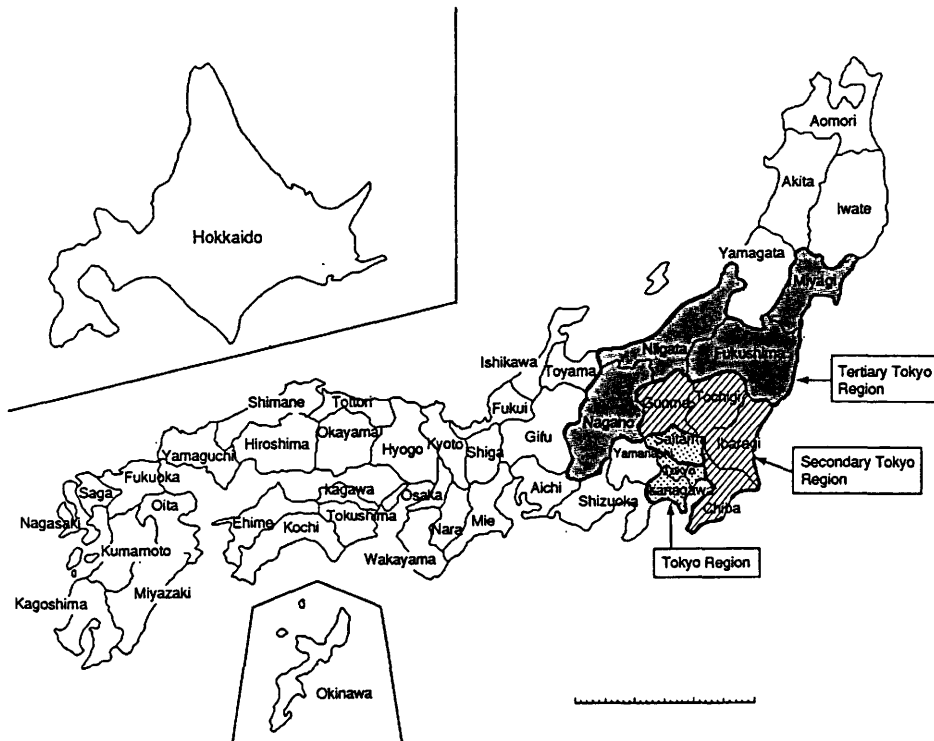
- There are four important investment location criteria cited by foreign companies in Japan
 - Labour access; i.e. the ability to recruit high quality people
 - Land availability and price
 - Distance to customers; suppliers; key government officials
 - Transportation infrastructure

- The importance of each of these criteria, however, differs by the type of investment, i.e., R&D facility vs. manufacturing plant (see Exhibit 25)

R&D facility location choice is driven by access to and ability to retain highly qualified research staff. The best researchers are attracted to work in an environment where they have access to other experts in their field and where they can regularly attend seminars on topics of interest to them. The key criteria therefore relate to access to other researchers -- either in the local university or in other R&D facilities nearby.

Exhibit 24

Japan prefectures* and Tokyo regional area definitions



* There are 47 prefectures in Japan and this chapter presents the results of our evaluation of all of these prefectures. A map of the prefectures of Japan is provided above. Also in this exhibit, we define terminology for three different groups of prefectures around Tokyo which are referred to in this chapter: the Tokyo region, secondary Tokyo prefectures and tertiary Tokyo prefectures

Exhibit 25

Main Location Decision Criteria by Function

| Type of Function | Main Criteria |
|------------------|---|
| R&D | <ul style="list-style-type: none"> • Ability to recruit quality researchers • Access to local universities with science and engineering schools • Proximity to other research facilities (to access other researchers) • For product/applications development -- close to major customer facilities • Distance from HQ or main plant |
| Manufacturing | <ul style="list-style-type: none"> • Availability and quality of local labour • Land availability and price • Access to transportation facilities • Distance from major customers and from HQ • Industry specific infrastructure requirements (e.g. waste water treatment) |

Two foreign firms, one in semiconductors and the other in chemicals, cited the need to be located near a critical mass of researchers as their reason for choosing Tsukuba City R&D park which has over one hundred R&D facilities in one location.

For applications development laboratories there is the need to be close to the customer facilities for whom the work is done. Several foreign firms claimed that with certain Japanese clients it was important to have almost daily access to customer facilities.

For manufacturing investments, the key location criteria are land and labour availability and transportation infrastructure. Typically finding a location which provides the appropriate balance between site characteristics, in terms of size, price, local building restrictions etc. and transportation access is the key consideration. In particular, the growing labour shortage in Japan places an increasing stress on the firm's ability to attract enough workers from the local population to staff the plant. The ability to transport products to customers on time and economically is also important, especially given the attention to Just-In-Time inventory management which is common in Japan.

- Government's financial incentives are generally not seen as an important factor in the investment decision making process by foreign firms

In general, the foreign firms interviewed in Japan agreed that business factors were the main drivers of their location decisions, regardless of government programs aimed at influencing the location of their investments.

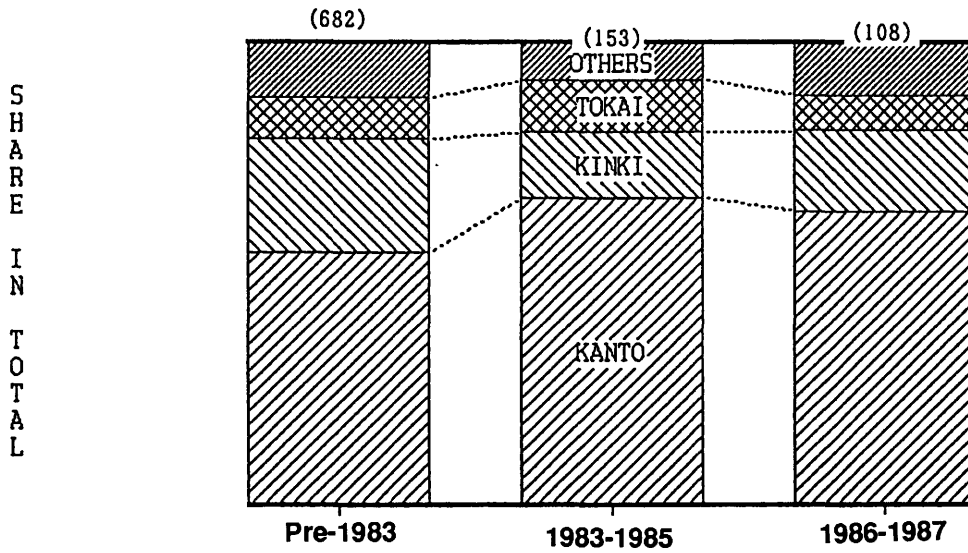
As one European chemicals company put it: "We were investing ¥10 billion yen and they were offering us ¥1 million in incentives to go somewhere else. It just made no sense to even consider it in light of the business reasons we had for locating in the area we did".

Further, there is not that large a difference in the levels of incentive which are offered by local governments. At the high end, a local government might offer a package of incentives worth ¥1-2 million versus ¥0.5-1 million by a less aggressive prefecture. Not surprisingly, those prefectures offering higher incentives are typically in the more remote areas.

Most foreign firms interviewed claimed that the attitude of the local officials is more important than the financial incentives offered by the local governments. For example in one instance (a chemical company investment in an environmentally sensitive area) local officials were actually opposed to the investment. This lack of co-operation actually killed the project. In other cases foreign firms were favourably influenced where the local government was willing to help with recruitment and assist with the procedures to speed up the setting up of the operations.

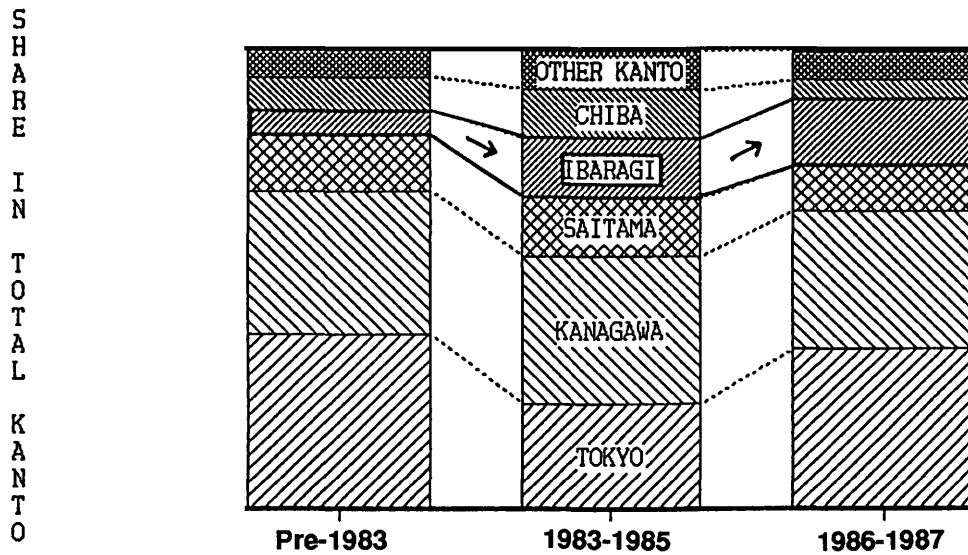
Exhibit 26

**Trend in R&D Investment
Share of New R&D Labs
(By Region)**



Source: JDB, Nikkei Shimbun

**Share of New R&D Labs
(Kanto Region)**



Source: JDB, Nikkei, Shimbun

2. For R&D facilities Tokyo, Tsukuba and other main urban areas remain the first choice for foreign investment

R&D facilities are expected to continue to be concentrated around Tokyo and the other major urban areas. The success of the research park in Tsukuba City (Ibaragi prefecture) is the one exception to this trend but this success is not expected to be replicated by other more remote prefectures in the near future.

- R&D investment in Japan has been concentrated in major urban areas

The major urban areas surrounding Tokyo (Kanto), Osaka (Kinki) and Nagoya (Tokai) have and continue to attract close to 90% of all new R&D facility investment in Japan (see Exhibit 26). The Kanto region (Tokyo and the prefectures immediately surrounding it) accounts for over 60% of this total. Within the immediate Tokyo area, Tokyo and Kanagawa account for over two-thirds of the investment (see Exhibit 26). The only other major area for R&D investment which emerged in the 1980's was Tsukuba City in the Ibaragi prefecture.

- An evaluation of prefectural R&D investment sites in Japan indicates that this trend is expected to continue

All 47 prefectures in Japan were ranked on a scale of 1-10 in terms of attractiveness as R&D facility sites. The criteria used were those considered to be the most relevant to R&D location decision making:

- Availability and quality of R&D workforce
- Distance from Tokyo (HQ location)
- Density of R&D labs in the neighbourhood
- Distance to customers (Industrial concentration)

Exhibit 27

Top 10 Prefectures for R&D Facility Location

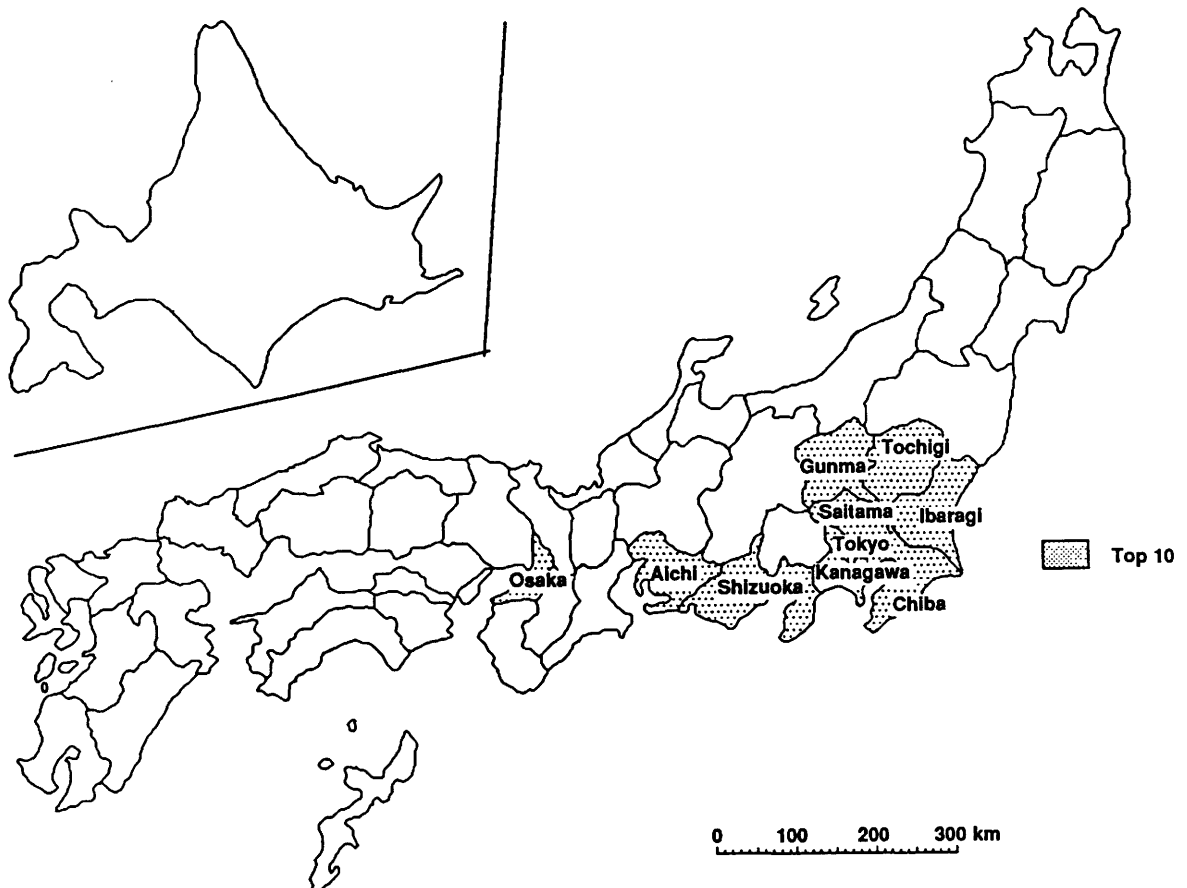
Attractiveness on Scale of 10*

| | |
|-------------|-----|
| 1. Tokyo | 8.0 |
| 2. Kanagawa | 6.5 |
| 3. Aichi | 6.0 |
| 4. Osaka | 4.5 |
| 5. Saitama | 4.2 |
| 6. Ibaragi | 3.9 |
| 7. Shizuoka | 3.5 |
| 8. Chiba | 3.5 |
| 9. Tochigi | 3.3 |
| 10. Gunma | 3.1 |

*: Average score for all prefectures=2.4

Source: Booz, Allen Survey of Prefecture R&D Location Sites

Prefecture attractiveness - R&D investment



Based on this analysis, three prefectures emerge as clear favourites: Tokyo, Kanagawa and Aichi (see Exhibit 27). There is a relatively large gap between these prefectures and the other top ten R&D locations.

Tokyo scores the highest as an R&D location. Over one-third of all science and engineering graduates and one-fifth of all universities are located in the prefecture. In addition, 25% of all new R&D facilities established in Japan since 1983 have been in Tokyo. Tokyo is an attractive place for researchers to live in and it has extremely good access to the majority of the industrial firms in Japan. This allows close working relationships with customers on application development.

Kanagawa benefits greatly from its proximity to both Tokyo and industrial customers. Kanagawa ranks just after Aichi in terms of the level of industrialisation. Since 1983 it has also attracted over a quarter of the total R&D investment in new facilities to its numerous R&D parks.

Aichi scores well as a result of its location in the industrial heartland of Japan. Situated 90 minutes from companies in Tokyo and Kanagawa, and given its place as the most highly industrialised prefecture in Japan, it is well positioned as a location for application development labs. In addition, Aichi has the third highest number of both the science/engineering graduates and the number of universities in Japan.

The other prefectures in the top 10 are all located in or near the major urban centres of Tokyo/Osaka/Nagoya. This matches the overall concentration of economic and educational concentration in Japan. All are within 90 minutes of one of the major urban centres in Japan.

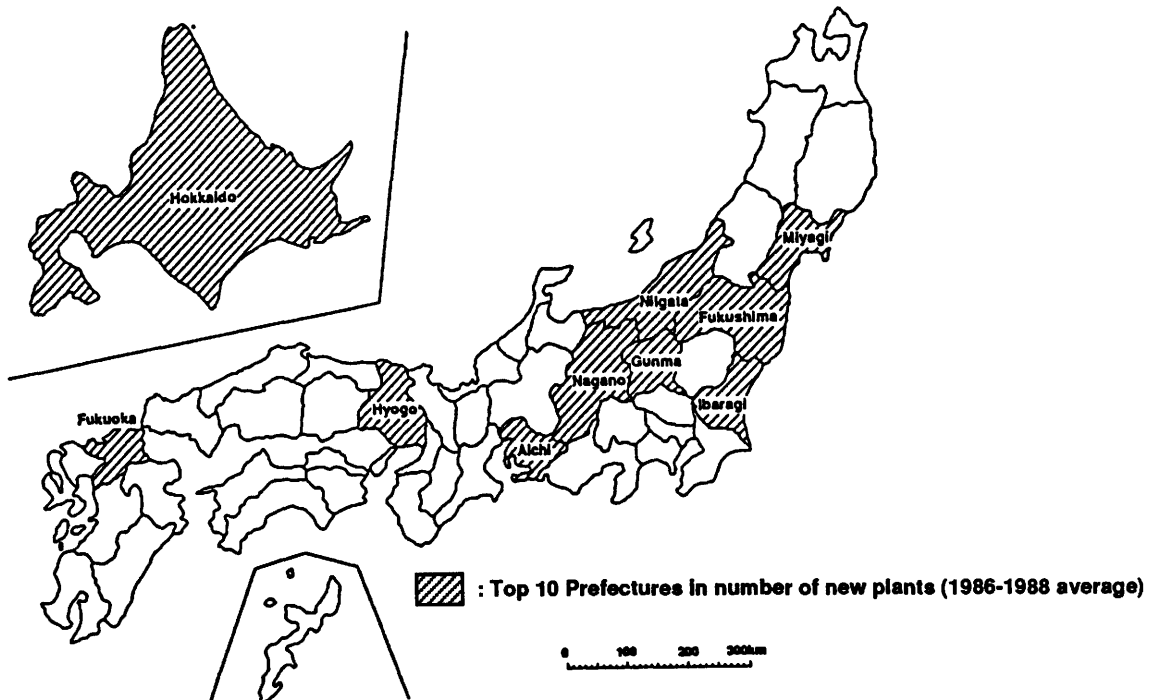
- Tsukuba City, in Ibaragi prefecture, is the result of an intense government effort to encourage R&D investment outside of Tokyo

Ibaragi is in the top ten prefectures almost exclusively due to the presence of Tsukuba City R&D park. Today there are over one hundred private and public R&D facilities which are located in this area. However, Tsukuba is the result of nearly thirty years of central government policy aimed at creating an R&D centre outside the immediate Tokyo area. This investment only began to show signs of achieving its goal in the last five years. In fact, the increasing R&D investment in Ibaragi is the only major trend away from the continued concentration of R&D investment in and around Tokyo and the other major urban centres.

A number of other prefectures are also attempting to replicate the success of Tsukuba City by developing R&D parks and offering tax exemptions and subsidies to attract such facilities. Both the central and the prefectural officials are, however, pessimistic that any significant change in investment patterns will result.

Exhibit 28

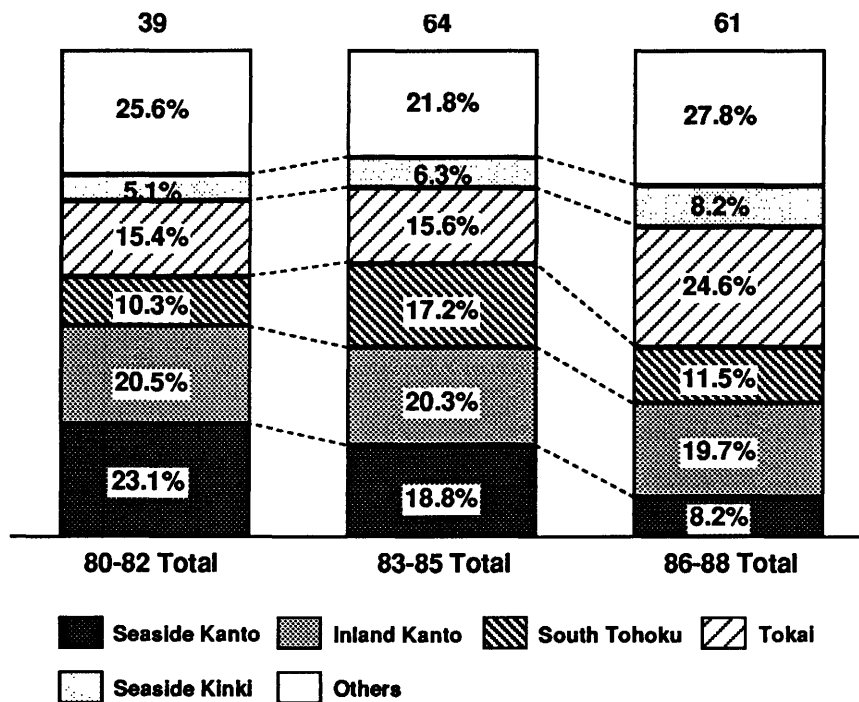
Distribution of new Japanese plants



Source: Trend of Newly Acquired Land for Plant (MITI)

Exhibit 29

**Annual number of new foreign plants
(breakdown by region)**



Note: Foreign plants = plants owned by companies whose foreign ownership ratio exceeds 50%
Source: Trend of newly acquired land for plants (MITI)

3. For manufacturing sites -- Foreign firms should consider locations outside the immediate Tokyo area

Manufacturing location choices are spread over a much broader geographic area than either HQ or R&D facility location choices. For these types of investments, there is clearly a trend away from Tokyo into the secondary and tertiary prefectures surrounding Tokyo; into Aichi (Nagoya); and possibly into more rural areas in the future.

- There is a trend away from Tokyo for new manufacturing investments

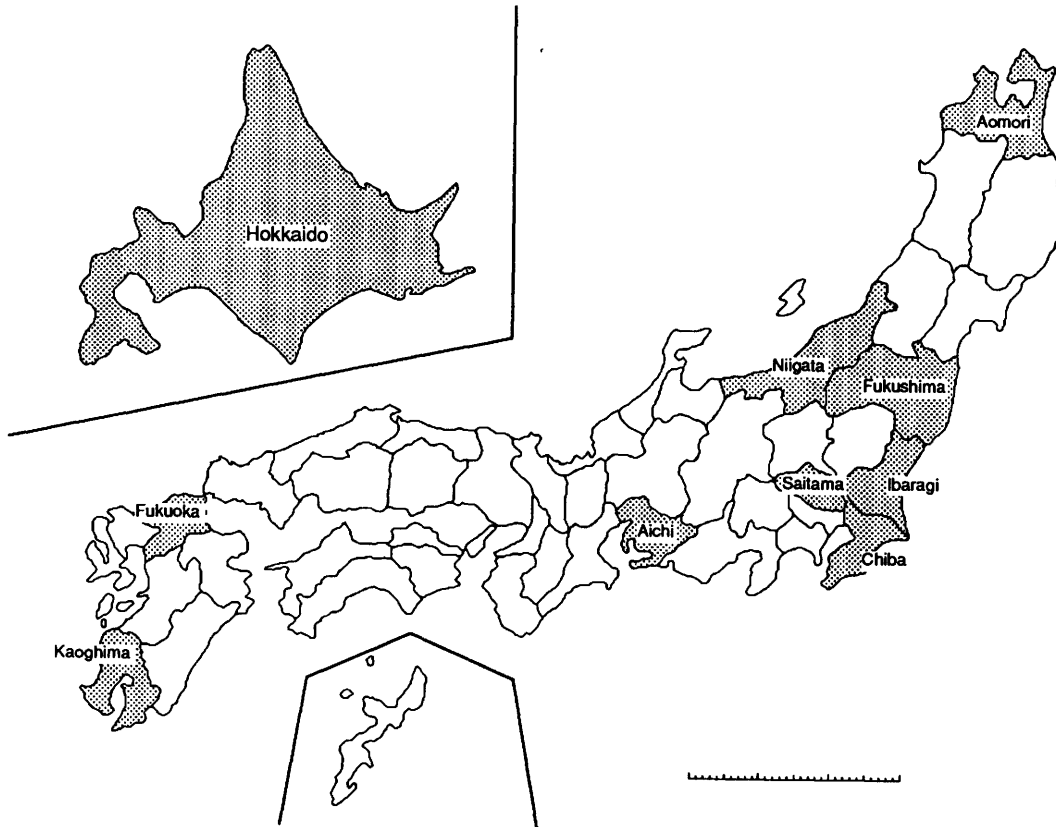
This trend is driven mainly by the shortages in land and labour availability in and around Tokyo. The prefectures which have benefitted most from this are in the secondary and tertiary prefectures which surround Tokyo, Aichi prefecture, and the more remote prefectures of Hokkaido and Fukuoka in Kyushu (see Exhibit 28). Since 1986, this trend has been reinforced by the sharp rise in land prices in the Tokyo and Kanagawa areas.

- Foreign companies have lagged behind this trend

The trend in foreign manufacturing investment in the 1980's has been towards the Nagoya area -- the most highly industrialised region of Japan (see Exhibit 29). The main industrial regions immediately surrounding Tokyo, Osaka and Nagoya still account for over two-thirds of all new foreign plant locations. Thus it appears that foreign firms have not yet taken advantage of the secondary and tertiary Tokyo locations to the same extent as their Japanese counterparts. Overall, foreign companies have also invested much less in the more remote areas.

Exhibit 30

Top 10 prefectures for new manufacturing investment



| Type of Region | Main Characteristics |
|---|--|
| Secondary/Tertiary Tokyo Area <ul style="list-style-type: none"> • Fukushima • Chiba • Ibaragi • Niigata | <ul style="list-style-type: none"> • Relatively inexpensive land prices versus major urban centres • Good transportation network to major Japanese markets • Moderate but increasing level of competition for land and labour force |
| Traditional Industrial Area <ul style="list-style-type: none"> • Aichi (Nagoya Area) • Saitama (next to Tokyo) | <ul style="list-style-type: none"> • Major industrial centre and market in its own right • Still some land and labour availability - but changing • Good transportation network |
| Remote Areas <ul style="list-style-type: none"> • Hokkaido • Fukuoka (Kyushu) • Aomori (North Tohoku) • Kagoshima (Kyushu) | <ul style="list-style-type: none"> • Good land availability and price • Very good access to labour force (by Japan standards) • Relatively poor transportation access to main markets in Japan • Local markets not yet well developed to support focused geographic investment • Local government support -- especially further away from Tokyo |

Source: European Commission, Booz, Allen

4. The most attractive prefectures for new manufacturing investment in Japan fall into three groups

All 47 prefectures were examined for their attractiveness as manufacturing locations -- based on the following generally used criteria:

- **Infrastructure**
 - Land availability and price
 - Transportation infrastructure
 - Hours from Tokyo
- **Manpower resources**
 - Labour availability
 - Level of competition for the labour
 - Quality of work force
- **Close to customer/market**
 - Level of industrialisation of the prefecture
 - Distance from the major markets
- **Government attitude**
 - Level of investment promotion effort
 - Attitude towards investment
- **Three main types of prefectures emerged as attractive for potential manufacturing locations**

The three areas were: the secondary/tertiary Tokyo areas (Fukushima, Chiba, Ibaragi, Niigata); a selection of more remote areas, in particular Hokkaido and Fukuoka in Kyushu and the traditional industrial areas (Saitama, Aichi). The factors which make each of these areas attractive are different (see Exhibit 30).

Exhibit 31

Ranking of prefectures - infrastructure

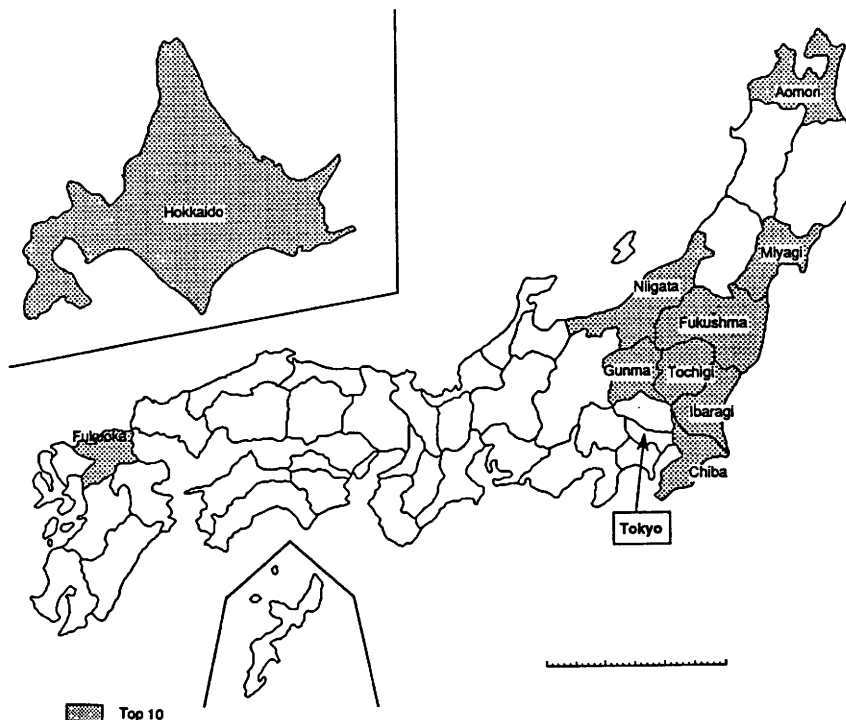
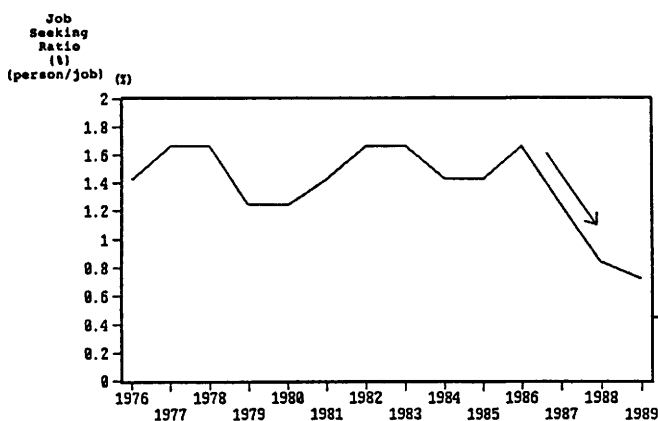


Exhibit 32

Labor Availability

Job Seeking Ratio for All of Japan (1986-1989)



Job Seeking Ratio -- High School Graduates (1989.3)

| Ranking | Name of Prefecture | Job Seeking Ratio (%) |
|---------|--------------------|-----------------------|
| 1 | Kagoshima | 1.47 |
| 2 | Okinawa | 1.25 |
| 3 | Miyazaki | 1.22 |
| 4 | Oita | 1.18 |
| 5 | Nagasaki | 1.16 |
| 6 | Kochi | 1.12 |
| 7 | Aomori | 1.10 |
| 8 | Yamaguchi | 0.92 |
| 9 | Shimane | 0.88 |
| 10 | Iwate | 0.86 |
| 11 | Hokkaido | 0.85 |
| 12 | Sega | 0.84 |
| 13 | Wakayama | 0.84 |
| 14 | Kumamoto | 0.79 |
| 15 | Tokushima | 0.79 |
| 16 | Nara | 0.78 |
| 17 | Fukuoka | 0.71 |
| 18 | Akita | 0.69 |
| 19 | Ehime | 0.65 |
| 20 | Chiba | 0.64 |
| 21 | Tottori | 0.63 |
| 22 | Okayama | 0.62 |
| 23 | Miyagi | 0.59 |
| 24 | Saitama | 0.57 |
| 25 | Fukushima | 0.57 |
| 26 | Niigata | 0.56 |
| 27 | Hyogo | 0.55 |
| 28 | Yamagata | 0.55 |
| 29 | Ibaragi | 0.53 |
| 30 | Tochigi | 0.49 |
| 31 | Ishikawa | 0.49 |
| 32 | Mie | 0.48 |
| 33 | Yamanashi | 0.47 |
| 34 | Shiga | 0.46 |
| 35 | Gifu | 0.44 |
| 36 | Hiroshima | 0.44 |
| 37 | Nagano | 0.44 |
| 38 | Shizuoka | 0.44 |
| 39 | Kyoto | 0.43 |
| 40 | Toyama | 0.43 |
| 41 | Kagawa | 0.42 |
| 42 | Gunma | 0.41 |
| 43 | Kanagawa | 0.41 |
| 44 | Fukui | 0.39 |
| 45 | Osaka | 0.37 |
| 46 | Aichi | 0.34 |
| 47 | Tokyo | 0.17 |
| Average | | 0.48 |

Source: Ministry of Labour

- The secondary/tertiary areas to the north of Tokyo have the most attractive infrastructure for manufacturing investment and relatively easy access to labour

The secondary/tertiary Tokyo prefectures can be characterised as newly industrialising prefectures. These areas have only recently been focal points for new investment.

Areas just outside Tokyo rank very highly based on the trade off made between land availability and cost versus access to a good transportation network (see Exhibit 31). The further one moves away from Tokyo the more land is available at an affordable price. This must be weighed against the disadvantages of poor transportation facilities and access. The areas to the north of Tokyo are, however, increasingly well served by extended highway systems (e.g. Tohoku Expressway) and Shinkansen rail links.

These traditionally rural areas have relatively attractive access to labour. However in some instances a generally sparse population and an increased investment in new plants has resulted in a sharp tightening of the labour market. The prefectures in the secondary and tertiary Tokyo region should, therefore, be checked-out on a case by case basis for local availability.

- • More remote areas provide good labour access and government assistance but at the expense of being distant from major customers

Regions furthest away from the main urban centers of Tokyo, Osaka and Nagoya are amongst the few areas in Japan where labour availability is high (see Exhibit 32). This, coupled with the lowest land costs in Japan, make these areas attractive as potential manufacturing sites. In addition, these prefectures have local governments with the most positive attitudes toward foreign (or any) investment. These prefectures are actively seeking new investment and welcome approaches by all types of firms and industries.

However, these advantages are offset by their relatively poor transportation facilities and lack of access to main markets and customers in Japan.

Hokkaido and Fukuoka may be exceptions because of their roles as regional market centres. In these cases, a foreign firm needs to examine whether local demand economically justifies a manufacturing facility. Foreign firms seeking to serve a majority of the Japanese market may find these areas to be too far removed from their main customers. Currently, there are only isolated examples of larger companies locating in such areas, e.g. Toyota in Fukuoka. In the future, these locations merit review on a case by case basis by foreign firms as land and labour availability forces more large Japanese companies (potential customers) to follow the Toyota example.

Exhibit 33

Industry Impact on Location Decision

| <u>Industry Section</u> | <u>Investment Characteristics</u> | <u>Current Investment Trends</u> | <u>Priority Prefectures for Future Investment</u> |
|--------------------------|---|---|--|
| Petroleum | • Highly concentrated in prefectures with petrochemical complexes | • Continued investment in traditional prefectures • Some increase in new plants in Hokkaido | • Kanagawa (1) • Ibaragi * (10) • Hokkaido *(11) |
| Steel | • Highly concentrated in traditional steel making prefectures | • Rationalisation of industry expected to increase concentration | • Chiba * (2) • Aichi * (3) • Niigata * (20) |
| Transportation Machinery | • Highly concentrated in prefectures with major vehicle OEMs | • Continued investment near OEM plants – new plants in Fukuoka and Hokkaido could draw increased investment | • Fukuoka * (14) • Hokkaido * (28) • Aichi * (1) |
| Precision Machinery | • Traditionally highly concentrated, in particular in Nagano Prefecture | • Clear trend for shift in new plant location to Tohoku region | • Ibaragi * (9) • Fukushima * (6) • Niigata * (14) |
| General Machinery | • Average level of industry concentration, located near main industrial centres | • Move from main industrial centres to neighbouring prefectures | • Aichi * (1) • Hyogo (5) • Fukushima * (25)/ Niigata * (16) |
| Chemicals | • Average level of concentration but category includes wide variety of industries, bulk and specialty chemicals and pharmaceuticals | • Continued investment in traditional areas – some trend for new plants north of Tokyo | • Fukushima * (11) • Chiba * (3) • Hyogo (7) |
| Electric Machinery | • Average level of concentration overall but Tokyo, Kanagawa and Osaka account for nearly 30% of investment | • Strong trend for new plant location in area north of Tokyo | • Fukushima * (11) • Yamagata (20) • Niigata * (16) |
| Food | • Below average level of concentration, tends to follow distribution of population | • Continued distribution according to population trends | • Hokkaido * (4) • Hyogo (3) • Fukuoka * (8) • Niigata * (15) |

* In ranking of top ten attractive prefectures for manufacturing locations
() current rank of prefecture by share of manufacturing investment in that industry

The investment environment in traditional industrial areas is becoming tighter with the increasing scarcity of land and labour

The major industrial centres (e.g. Aichi with Nagoya area) and nearby prefectures (e.g. Saitama close to Tokyo) provide excellent access to major customers and have highly developed and accessible transportation facilities.

The investment environment in these areas is, however, changing quickly. Scarcity of land and labour combined with higher land prices is forcing trade offs against accessibility to customers and transportation facilities. The traditional industrial areas now have amongst the lowest job seeking ratios in the country (see Exhibit 32).

For example, in Saitama prefecture, 30 minutes north west of Tokyo, there are as many as five companies competing for every opening in the new industrial parks. Thus foreign firms without prior access to land and labour (typically through a Japanese partner) will find locating a manufacturing site in these areas to be difficult. Prefectural governments in the immediate Tokyo and other traditionally industrialised regions are more concerned about managing the portfolio of companies that are investing in their prefectures rather than attracting new investment. Thus they tend to favour R&D/advanced technology oriented companies and generally have a passive attitude towards investments which generate employment opportunities.

5. The choice of location for a manufacturing site varies by industry and company size

- The choice and flexibility of a manufacturing location differs by industry, depending in part on customer concentration

Companies in industries which have greater geographical concentration of investment (petroleum, transportation machinery, etc.) have less flexibility in choosing a manufacturing site. The location of investment in these industries tends to be driven by either unique infrastructure requirements or the concentration of customers. In contrast, industries with high product value added or fragmented customer bases have more location flexibility. Examples of industries in this category in Japan are the food and electrical machinery industries. Exhibit 33 provides a preliminary guide to regional investment in Japan by major industry.

- In general, small and medium sized companies have less flexibility in choosing a location

They have more difficulty in attracting employees and obtaining help from some local prefectures because, typically, they have less well known names. In addition, smaller companies have fewer resources available in-house to spend on the location decision and thus examine fewer options than larger firms. In contrast, large companies have more location flexibility in Japan because the prestige associated with their name and size helps both when bidding for industrial sites and when hiring employees.

This difference due to company size is particularly important for foreign companies. A small and medium sized foreign company is much more dependent on the support systems which are available to help them in Japan than a larger foreign firm. Thus, small or medium sized firms are strongly urged to make use of the various resources available (described in chapter 3 and detailed in Appendices A and B) when making these location decisions. Limited resources, both financial and personnel, also imply that smaller sized foreign companies should consider working with a Japanese partner more seriously. This partner can, in many cases, help them overcome resource constraints.

V. The Investment Environment In Selected Prefectures

This chapter examines in detail the investment environment in a selection of the "attractive" prefectures -- Fukushima, Chiba, Saitama, Aichi and Fukuoka. These prefectures were chosen as being representative of the different types of investment environments in Japan.

1. Fukushima prefecture provides an attractive Investment location in the tertiary Tokyo region

Fukushima prefecture (see Exhibit 34) is about one and a half hours by train to the north of Tokyo. It is representative of the area which lies in the tertiary ring of prefectures surrounding Tokyo. Traditionally, it was considered a rural prefecture far removed from Tokyo. However, its good transportation infrastructure and good land and labour availability has made it an attractive investment location.

- New plant investment has grown steadily

Throughout the latter half of the 1980's, the number of new plants being located in Fukushima has grown steadily to reach a current level of 150 new plants annually. About half of this new investment is in the southern/central districts of the prefecture. These districts are located closest to Tokyo and have the Tohoku Expressway and Shinkansen running through them.

Of the total new investment, 25% has been in the electrical machinery industry -- this is twice the national average for prefectures (see Exhibit 35). The origin of this new investment is spread evenly: one-third each, between Tokyo companies, local companies from the Fukushima prefecture, and companies from the other regions of Japan.

Exhibit 34

Fukushima

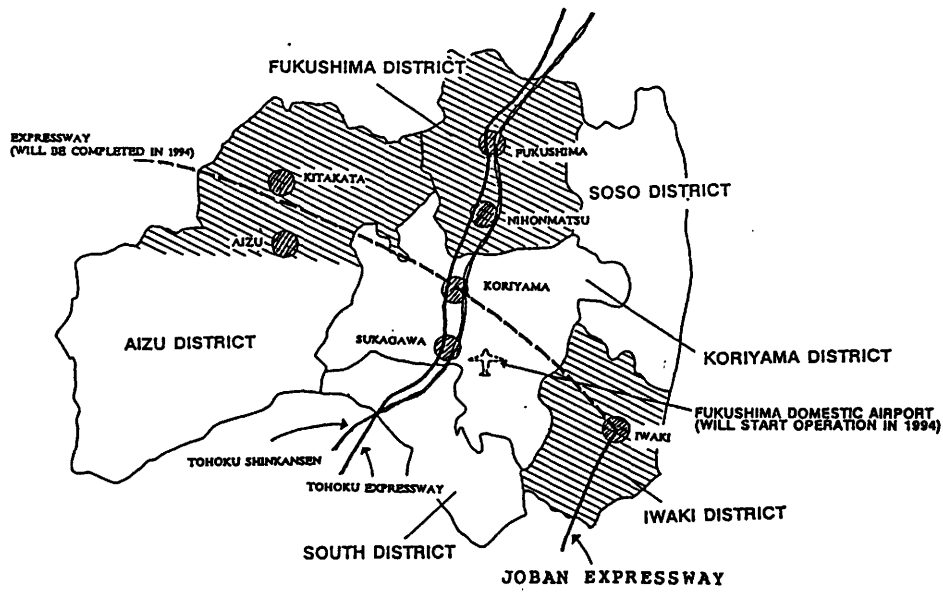
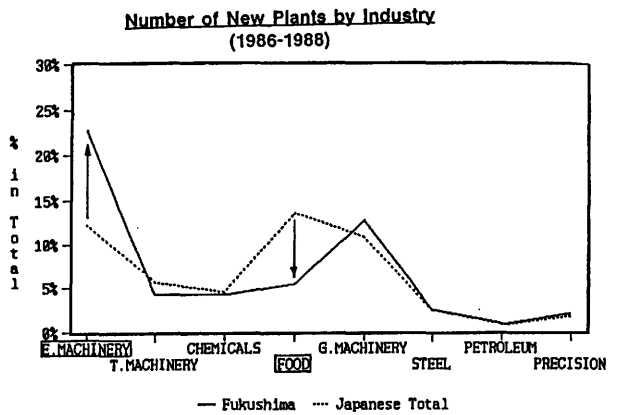
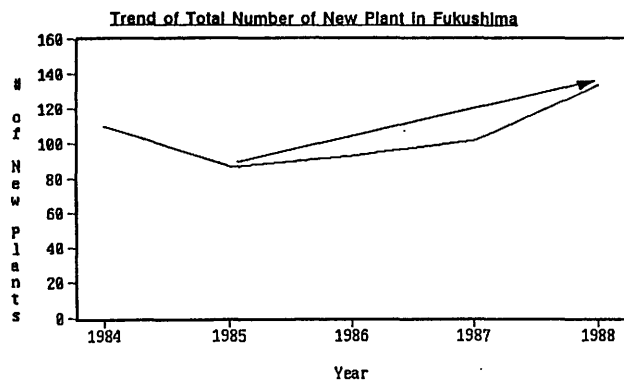


Exhibit 35

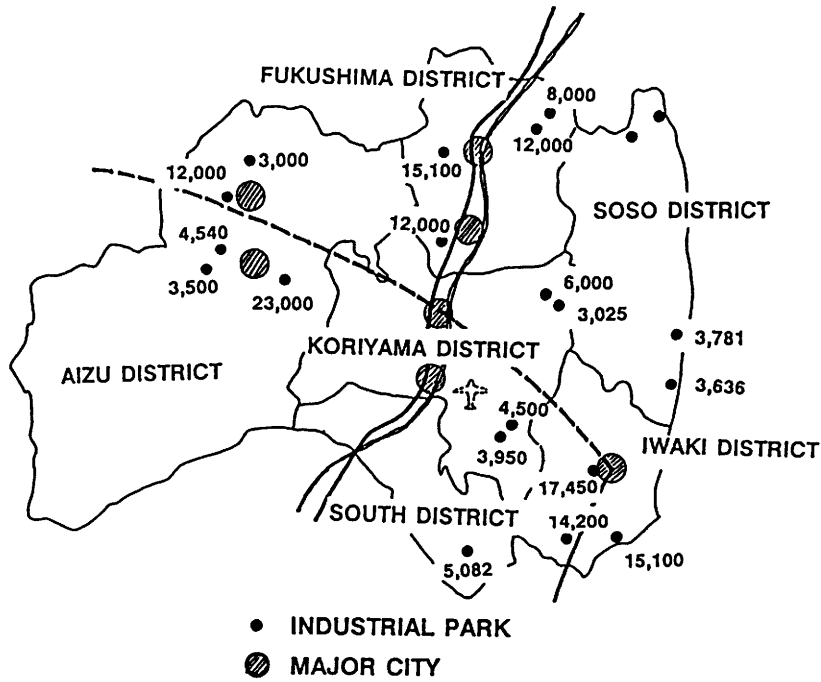
Fukushima Prefecture



Source: MITI

Exhibit 36

Fukushima - Distribution of available industrial parks



Note: Numbers next to industrial parks are the price (¥/m²)

Source: Fukushima Prefecture, Booz-Allen Interviews

Exhibit 37

Incentive Programme ... Prefectural Level -- Fukushima

Incentive Programme ... Municipal Level--Fukushima

| | Plant | | | Focused on R&D Labs | Focused on Foreign Companies |
|---------------------|----------------------------------|--------------------------|------------------------------|---------------------|------------------------------|
| | Applicable to All Types of Plant | Focused on Specific Area | Focused on Specific Industry | | |
| Local Tax Exemption | ○ | ● | ○ | ○ | ○ |
| Subsidy | ○ | ○ | ○ | ○ | ○ |
| Loan | ○ | ●* | ○ | ○ | ○ |

● Incentive Programme Exists

○ No Incentive Programme

*: Targeting small/medium sized companies

| Incentive System | Cities with Incentive* Programmes/Total Cities | (%) |
|-------------------------|---|------|
| Local Tax Exemption | 60/90 | 66.7 |
| Loan, Subsidy and other | 9/90 | 10 |

* Number of cities and villages that have the incentive programme/
 Total number of cities and villages

- The main driver of investment has been the good, and relatively inexpensive, land and labour availability

In general the land availability in Fukushima has been very good -- about 60% of new plants were located in industrial parks and the rest on greenfield sites. However, as might be expected given the pace of new plant investment, the situation is becoming tighter. In particular, the development of industrial parks in the south-central districts is beginning to lag behind demand although there is still some availability.

In all the other areas in Fukushima a wide variety of industrial park land is available. (see Exhibit 36). Many of these industrial parks border the northern section of the Tohoku Expressway/Shinkansen in Fukushima district or in Iwaki district which is linked to Tokyo along the Joban Expressway. The extension of the Joban expressway across the center of Fukushima is expected to open up the relatively unexploited district of Aizu which lies in the west of the prefecture. Here, there is not only more land but the prices are relatively low by Japanese standards. The majority of industrial park land prices (as of 1989) were around ¥10,000/m², with a few of the most attractive and sought after sites pushing towards ¥20,000/m² (compared with over ¥200,000/m² in the Tokyo region).

Until 1988, the creation of job opportunities for local residents was a major concern of the prefectural government. The new wave of investment has, however, made employment less of an issue. Overall, recruiting local factory workers is not very difficult (the southern-central region along the Shinkansen line may be an exception as the situation is changing rapidly there).

While recruiting factory workers is generally not a major problem, the lack of a quality university with an engineering department in the prefecture can sometimes make the recruiting of potential managers a bit more difficult. Generally firms recruit management staff from other areas in Japan.

- Despite the recent influx of new plants, the Fukushima prefectural government continues to be very active in seeking new investment -- including investment by foreign firms

The prefecture has a number of staff working in Tokyo and Osaka to introduce companies to the prefecture. With support from the MITI regional development office the prefecture sponsors an industry tour specifically for foreign companies once a year. In addition, the largest city of Iwaki district, Iwaki City, sponsors its own industry tour exclusively for foreign companies.

There is also a wide range of incentive programmes in Fukushima (see Exhibit 37). For instance, the entire prefecture is eligible for national incentive programmes. There are also a number of prefectural and local municipal incentive programmes. For example Fukushima City, located in the north of the prefecture along the Tohoku Expressway and Shinkansen line, offers subsidies of up to one-third of the land cost for plant location. The prefectural and municipal government can be helpful in identifying which programmes your company could be eligible for.

- Fukushima has started to become a popular location for foreign manufacturing plants

Given the overall environment in Fukushima, this prefecture is recommended as an attractive investment location for foreign firms almost regardless of company size and/or industry. While the south-central region is becoming more competitive, the areas to the north along the Shinkansen line and the Iwaki district along the Joban Expressway are particularly attractive locations. Towards the mid-'90's as the Joban Expressway is extended to the northern part of Aizu district, this will also become an increasingly popular plant location site. Since 1986, more than 5 foreign firms have located here. A number of foreign firms have been attracted by the good local infrastructure and the positive attitude of the local government.

For a French food processing company Fukushima was located close enough to Tokyo and land prices were very reasonable. In another case a foreign metal firm looked at over 40 different sites on the main island of Japan before settling on a location near Iwaki City. They were impressed with the help provided by the local government and the good labour availability. A foreign electrical machinery manufacturer also chose Fukushima prefecture after an extensive search process. They felt that the inconvenience due to the distance from Tokyo was more than compensated for by the low land prices. While they had no problems recruiting factory workers, they did have some difficulties in recruiting managers.

- The Fukushima investment environment is typical of the tertiary Tokyo region

In the tertiary Tokyo region including Miyagi, Niigata and Nagano prefectures (see map of Tokyo Regional Areas in Chapter IV) there has been a general increase in the rate of new plant investment driven by good land and labour availability. However, due to the rapid increase in new plant investments, one must look more closely at the specific labour availability situation on a case by case basis. The regions closest to Tokyo and the areas located near major rail and transportation lines are the most accessible areas for labour imported from other regions.

2. Selected areas of Chiba prefecture offer attractive investment opportunities for foreign companies

Chiba prefecture (see Exhibit 38) is North-East of Tokyo and constitutes the main landmass, the Boso Peninsula, which surrounds Tokyo Bay. Traditionally, Chiba has been considered a sleepy backwater area when compared with Tokyo.

Exhibit 38

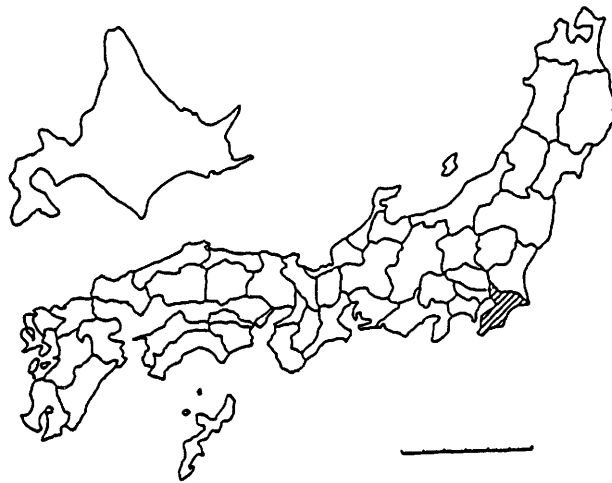
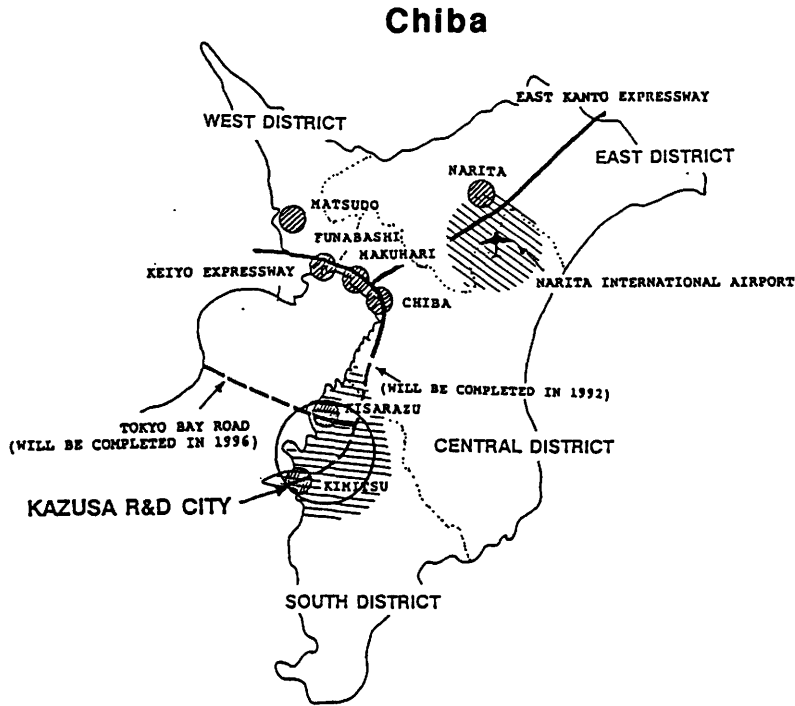
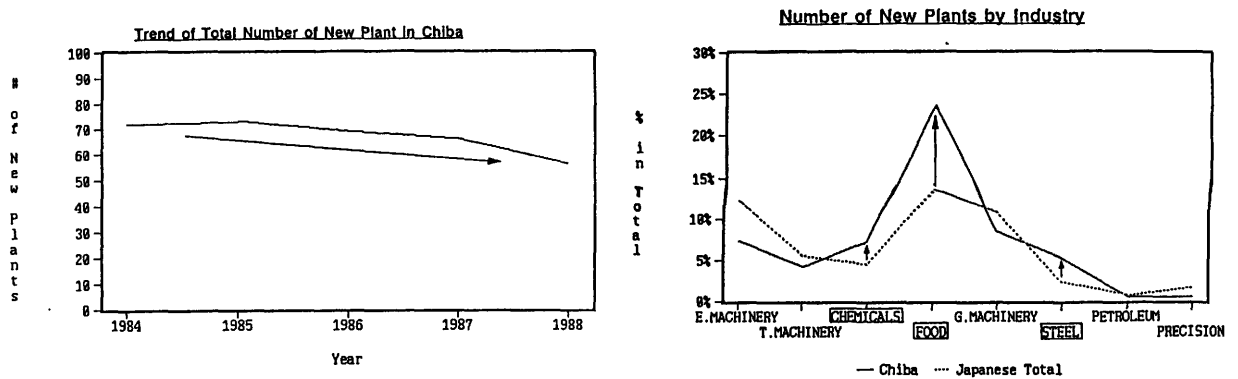


Exhibit 39

Chiba Prefecture Investment Trends



Source: MITI

Today, Chiba represents a mix of highly industrialised districts and other less densely populated agricultural districts. It has a number of heavy industries (steel and chemicals) and farming primarily to serve the population of Tokyo. However, the last ten years have seen a strong growth in the industrialisation of Chiba, particularly in the area surrounding Narita (the New Tokyo International Airport).

- Overall the level of new plant investment has been flat, although it varies by district

New plant investment has leveled-off since the mid-80's after a steady increase since the early 1990's (see Exhibit 39). The vast majority of the new plant investment has been in the area between the Tokyo border and the airport at Narita. There has been a much lower level of new investment in the area further south on the Boso Peninsula.

More than 50% of the new plant investment has been by Tokyo based firms and another 30-40% of investment has been by local industry.

Of the recent new plant investments, a quarter were in the food industry, almost twice the national average for a prefecture. This in fact underscores Chiba's dual nature as an attractive industrial site close to Tokyo with access to ample agricultural land in the south.

The one other significant investment trend in the prefecture is that almost one third of the new plant site purchases have been by medium sized companies. Prefecture officials attribute this to the generally smaller average size of food processing companies which own them.

- The land and labour availability in Chiba differs widely between the industrial north and the agricultural south

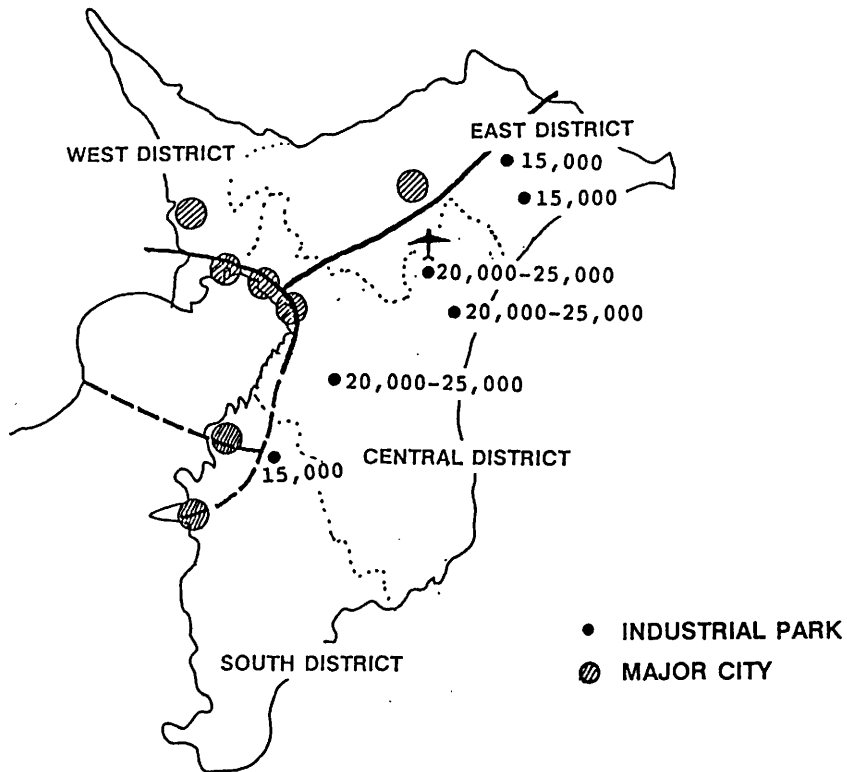
Chiba's overall labour availability is about average but with very different local conditions between the North and the South.

In the two northern districts of Makuhari/Chiba (known as West District) and Narita (known as East District), the labour market is relatively tight. Most people can easily access Tokyo which is a 60-90 minute commute from these areas. Further, there is heavy competition for the remaining labour market from the high concentration of industries along the East Kanto Expressway between Tokyo and the airport at Narita.

In contrast, in the more rural areas to the south (Kazusa and Awa districts) the labour availability is relatively good.

Exhibit 40

Chiba - Distribution of Available Industrial Parks



Note: Numbers next to industrial parks are the price (¥/m²)

Source: Chiba Prefecture, BAH Interviews

Exhibit 41

Incentive Programme ... Prefectural Level -- Chiba

| | Plant | | | Focused on R&D Labs | Focused on Foreign Companies |
|---------------------|----------------------------------|--------------------------|------------------------------|---------------------|------------------------------|
| | Applicable to All Types of Plant | Focused on Specific Area | Focused on Specific Industry | | |
| Local Tax Exemption | ○ | ● | ○ | ○ | ○ |
| Subsidy | ○ | ● | ○ | ● | ○ |
| Loan | ○ | ● | ○ | ● | ○ |

● Incentive Programme Exists
○ No Incentive Programme

Incentive Programme ... Municipal Level--Chiba

| Incentive System | Cities with Incentive* / Total Cities | (%) |
|-------------------------|---------------------------------------|------|
| Local Tax Exemption | 9/80 | 11.3 |
| Loan, Subsidy and other | 0/80 | 0.0 |

* Number of cities and villages that have the incentive programme / Total number of cities and villages

The situation is very similar regarding land availability. Currently the industrial parks in the Makuhari/Chiba and Narita districts are almost sold out. As more than 80% of plant investment in Chiba is in industrial parks this is indicative of the tough competition for land in these districts. Currently there are plans for two new industrial park developments each year for the next three years (see Exhibit 40). These parks will be located in the Narita and Kazusa districts. Competition for land in these new industrial parks is expected to be high -- particularly in the Narita district. In part this is due to the cost of these industrial parks. These will be in the ¥30,000/m² range, relatively inexpensive considering their distance from Tokyo (where rates average over ¥200,000/m²).

Looking ahead, the area in the south of the prefecture and particularly in the Kazusa district will become even more attractive when the Tokyo Bay road (under the Tokyo Bay) is completed in 1996 and the Keiyo Expressway is completed in 1992. These projects will improve its transportation infrastructure to a level almost matching the very accessible northern districts.

- The prefectural government's attitude towards foreign companies is very positive

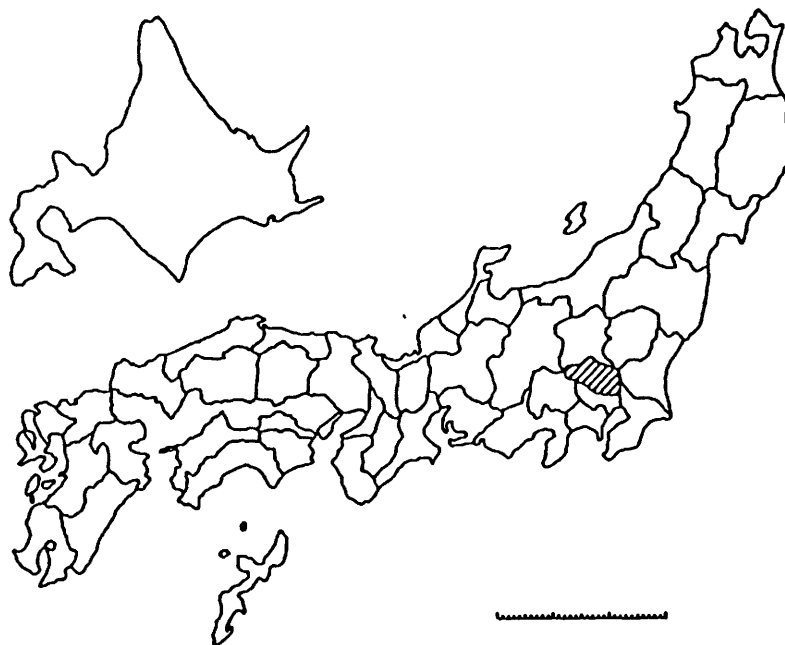
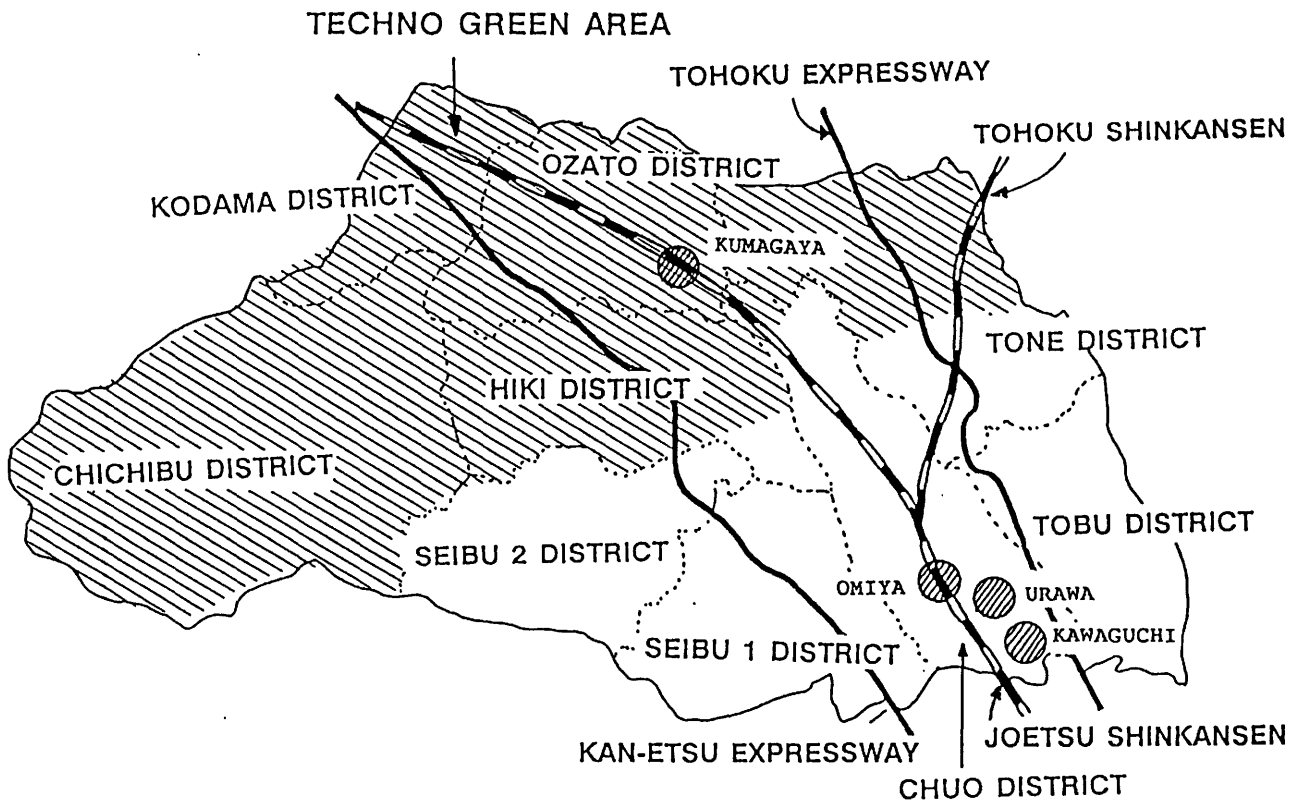
The prefecture is actively seeking investment by foreign companies with several public relations centres in North America and West Germany. Their general policy is, however, to seek large plant investments in their industrial parks, i.e., those occupying 17,000m² or more, and from high technology industries. This policy is in line with the "Chiba Industrial Triangle Concept" which is aimed at more advanced technology and R&D investment in the prefecture between Narita, Makuhari and Kazusa districts.

A number of prefectural incentive programmes reinforce this policy. These programmes tend to be aimed at R&D labs and industrial parks (see Exhibit 41). For the most part there are only a limited number of prefectural level incentive programmes available and they apply mainly to the rural areas of the prefecture.

- Consequently, Chiba prefecture is more attractive for foreign companies considering investing in a large plant (larger than 17,000m²) and in a high technology industry

In terms of districts within Chiba, the Kazusa district is particularly attractive with its relatively good land and labour availability and adequate transportation infrastructure. This district will become even more attractive once the connection to Tokyo (Tokyo Bay Road) is completed in the mid-90's. It should also be noted that while there is tough competition for sites in the Makuhari/Chiba and Narita districts, foreign companies may be given preference due to the attitudes of prefectural officials. Prefecture policy currently looks favourably upon foreign firms that have developed a well known name in Japan and/or are very large international companies.

Saitama



For example, a major European automotive manufacturer has recently decided to locate a service facility in an industrial park in Chiba. Because of the firm's strong brand image in Japan, the local and prefectural governments were very interested in recruiting such a prestigious company to their industrial park. A number of attractive incentives were offered to the company.

Another recent foreign investor in Chiba was a U.S. manufacturer of semi-conductor equipment. They were interested in locating as close to Tokyo as possible in order to be close to their HQ offices and their customers, the IC manufacturers. They looked at several other locations in and around Tokyo and an industrial park in Chiba because of the relatively cheap land prices and their ability to find a site which fit their size requirements.

Another recent foreign investor, in the pharmaceuticals industry, also commented favourably on the convenient access offered by northern Chiba to Tokyo as well as the favourable attitude of the local government in helping them set up in an industrial park.

Overall, Chiba is continuing to evolve into a more industrialised prefecture and there are still opportunities for good, fairly inexpensive, industrial sites. However, this situation is changing and conditions can vary significantly depending on the location within the prefecture. Therefore foreign companies are advised to give this prefecture a good look but to check the specific locations very carefully for local labour availability and transportation infrastructure.

3. Recently the investment environment for foreign manufacturing facilities in Saitama prefecture has become problematic

Saitama (see Exhibit 42) is directly north of Tokyo and can be reached in just thirty minutes from central Tokyo by train. Saitama has often been cited as an attractive alternative investment location within reach of the immediate Tokyo area. The situation in Saitama has, however, changed recently. It now offers limited investment alternatives for both domestic and foreign firms. Saitama is symbolic of the rapid changes which have occurred in the Japanese investment environment in the latter half of the 1980's; domestic demand has spurred increased investment in manufacturing facilities faster than sites can be developed.

Exhibit 43

Saitama prefecture

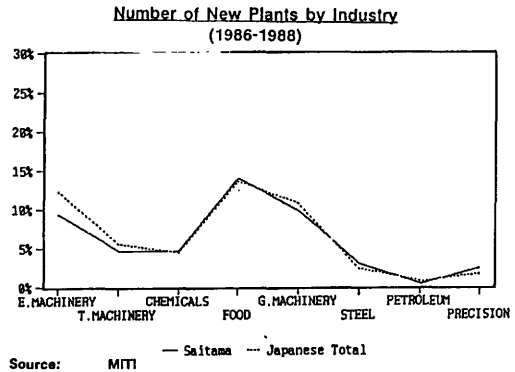
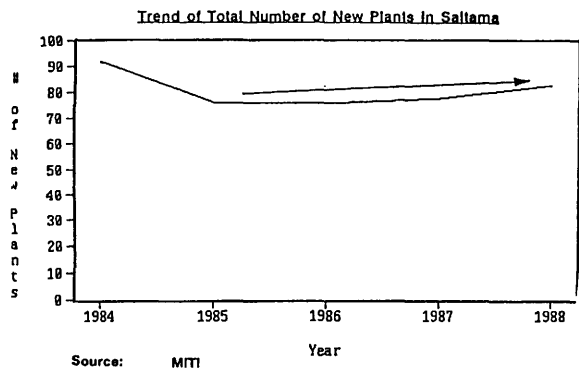


Exhibit 44

Saitama - Distribution of available industrial parks

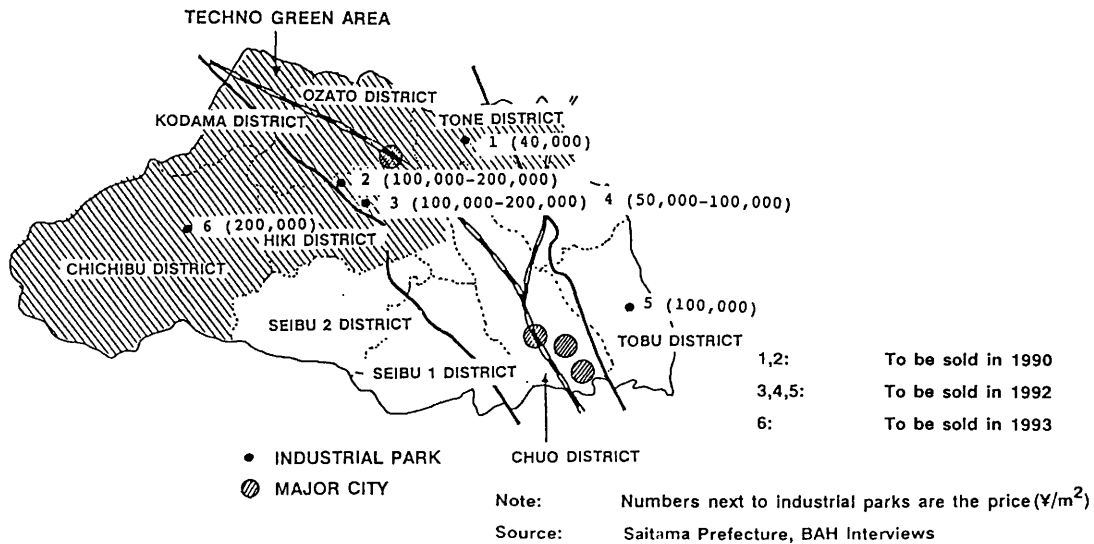


Exhibit 45

Incentive programs -- Prefectural level -- Saitama

| | Plant | | | Focused on R&D Labs | Focused on Foreign Companies |
|---------------------|----------------------------------|--------------------------|------------------------------|---------------------|------------------------------|
| | Applicable to All Types of Plant | Focused on Specific Area | Focused on Specific Industry | | |
| Local Tax Exemption | ○ | ○ | ○ | ○ | ○ |
| Subsidy | ●* | ○ | ○ | ○ | ○ |
| Loan | ○ | ○ | ○ | ● | ○ |

- Incentive Programme Exists
- No Incentive Programme
- * Small and medium sized companies only

| Incentive System | Cities with Incentive* / Total Cities | (%) |
|-------------------------|---------------------------------------|-----|
| Local Tax Exemption | 0/92 | 0.0 |
| Loan, Subsidy and other | 5/92** | 5.4 |

- * Number of cities and villages that have the incentive programme/ Total number of cities and villages
- ** 4 of these are subsidies to transfer fixed assets tax

- **New plant investment has leveled off**

The level of new plant investment in Saitama prefecture has shown little growth since 1985 while there has been a 13% annual increase for Japan overall.

New plant investments have been in the districts bordering the Tohoku Shinkansen/Expressway, the Joetsu Shinkansen line and the recently developed industrial parks. This includes the Chuo and Tone districts which account for over 75% of new plant investment.

In general the investment in new plants has been spread over a wide variety of industries mirroring the national distribution by industry (see Exhibit 43).

- **The land and labour availability in Saitama has tightened in the last two years**

The land supply situation has become worse because the government has not developed enough industrial parks to meet the steady demand for new plant sites (see Exhibit 44). As a consequence there tend to be between three and five firms competing to acquire each available site. This situation is not expected to change in the near future.

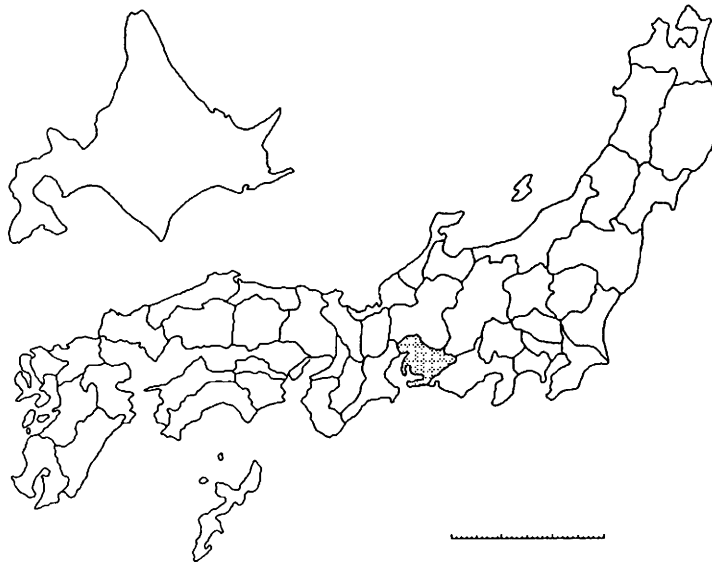
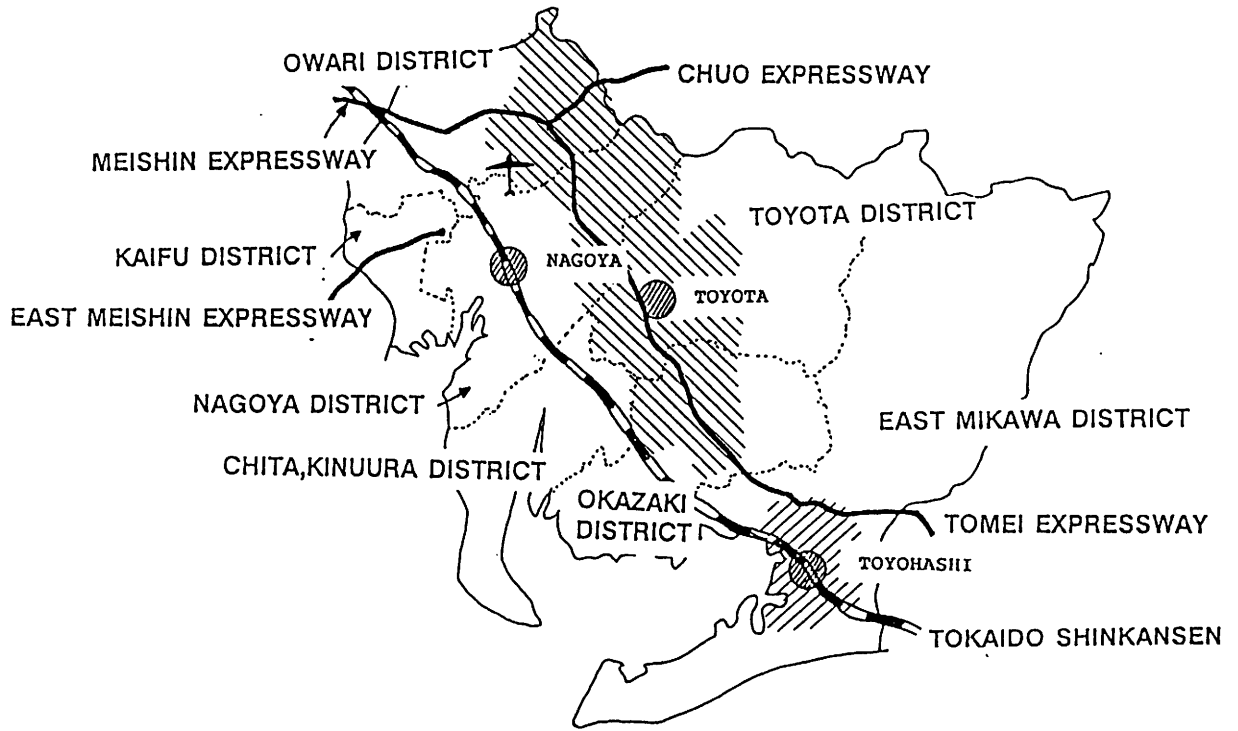
The labour supply situation in Saitama is strongly influenced by the fact that most of the prefecture is within a 90 minute commute from central Tokyo. As a result, nearly 90% of university and 50% of high school graduates are working outside the prefecture -- mostly in Tokyo. Consequently, recruiting of managerial level staff is very difficult. Most firms bring their own managers from Tokyo or other locations. Recruiting factory labour locally, although equally difficult, is possible.

- **The local government promotes investment on a very selective basis**

With the strong competition for sites in Saitama the prefectural government can actively manage the portfolio of companies which locate in the prefecture.

In general there are only a limited number of incentive programmes available (see Exhibit 45) none are specifically aimed at attracting foreign companies (at the prefecture level). The prefectural government is, however, actively trying to attract high technology industries and R&D facilities to the industrial parks which it plans to develop under its "Techno Green Plan". In addition, the prefectural government is trying to attract HQ function facilities from Tokyo to the southern part of Chuo district which borders directly on Tokyo.

Aichi



- Saitama is not as attractive a location for foreign companies as it was several years ago

Saitama has traditionally been considered as an attractive prefecture for new plant location because of its proximity to Tokyo, good transportation infrastructure and land and labour availability. The situation has, however, changed markedly in the last two-three years. In fact, the competition has become so fierce that no foreign company has located a manufacturing site in this prefecture since 1986. Therefore, while Saitama may have some appeal as a potential R&D location or for high technology manufacturing, this prefecture is generally not recommended to foreign firms as one to be pursued for manufacturing locations.

4. Aichi prefecture, representative of the traditional industrial area, is attractive to large well established foreign companies -- preferably in high technology industries

Aichi prefecture (see Exhibit 46) is in the industrial heartland of Japan, in the highly industrialised belt between Tokyo and Osaka. In particular, the city of Nagoya, the third largest urban area in Japan, is located here.

- The number of new plant investments in Aichi has been declining since 1986

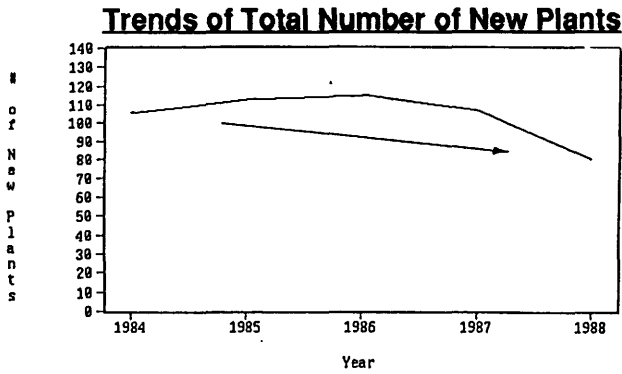
In 1986, over 110 new plants were being located in Aichi annually. The level of new plant investment has fallen to below 80 per annum recently. This downward trend is expected to continue.

Within the prefecture the level of investment is fairly evenly spread in the seven districts. The type of investment is heavily weighted towards the more traditional heavy manufacturing industries such as steel, transportation and industrial machinery (see Exhibit 47). This level of concentration is driven in part by the location of such large manufacturers as Toyota in Aichi -- all of their current Japanese plants are in Aichi prefecture. In fact, transportation machinery investment accounts for almost 20% of the prefecture's new plant investment -- nearly four times the national average.

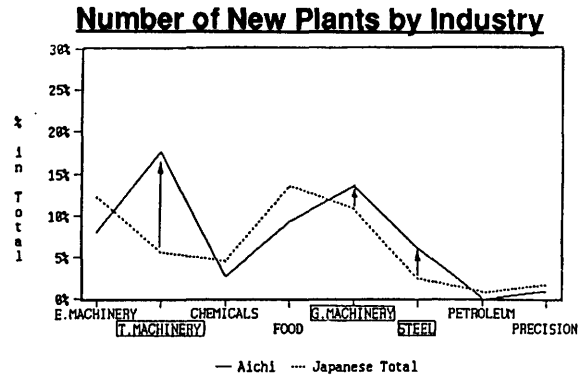
Further evidence of the presence of major Japanese companies in Aichi is that over 90% of new investment is by companies already located in the prefecture.

Exhibit 47

Aichi Prefecture

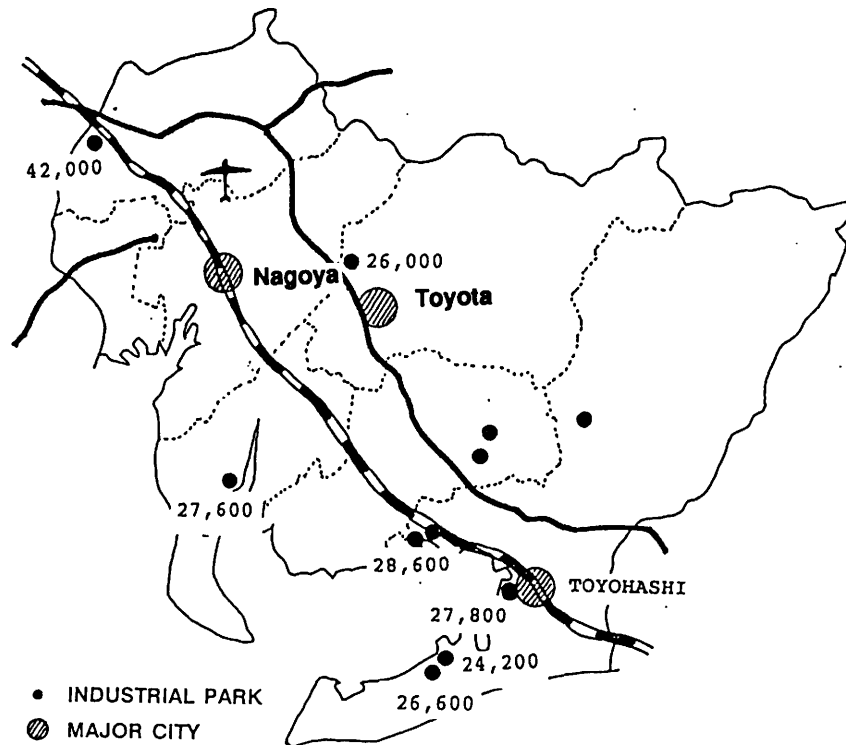


Source: MITI



M.

Aichi - Distribution of Available Industrial Parks



Note: Numbers next to industrial parks are the price (¥/m²)
 Source: Aichi prefecture, Booz, Allen

- **Aichi has a very good transportation infrastructure**

Aichi has built its reputation as a major industrial center on the basis of its convenient location halfway between the two other industrial centres of Japan, Tokyo and Osaka. The transportation infrastructure includes a major rail and highway system which runs almost exactly through the center of the prefecture. It provides convenient access to almost all districts.

- **The past success of Aichi as an industrial center is now also making it less attractive in terms of land and labour availability**

The low labour availability issue has recently become particularly critical. After Tokyo, Aichi has the second lowest job seeking ratio amongst high school graduates -- there are, on average, three job vacancies for each new high school graduate.

In some districts, for example Toyota (the district after which the car company is named), the situation has forced even its namesake to move to other prefectures. Toyota Motors recently announced plans to build their next auto factory in Fukuoka prefecture in Kyushu (also discussed in this chapter) for the fear that recruiting for a plant in Aichi would hurt the smaller automotive suppliers in the surrounding area. These suppliers would not be able to recruit enough people if Toyota increased its recruiting as well. Thus, depending on the particular location you choose in Aichi, foreign firms need to be extra careful in checking the local labour market.

Land is also becoming scarce. Most new industrial parks are sold out within a year of going on sale; often before the industrial park itself is fully ready. While the prefectural government is continuing to build over 100 hectares of industrial parks per year, the situation here has become very competitive. As a result, Aichi ranks in the top quarter of prefectures in terms of industrial land costs. However the average price of industrial park land of just under ¥30,000/m² still compares very favourably to Tokyo's ¥200,000/m².

Exhibit 48

Incentive Programme ... Prefectural Level -- Aichi

| | Plant | | | Focused on R&D Labs | Focused on Foreign Companies |
|---------------------|----------------------------------|----------------------------------|------------------------------|-----------------------|------------------------------|
| | Applicable to All Types of Plant | Focused on Specific Area | Focused on Specific Industry | | |
| Local Tax Exemption | <input type="radio"/> | <input checked="" type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Subsidy | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Loan | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

- Incentive Programme Exists
- No Incentive Programme

Incentive Programme ... Municipal Level--Aichi

| Incentive System | Cities with Incentive* Programmes/Total Cities | (%) |
|-------------------------|--|------|
| Local Tax Exemption | 10/88 | 11.4 |
| Loan, Subsidy and other | 0/88 | 0.0 |

* Number of cities and villages that have the incentive programme/
Total number of cities and villages

- The Aichi prefectural government is selective in encouraging certain types of companies/industries to invest in new industrial parks

Aichi has launched a number of initiatives aimed at attracting high technology companies and R&D facilities. The prefectural government has three separate programmes aimed at achieving this goal. For example, in one of the programmes, it has named Toyohashi, in the southern part of the prefecture, and the area along the Tomei Expressway, in the center of the prefecture, as R&D zones. This is to develop local facilities to lure advanced technology industries such as Toyohashi Engineering and Science University combined with R&D/industrial parks.

These efforts are also aimed at foreign advanced technology firms. In fact, in 1990, Aichi began organising seminars specifically aimed at such foreign firms.

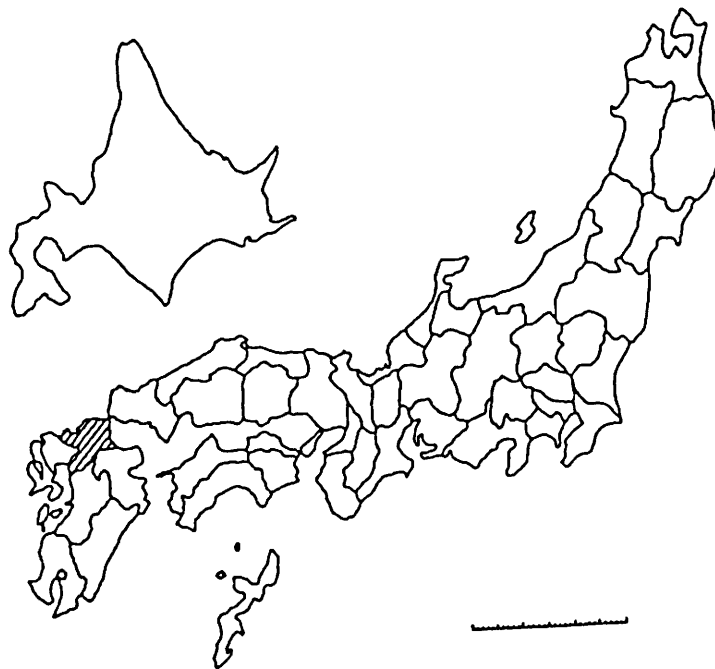
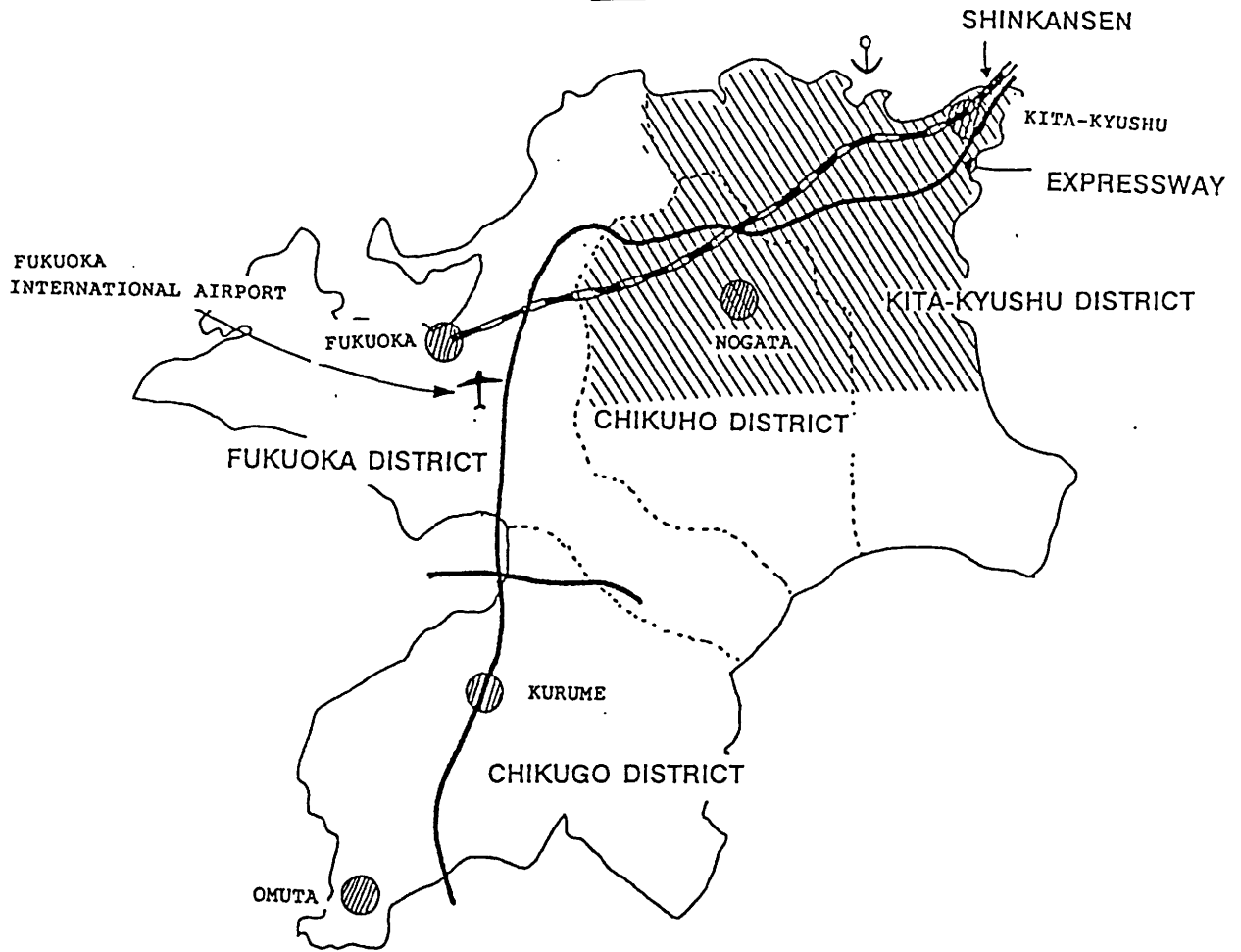
In general, there are only a few financial incentives available in this prefecture. These are mostly relevant to the more remote areas (see Exhibit 48). Given the limited scope of the investment incentives, the programs that do exist are not well utilised. Aichi has one of the lowest utilisation rates for such programs in Japan.

- Overall Aichi has a very tough and a competitive investment environment for foreign firms

Overall only the foreign firms with a large and well established presence in Japan, those in advanced technology industries and/or those which can win the favour of the local government officials, should seek to invest in a manufacturing facility in Aichi.

The experiences of a medium sized European tool manufacturer illustrate well the type of issues which foreign firms face in Aichi and how the problems can be overcome. The firm began studying the possibility of building a plant in Japan in 1983. Local management began the effort in earnest in 1986 after deciding that they needed to be in Aichi in order to serve major customers in Nagoya and Tokyo. They had difficulty finding an industrial site on their own and had to turn to the Tokyo branch of their home country bank. The bank introduced them to a large Japanese general construction firm. Working together they were able to find an undeveloped site in a semi-rural area of Aichi. While the location of the plant was not convenient by road to either Tokyo or Nagoya, it was in a semi-rural area of the prefecture where the local town government was willing to help with the recruitment of local people and change the local building requirements. Thus the firm was able to locate close to its customers in both Nagoya and Tokyo but was forced to trade inconvenient transportation access for land and labour availability.

Fukuoka



5. Fukuoka prefecture may develop as an attractive investment location in the future; currently it has a relatively attractive local market

Fukuoka prefecture (see Exhibit 49) is located on the southernmost island of the Japanese chain, Kyushu. This prefecture is a good example of the investment environment in remote regions far from Tokyo which may become more attractive for future investment. It is also typical of a major regional market, in this case the most industrialised prefecture in Kyushu.

- The level of new plant investment in Fukuoka began to grow rapidly in the late 1980's

From a level of less than seventy new plants a year in the early 1980's, the number of new plants per year has now doubled to over 150 per year by 1989. The distribution of investment within the prefecture is concentrated in the western area of the prefecture. This includes Fukuoka and Chikugo districts which account for about 65% of the new plant investment. The other two eastern districts share the remainder of the new plant investment in Fukuoka.

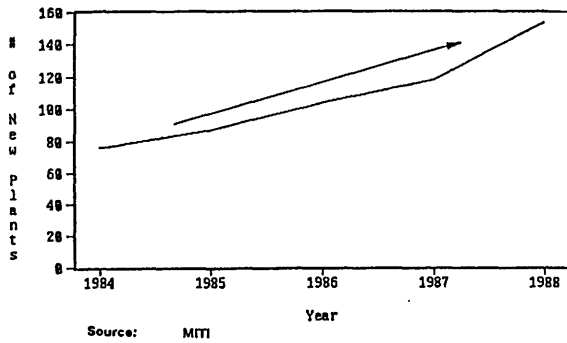
Of the new plant investment, over 20% is in the food industry while the electrical machinery industry investment (accounting for only 5% of new plant sites) is almost one-third below the national average (see Exhibit 50). Not surprisingly, there is very little investment by firms from Tokyo or other areas of Japan in this large regional market -- some 80% of the new plant locations are by firms already located in the prefecture.

- Fukuoka has a good local transportation infrastructure although it is disadvantaged by its distance from the major Japanese markets

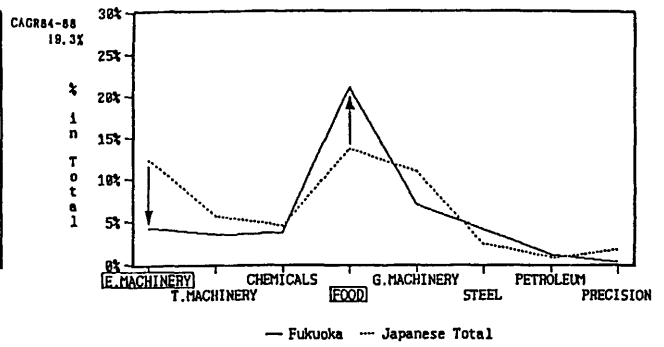
Fukuoka is located far from Tokyo by land or sea. However, there is a major airport located near Fukuoka City from which regular flights provide service to Tokyo (about 90 minutes by air). Within the prefecture, the north and west is well served by a rail and highway system. Thus the local transportation infrastructure on the island is relatively good.

Exhibit 50

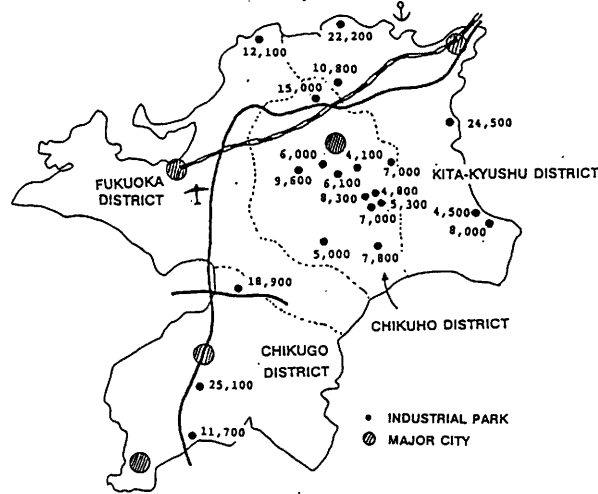
Trend of Total Number of New Plants In Fukuoka



Number of New Plants by Industry (1986-1988)



Fukuoka - Distribution of Available Industrial Parks



Note: Numbers next to industrial parks are the price (¥/m²)
 Source: Fukuoka Prefecture, BAH Interviews

Exhibit 51

Incentive Programme ... Prefectural Level -- Fukuoka

| | Plant | | | Focused on R&D Labs | Focused on Foreign Companies |
|---------------------|----------------------------------|--------------------------|------------------------------|---------------------|------------------------------|
| | Applicable to All Types of Plant | Focused on Specific Area | Focused on Specific Industry | | |
| Local Tax Exemption | ○ | ● | ○ | ○ | ○ |
| Subsidy | ○ | ● | ○ | ● | ○ |
| Loan | ●* | ○ | ○ | ○ | ○ |

● Incentive Programme Exist
 ○ No Incentive Programme
 *: Focusing on creation of job opportunities

Incentive Programme ... Municipal Level--Fukuoka

| Incentive System | Cities with Incentive* / Total Cities | (%) |
|-------------------------|---------------------------------------|------|
| Local Tax Exemption | 51/97 | 52.6 |
| Loan, Subsidy and other | 13/97 | 13.4 |

* Number of cities and villages that have the incentive programme / Total number of cities and villages

- Despite the recent increase in new plant locations, there is ample land and labour availability throughout most of the prefecture

The ample labour availability is driven by the shift which has occurred in the economic conditions facing traditional industries in this prefecture. Historically, the districts of Kita-Kyushu and Chikuho were major steel and coal regions in Japan. These industries have declined in importance and their rationalisation has resulted in high unemployment in the area.

In contrast, the labor availability in the westernmost sector of the prefecture, where more of the new plants have been sited, is tighter (but still good).

It was labour availability which prompted Toyota to locate its first operation outside Aichi prefecture in Fukuoka. Toyota has just recently announced plans to build a new automotive plant on the border between Kita-Kyushu and Chikuho.

In general there is also good land availability in Fukuoka. The more urbanised regions such as the Fukuoka district have a limited number of available industrial parks, the Chikuho and Kita Kyushu districts on the other hand have a large number of industrial parks with good availability.

More generally, this prefecture ranks eighth in Japan in terms of vacant land. Thus, a wide range of industrial land is available in this prefecture at relatively low prices -- most industrial park prices are around ¥10,000/m² compared to ¥200,000 in Tokyo region (see Exhibit 50).

- The attitude of the prefectural government towards investment is very positive

Given the decline in the traditional industrial base, the government has given job creation opportunities a high priority. This is also reflected in the number and high level of incentive programs which are available and widely utilised in this prefecture. For example, there are six national incentive programs, eight prefectural programs and almost half the cities/towns have their own incentive programmes for which companies building plants are eligible (see Exhibit 51).

The attitude of the prefectural government and MITI towards attracting foreign companies here is also very positive. In particular, MITI has designated Kita-Kyushu City as a "Model City for Foreign Companies" in an effort to increase the profile of this prefecture with foreign firms.

However, despite such efforts only two foreign companies have located in Fukuoka since 1986. This reflects the dilemma which foreign firms face when considering investment in prefectures which are relatively remote from the major industrial centers of Tokyo, Osaka and Nagoya.

Foreign firms locating here do so to access the regional market rather than to serve customers in the main industrial centers of Japan such as Tokyo, Osaka or Nagoya.

For the two foreign companies which have recently located in Fukuoka (a roof tile manufacturer and a fertiliser firm), the driving factor was access to the local market. In both instances the local demand was large enough to economically justify setting up a local production facility. For the roof tile manufacturer, whose business is very sensitive to transportation costs, the location of a plant in Fukuoka to serve all of Kyushu fit well with their strategy of operating plants close to local markets (they have two others near Tokyo and Osaka). For the fertiliser firm, the agricultural prefectures of Kumamoto and Kagoshima in Kyushu offered sufficient demand to justify a local facility. The positive attitude of the Fukuoka government was the final factor in deciding to locate the actual plant site there.

- A major consideration for foreign firms locating in remote prefectures is whether there is sufficient local demand to justify local production

In general foreign firms have not built plants in Fukuoka in order to serve customers in other locations in Japan. Whether this will continue to be the case bears careful monitoring. For example, the decision of Toyota to locate in Fukuoka because of its attractive labour availability could signal a change in the thinking of this prefecture as only a local market. The degree to which other major Japanese firms follow the lead of Toyota could have a large impact on the attractiveness of this prefecture to foreign firms. However, it is still too early to tell and foreign firms should reflect on the potential possibilities when considering investing in this prefecture.

VI. How To Pursue Regional Investment Opportunities

This chapter examines how to proceed with investing in a facility outside the main Tokyo area, with focus on a manufacturing facility as it is more complicated to develop and build. Generally the process, from initial discussion on plant requirements to the actual ground breaking ceremony, can take about 12-36 months (see Exhibit 52).

The best practices referred to are derived from over 40 interviews with both local and central government officials responsible for attracting local investment and the foreign firms which have successfully located manufacturing plants in the regions outside Tokyo.

1. Clearly delegate responsibilities for the selection and agree on what is required prior to beginning the location search

- Give local management the responsibility for managing the site selection process

There are two reasons why this is necessary.

First, the ability to make quick decisions on site selection and in the negotiations is key to success. A number of foreign firms had to settle for their second or third favourite sites because they were unable to respond fast enough to local government requests in obtaining home office approval.

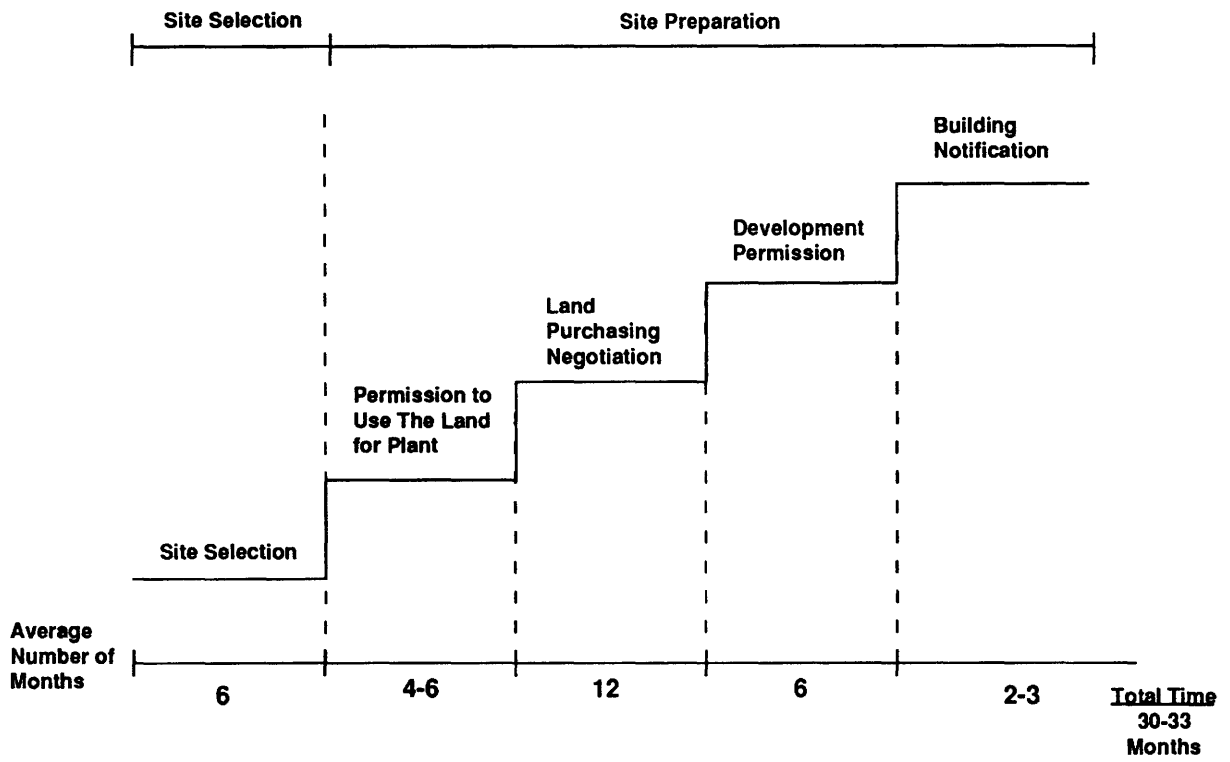
Second, a general understanding of the Japanese business system is required. Usually this means having a local Japanese employee playing a major role in the process. For example, a large foreign agribusiness company initially faced local opposition to their construction of a feed plant. However, when they had local Japanese management take over negotiations with local farmers and municipal officials the project was given the go-ahead.

- Clearly define and internally agree on the criteria for site selection in advance of starting the search

Given the current highly competitive investment environment in most of Japan, all firms (both foreign and Japanese) -- but especially medium/small sized foreign firms -- need to make trade offs in site selection. The foreign firms interviewed felt that much internal debate and delay could have been avoided if the main selection criteria and their prioritisation had been agreed upon at the start.

Exhibit 52

General Flow and Time Requirements for Plant Building Procedures



- **Limit candidate sites to industrial parks if timing of plant availability is crucial**

Companies (both Japanese and foreign) need to follow many more procedures for sites outside industrial parks. The time taken to complete is also significantly longer than when purchasing an industrial park site. Prefecture officials generally agree that it takes at least two years for most companies to complete all the necessary procedures for approval of non-industrial parks site. The advantage of an industrial park location is that most of the time-consuming procedures can be by-passed. A firm's application for entry into an industrial park can take as little as one month and at worst, in cases of severe competition for sites, three to six months.

2. The site selection process requires about six months to complete and consists of three major steps

- **The first step in the overall geographical screening**

The purpose of this step is to choose 1-3 prefectures or regions on which to gather further information. A company begins by contacting central government agencies, such as MITI's Industrial Location Guidance Division (see Exhibit 53) to collect general information to confirm that the prefectures/regions potentially meet the firm's basic requirements.

The type of information gathered for this part of the regional selection process includes:

- **Time/Distance from main base of operations**
 - Either the distance from HQ or from main customers or suppliers
 - The ease of access and the adequacy of the transportation network
- **Availability of industry-specific infrastructure requirements (e.g., port access for raw material shipments)**
- **Labour and land availability**
- **Cost trade off vs. the above requirements**
 - Accessibility costs
 - Land costs

Exhibit 53

**Central Government Agencies
Offering Help in Manufacturing Site Selection**

| Government organisation | Type of information |
|---|--|
| <ul style="list-style-type: none">• Industrial location | <ul style="list-style-type: none">• Information covering more than 2.000 plant sites• Transportation on land price, transportation conditions, water supply, etc. |
| <ul style="list-style-type: none">• Japan industrial location Center (JILC) | <ul style="list-style-type: none">• Nationwide information similar to MITI's• Seminars introducing plant sites• Consultancy service to assist in selecting regions |
| <ul style="list-style-type: none">• JRDC | <ul style="list-style-type: none">• Nationwide information on industrial parks developed by JRDC |

- The second step in the process is the preliminary evaluation of candidate locations

The goal of this step is to narrow the list down to 2-4 sites which can then be explored in more detail. At this stage the contact with the prefectural governments in the selected locations. The information which should be sought from these officials includes:

- Availability of industrial parks which have suitable space
- Availability of non-industrial park sites within the prefecture
- Screening of sites vs. the size required -- as well as approximate land prices
- General labour availability situation in the relevant areas
- Level of utilities service and other special infrastructure requirements

At this stage, the services of a general construction contractor should also be considered. A number of general contractors have departments or sales staff especially trained to deal with foreign companies interested in locating manufacturing sites in Japan. This can be very helpful in both the candidate selection process and later in completing the notification and approvals procedures. These firms can, however, be expensive and do not always provide the independent knowledge of the selected regions needed to compare land prices, work on new development plans, etc. As an alternative, local construction contractors can be a cheaper and a much better source of information and assistance once the choice of plant sites has been narrowed down to the regional level. Overall, the use of contractors can be very helpful to small and medium sized firms which lack resources to do all the work on their own. However, they are not a substitute for doing your own in-depth background information check on the most interesting, short-listed sites.

- The final step of the site selection procedure involves actually visiting the sites and meeting with local government officials and possibly the land owners

The purpose of the visit to the site should be threefold. First, to check that the information which was collected in earlier stages of the process is correct.

It is especially important to check out the local labour conditions carefully before making your final site selection. As mentioned several times in this report, the labour market in Japan can be very difficult for foreign companies in general and smaller foreign firms in particular. Furthermore, the labour market in Japan is in a flux and has wide variations depending on local market conditions. It is, therefore, imperative that foreign firms do some first-hand interviews with local officials and other companies in the area regarding the most recent labour market conditions. For example, one US diagnostics manufacturer selected a site outside Tokyo after only a preliminary study of local labour market conditions. As a result, although they could recruit factory workers successfully, they could find very few local managers to help run the plant. Because of this situation, they lost time and had to recruit and relocate several people from Tokyo at great expense.

Second, begin preliminary negotiations with the local or municipal government officials and gauge their attitude towards your plans. At this point it is important to understand what level of informal support the government is willing to offer in the land purchasing process, the level of leniency in pollution control and zoning regulations and, perhaps most important, their willingness to be of assistance in the recruiting process. This is also the time to check what local, municipal and national level incentive programs might be available at this site.

Third, especially in the case where the site is not located in an industrial park, meet with the owners of the property and the neighbours around the site to better understand their attitudes towards your purchase of the site. Lack of support of the neighbouring residents can lead to prolonged negotiation for the appropriate permission to build a plant on that site.

3. Having contacted local officials and visited the sites, the firm must make a relatively quick decision on which site to finally purchase

While time required to make the decision varies on a case by case basis, in general, the closer your site is to Tokyo, the greater the level of competition for the sites and the higher the possibility that it may be taken by another firm while you are still making your decision. The most often cited reason for foreign companies not getting their first choice location, according to national and prefectural officials, is the extra time foreign companies take in making up their minds. Several foreign companies interviewed confirmed that they lost out on the opportunity to acquire some prime plant sites by taking longer to communicate with and get approval from their home office over site selection.

4. Once a site has been selected, the negotiations begin for the purchase of the site as well as for the various permissions required

This process can take from a minimum of one year to as long as three years or more (see Exhibit 54). The key variables that determine the length of time required to complete this process are the category of land, (i.e., industrial park versus non-industrial park), and the size of the site required. The firm should, in any case, start to develop a recruitment plan and finalise the design and construction plans with the general construction contractors.

- **Non-industrial parks versus industrial parks; the trade off**

As mentioned earlier, industrial parks have the advantage of avoiding much of the red tape required of non-industrial sites -- saving as much as 12-24 months. However, foreign firms which are not under severe time constraints have found that non-industrial sites offer several potential advantages. First, there is generally less local competition for labour at non-industrial sites. Industrial parks contain other firms who may compete with the foreign firm for labour. Second, foreign firms locating in non-industrial sites have found that they benefit from the increased attention they get from local government officials. In contrast, foreign firms may find themselves as only one of several players at an industrial parks site giving the local government less flexibility in the special concessions it can offer.

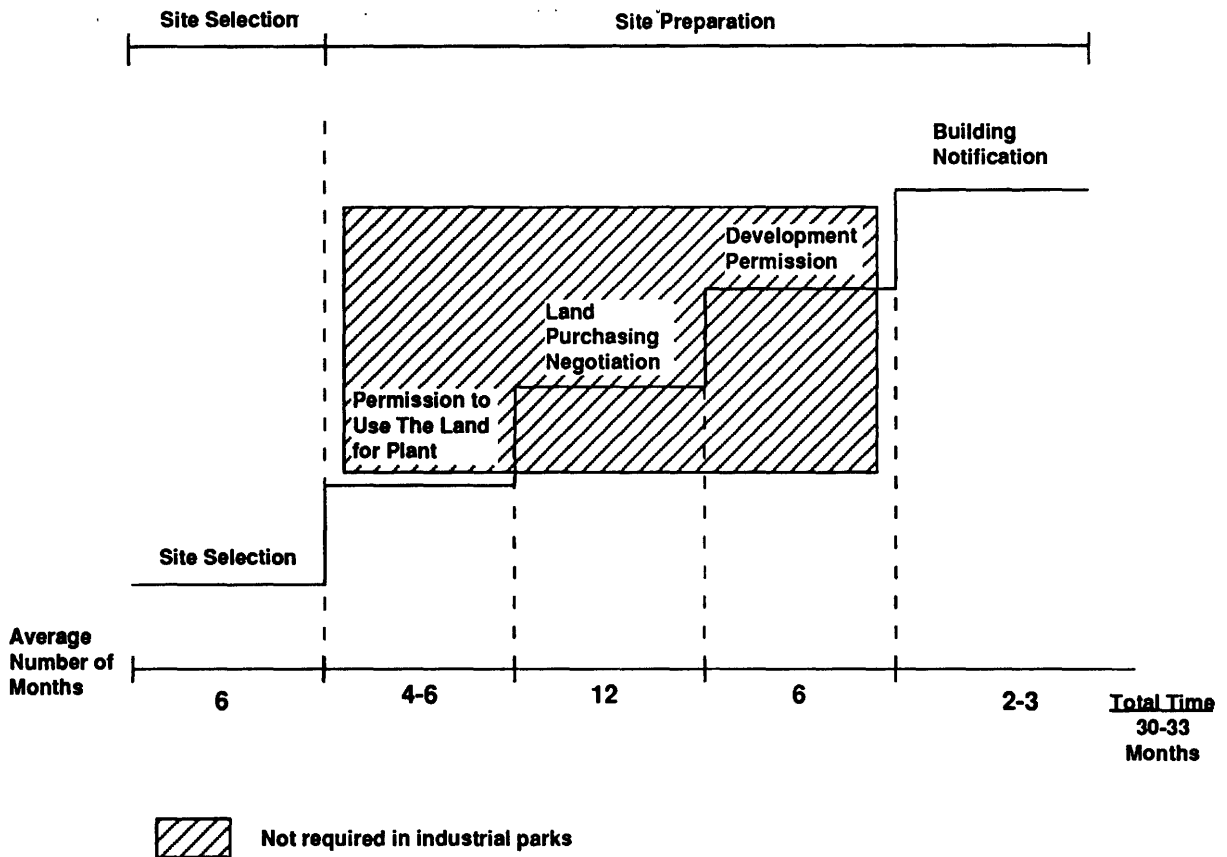
- **For non-industrial park land, it can take up to one year to obtain the proper development permissions**

The time required for "land use" permission is dependent on the size of the site under consideration. For sites involving less than 2 hectares of land, the permission must be obtained from the prefectural government and will usually require 3-4 months to obtain. For more than 2 hectares of land, permission must be obtained from the central government in particular, the Ministry of Agriculture, Forestry and Fisheries. In these cases, it takes at least 6 months to get permission.

The application for the development permission, although submitted to the prefectural government, must be first approved by the local/municipal government. Consequently, the attitude of the municipal government has a pivotal impact on the approval time. There are a number of agreements which need to be obtained before an application can be submitted for the development permission. These mainly require agreements by neighbours and by local government agencies for such things as road and river usage, zoning etc. The local officials can be instrumental in exerting influence to ensure that these agreements are obtained promptly. The experience of most foreign and domestic companies is that the process takes about six months to complete.

Exhibit 54

General flow and time requirements for plant building procedures



- **Good relationships with the local government and community can significantly speed up the whole process**

The local/municipal government can assist in the submitting of the documents as well as in acting as a clearing house with local residents/organisations which need to be contacted in the process. In addition, the local officials can be a vital element in implementing the recruitment plan. Their support gives both credibility and access to the major labour markets in the area. Even when applying for an industrial park site in an industrial park where there is a high level of competition, the attitude of the local government towards your firm can be the deciding factor. Hence when making your selection and gathering information on potential sites, foreign firms should make every effort to establish a good image and relationship with the local officials contacted.

For example, a medium sized German machine tool manufacturer made a concerted effort to establish good relationships with the municipal government and local community in the area of their selected site. As a result, local government officials helped them extensively in the approval process. In one case, strict local fire regulations were a potential bottleneck due to the firm's manufacturing requirements for use of oil during production. The local officials took the lead in arranging for co-operation from the local fire department in resolving this matter. Further, the firm's acceptance by the local community greatly aided their recruitment efforts -- the community was responsible for their direct access to recruits from the local high school.

- **For non-industrial park sites, the land purchase and the negotiations vary widely in difficulty and in time required**

Because of the scarcity of land in Japan and its historical value as an asset with a continually rising value, land owners are typically in a strong negotiating position. This is even more so for larger plots of land. Thus, many companies have experienced difficulties in the negotiation over the price as well as issues concerning the rights of current tenants on the property. Once again, the support and informal co-operation of the local government officials can assist in this process. Nevertheless, central Japanese government officials caution foreign firms that this process, even with local government support, can take a year to complete.

- Finally, for both industrial parks and non-industrial park sites, there are a number of notifications which must be made before the plant construction can begin

These are outlined in Exhibit 55. It usually takes 2-3 months to complete these procedures. However, in the cases where the local government is unfriendly or opposed to the plant, this process can take as long as 6-12 months to complete.

- Local and national officials estimate that it can take as long as two years to recruit the employees for a foreign owned plant

Foreign firms efforts should be focused on accessing the local informal job network in the area as well as the local high schools. The co-operation of the local/municipal government can be very important in this process. They can help with the proper introductions to the high schools as well as organising the local labour recruitment rounds. It should be noted that in Japan, potential recruits expect the employer to provide a training course for employees lasting several months before the plant opens.

Exhibit 55

Examples of Major Plant Notification Requirements

| Name of notification | Examples of information required |
|----------------------------|--|
| • Factory location law | <ul style="list-style-type: none"> • Size of the production area • Amount and type of ventilation equipment • Others |
| • Pollution prevention act | <ul style="list-style-type: none"> • Air pollution emissions • Water contamination potential/ requirements • Noise levels • Vibration levels • Others |
| • Building standard act | <ul style="list-style-type: none"> • Structure of the building • Facilities of the building • Use of the building |

Appendices

Appendix A **Names and addresses of EC country contacts
in Japan**

Appendix B **Names and addresses of Japanese
government and other organizations in Japan**

Appendix C **Summary of major government incentive
programmes**

Appendix D **Reference and further reading material**

Appendix A

Names and Addresses of EC Country Contacts in Japan

- European Community
- Belgium
- Denmark
- France
- Germany
- Greece
- Ireland
- Italy
- Luxembourg
- Netherlands
- Portugal
- Spain
- United Kingdom

Note:

In order to provide the information contained in this section the local embassy and the Chamber of Commerce of each European Community member were contacted in Tokyo. This section represents their response to the request for information. For further information please contact your local embassy or Chamber of Commerce at the address provided.

The following is a guide to sources of information for particular questions related to the following topics;

| Type of Information Required | Source of Potential Advice |
|--|--|
| <ul style="list-style-type: none"> • Market Research Resources | <ul style="list-style-type: none"> • Business consultants • European banks with offices • Trading companies (European and Japanese) |
| <ul style="list-style-type: none"> • Advice on Market Entry Strategy/Options | <ul style="list-style-type: none"> • Lawyers in Japan (European and Japanese) • Banks (European and Japanese) • Business consultants |
| <ul style="list-style-type: none"> • Setting up Office/Operations | <ul style="list-style-type: none"> • Temporary business centers • Business consultants • Lawyers/Accountants • Advertising/PR agencies • Marketing service firms |
| <ul style="list-style-type: none"> • Recruiting | <ul style="list-style-type: none"> • Search firms • Temporary employment services |

European Community

Source of References:

Commission

- *Commission of the European Communities
Directorate General for External Relations
Japan Division (I.F.1)
Rue de la Loi 200
B-1049 Brussels
Tel: (32) 2-235 2284
Fax: (32) 2-235 9723/236 0423*
- *Delegation of the Commission of the
European Communities
Europa House
9 - 15 Sanbancho
Chiyoda - ku
Tokyo 102
Tel: (03) 239 0441
Fax: (03) 261 5194*

Note:

In order to provide the information contained in this section the local embassy and the Chamber of Commerce of each European Community member were contacted in Tokyo. This section represents their response to the request for information. For further information please contact your local embassy or Chamber of Commerce at the address provided.

European Community (continued)

Other

- **European Business Community (EBC)**

Hanzamon MK Building

6F 8 - 1 Kojimachi

1 - Chome

Chiyoda - ku

Tokyo 102

Tel: (03) 288 52 91

Fax: (03) 288 52 90

EC - Japan Centre for Industrial Cooperation

Ichibancho - Eight - One Building

5th Floor

6 - 4 Ichibancho

Chiyoda - ku

Tokyo 102

Tel: (03) 221 6161

Fax: (03) 221 6226

Belgium

Source of References:

- *Embassy of Belgium*
5, Niban-cho, Chiyoda-ku, Tokyo 102
Tel: 03 262-0191
Fax: 03 262-0651
- *The Belgian-Luxemburg Chamber of Commerce in Japan*
GS Heim 207
2-2-18 Shiba Daimon
Minato-ku, Tokyo 105
Tel: 03 435-0254
Fax: 03 435-0255

Bankers

- Generale Bank
- KredietBank
- Bank Brussel Lambert

Business Consultants

- De Bandt, Van Hecke & Lagae
Brederodestraat 13A
B-1000 Brussels
Tel: 02 517 9411
- Tinnemans, Pourbaix, Van der Steen & Co.
Touche Ross International
Boulevard Saint-Michel 27
B-1040 Brussels
Tel: 02 735 2028

For further information, please contact the Embassy of Belgium or The Belgian Luxemburg Chamber of Commerce in Japan

Note:

In order to provide the information contained in this section the Trade Commission and the Chamber of Commerce of each European Community member was contacted in Tokyo. This section represents their response to our request for information. For further information please contact the Trade Commission or Chamber of Commerce of this country at the address listed above.

Denmark

Source of References:

- *Royal Danish Embassy
29-6, Sarugaku-cho
Shibuya-ku, Tokyo 150
Tel: 03 496-3001
Fax: 03 496-3440*

(only Danish sources of information were provided)

Note:

In order to provide the information contained in this section the Trade Commission and the Chamber of Commerce of each European Community member was contacted in Tokyo. This section represents their response to our request for information. For further information please contact the Trade Commission or Chamber of Commerce of this country at the address listed above.

Denmark (continued)

Danish sources

- **Ministry of Foreign Affairs**
Asiatisk Plads 2
DK-1448 København K., Denmark
Tel: 33 92 0000
Fax: 31 54 0533
- **Federation of Danish Industries (Industrirådet)**
H.C. Andersens Boulevard 18
DK-1553 København V., Denmark
Tel: 33 15 2233
Fax: 33 32 3281
- **Agricultural Board (Landbrugsrådet)**
Axeltorv 3
DK-1609 København V., Denmark
Tel: 33 14 5672
Fax: 33 14 9574
- **Chamber of Commerce (Handelskammeret)**
Børsen 15
DK-1217 København K., Denmark
Tel: 33 91 2323
- **The Council of Handicrafts (Håndværksrådet)**
Amaliegade 15
DK-1256 København K., Denmark
Tel: 33 93 2000

Japanese sources

- **Japanese Embassy**
Oslo Plads 14
DK-2100 København Ø, Denmark
Tel: 31 26 3311
- **J.E.T.R.O. (Japan External Trade Organization)**
Vesterbrogade 1 C
DK-1620, København V., Denmark
Tel: 33 14 7312

France

Source of References:

- *French Embassy*
11-44, Minami Azabu, 4-chome
Minato-ku, Tokyo 106
Tel: 03 4473-0171
Fax: 03 422-9755
- *French Chamber of Commerce in Japan*
Indosuez Bank Bldg., 1-1-2, Akasaka
Minato-ku, Tokyo 107
Tel: 03 288-9621
Fax: 03 288-9558

Note:

Due to size constraints it was not possible to supply the contact addresses and telephone numbers for each of these companies on the following pages. Please contact the Chamber directly if you require these particulars

Note:

In order to provide the information contained in this section the Trade Commission and the Chamber of Commerce of each European Community member was contacted in Tokyo. This section represents their response to our request for information. For further information please contact the Trade Commission or Chamber of Commerce of this country at the address listed above.

France (continued)

Advertising Agencies

- Ad-Media Co., Ltd.
- Carre Noir S.A.
- Gramco, Ltd.
- HDM K.K.

Lawyers. Tax and Legal Advisors, Patent Rights Agents

- Akasaka International Law, Patent & Accounting Office
- Furuki-Sato Office
- Ikeda Law Office
- KPMG Peat Marwick
- Laurent Dubois Gaikokuho Jimubengoshi Jimusho
- Masuda & Ejiri Law Office
- Nakagawa Godo Law Office
- Tokyo Aoyama Law Office
- Yuasa and Hara Law Office

Accountants

- Asahi Shinwa-D.S.A. Division
- KPMG Peat Marwick
- Odai Accounting
- Price Waterhouse

Public Relations

- Promo 2000 Tokyo
- S.N.O.B. Planning

Management Consulting Agencies

- Asia Marketing Services
- Centre Franco-Japonais d'Echanges Techniques et Economiques S.A.
- EGIS K.K.
- Epsilon Conseil Co., Ltd.
- Inter Matrix Japan
- Japan In Time Expert (JITEX)
- KPMG Peat Marwick
- McKinsey & Company

France (continued)

- Nippon Eurtec Co., Ltd.
- Pierre Martin Conseil
- PMC Co., Ltd.
- Pro Inter
- SBA Consulting Group
- S.E.R.I.C. K.K.
- Sigma International S.A.
- Stylmode S.A.
- Technics in Management Transfer Inc. (TMT)

Banks

- Banque Indosuez Group
- Banque Nationale de Paris
- Crédit Commercial de France
- Crédit Lyonnais
- Paribas
- Société Générale
- Union de Banques Arabes et Françaises
- The Bank of Tokyo, Ltd.
- The Industrial Bank of Japan, Ltd.
- The Mitsubishi Bank, Ltd.

Local Representation

- Alsace Development
- Bretagne Occidentale

France (continued)

Other References

In France

- **Chambre de Commerce et D'Industrie de Paris**
2, Rue de Viarmes
75 001 Paris
Tel: 1 450 836 83
Fax: 1 450 835 80
- **Club D'Affaire Franco-Japonais**
2, Rue de Viarmes
75 001 Paris
Tel: 1 450 836 83
Fax: 1 450 838 51
- **Chambre de Commerce Japonaise en France**
1, Ave de Friedland
75 008 Paris
Tel: 1 456 343 43
Fax: 1 456 108 62
- **J.E.T.R.O. (Japan External Trade Organisation)**
2, Place du Palais-Royal,
75 004 Paris CEDEX
Tel: 1 426 127 27
Fax: 1 426 119 46

Directories

- **Annuaire 89-90 of the Chambre de Commerce Japonaise en France**
- **Adresses japonaises en France 1989 of the office Franco-Japonais d'Etudes Economiques**
14, Rue Cimarosa,
75 116 Paris
Tel: 1 470 90
- **Annuaire 90 of Chambre de Commerce Francaise du Japon**
Hanzomon MK Bldg.
1-8-1 Kojimachi
Chiyoda-ku, Tokyo 102
Tel: 03 288-9621
Fax: 03 288-9558

Germany

Source of References:

- *Embassy of the Federal Republic of Germany*
5-10, Minami Azabu, 4-chome
Minato-ku, Tokyo 106
Tel: 03 473-0151
Fax: 03 473-4243
- *The German Chamber of Commerce and Industry in Japan*
Akasaka Tokyu Bldg., 7F
2-14-3, Nagata-cho
Chiyoda-ku, Tokyo 100
Tel: 03 581-9881
Fax: 03 593-1350

Note:

Due to size constraints it was not possible to supply the contact addresses and telephone numbers for each of these companies. Please contact the Chamber directly if you require these particulars, or more specific information on these companies and their expertise.

Note:

In order to provide the information contained in this section the Trade Commission and the Chamber of Commerce of each European Community member was contacted in Tokyo. This section represents their response to our request for information. For further information please contact the Trade Commission or Chamber of Commerce of this country at the address listed above.

Germany (continued)

Lawyers (RA) + Patent (PA)

- Chiyoda Kokusai Law, Patent, Accounting, Tax Office (RA+PA)
- Anwaltssozietät Dr. H. Erckens, Horn, Dr. H. Jurgens, Dr. E. Erchene, G. Schleder (RA)
- Hammerstein & Dr. Winnefeld RA+PA)
- Rechtsanwältin Heussen, Braun, v. Kessel & Partner (RA)
- Yoshihiko Kitamoto Law Offices (RA)
- Leinweber & Zimmermann (PA)
- Dr. Wolfgang Ott (RA)
- Peltzer & Riesenkampff, Rechtsanwältin (RA)
- Raedler, Raupach & Partner (RA)
- Scheer, Grueter-Rieger, Raven & Meyer-Hofman Rechtsanwältin (RA)
- Sigle, Loose, Schmidt-Diemitz & Partner Anwaltskanzlei (RA)
- Sonderhoff & Einsel (RA)
- Tokyo Aoyama Law Office (RA)
- Weber & Heim Patentanwältin (PA)
- Westrick & Eckholdt (RA)
- Wilhelms, Kilian & Partner (PA)
- Yagi Sogo Law Offices (RA)
- Yamakawa International Patent Office (PA)
- Yuasa and Hara (RA)
- Patentanwalt G. Zeitler European Patent Attorney (PA)

Accountants/Tax Advisors

- Ernst & Young International Tax
Hammerstein & Dr. Winnefeld
- K. K. Peat Marwick
- P+S Treuhard- und Steuerberatungs Ges, GmbH
- Price Waterhouse
- Tohmatsu Awoki & Sarwa
- Turnbull & Irrgang GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft,

Business Consultants

- J.E. Access Y.K.
- ASI Market Research (Japan) Inc.
- A.T. Kearney International, Inc.
- Comarco Consult GmbH Unternehmensberatung
- Corporate Directions, Inc.
- Egis K.K.
- European-Asian Trade Service Co., Ltd.
- Froehlich & Partner Wirtschaftsberatung
- GfK AG
- Illies Consult Ltd.
- Incubator International

Germany (continued)

- Japan Business Service Inc.
- JEP (Japan) Ltd.
- JMS Japan-Market-Service GmbH
- Dr. Krueger Unternehmensberatung
- Kuehn Associates Consulting Engineers
- Marketing für Praktiker
- MESAGO Messe & Kongress GmbH
- MIK Gesellschaft für Marktforschung Information & Kommunikation
- Peter Mueller-Mark
- Dr. R. Newmann (SIS Japan Consult, Ltd.)
- Occanautes Inc.
- Dipl.-Ing, Kazuyoshi Oishi
- Olroth & Woschina Co., Ltd.
- PA Consulting Group
- Michael Paula
- Personalberatung Geest
- Prognos AG
- Ostasien-Marketing A.Rive
- Soundio Research Co., Ltd.
- Staufenbiel Unternehmensberatung (BDU)
- Syntax Ltd.
- Technics in Management Transfer Inc. (TMT)
- Techno Trade Technical Trading & Consulting GmbH
- TIT Consult K.K.
- Vaubel & Partners Ltd.

Bankers, Insurance, Securities

- Allianz Aktiengesellschaft Holding
- The Bank of Tokyo Ltd.
- Bayerische Landesbank AG, Tokyo Branch
- Bayerische Vereinsbank AG, Tokyo Branch
- Berliner Handels- und Frankfurter Bank, Tokyo Branch
- BHF Securities (Asia) Ltd., Tokyo Branch
- BV Capital Markets (Asia) Ltd., Tokyo Branch
- Commerzbank AG, Tokyo Branch
- Commerz Securities (Japan) Co., Ltd.
- The Dai-ichi Kangyo Bank Ltd.
- The Daiwa Bank Ltd.
- DB Capital Markets (Asia) Ltd.
- Deutsche Bank AG, Tokyo Branch
- Deutsche Bank AG, Osaka Branch
- DG Securities Tokyo Branch of DG-Bank
- Dresdner-ABD Securities Ltd., Tokyo Branch
- Dresdner Bank AG, Tokyo Branch

Germany (continued)

- The Fuji Bank Ltd.
- Hannover Rueckversicherungs AG
- Hessische Landesbank -GZ-
- The Industrial Bank of Japan Ltd.
- Koelnische Rueckversicherungs-Gesellschaft
- The Long-Term Credit Bank of Japan Ltd.
- The Mitsui Bank Ltd.
- Muenchener Rueckversicherungs-Gesellschaft
- Nippon Life Insurance Company
- Nomura Securities Co., Ltd.
- Norddeutsche Landesbank Girozentrale
- Rollins Heath (Japan) Ltd.
- The Sanwa Bank Ltd.
- Stadtparkasse Koeln
- Sumitomo Trust & Banking Co., Ltd.
- M.M. Warburg-Brinckmann, Wirtz & Co. KG
- Wesselhoeft Ahlers Carstens & Schues
- Westdeutsche Landesbank Girozentrale, Tokyo Branch
- WestLB Securities Pacific Ltd.

Trading Companies

- Asahi Corporation
- Asahi Grant K.K.
- K. Brasch & Co., Ltd.
- Captain Industries Inc.
- Cine Photo Research Co., Ltd.
- Clay & Co., Ltd.
- C. Correns & Co., Ltd.
- Cossen, Co.
- Daiki Co., Ltd.
- Deutsche Handels AG (Doitsu Shoji)
- Ewig K.K.
- Fujikoshi Co., Ltd.
- Getz Bros. & Co., Inc.
- Georg Grotjahn GmbH & Co.
- Hansen & Co., Ltd. (K.K. Ernst Hansen Shokai)
- C. Holstein Company
- C. Illies & Co., Ltd. (Irisu Shokai K.K.)
- Isogo Trading Center, Inc.
- C. Itoh & Co., Ltd.
- Iwatani & Co., Ltd.
- Japan International Commerce Corp.
- Jepico Corporation

Germany (continued)

- H. Kasai Co., Ltd.
- K & B International Ltd.
- Kreis Co., Ltd.
- Leybold Co., Ltd.
- Liebermann Kaigai K.K.
- Hajimu Miwa Japan Trading
- Nakayama Sangyo Co., Ltd.
- N.D. International Ltd.
- Nichio Boeki Co., Ltd.
- Nihon Siber Hegner K.K.
- Nikkai Industry Co., Ltd.
- Noah Corporation
- Okaya & Co., Ltd.
- Orient Corporation
- J. Osawa & Co., Ltd.
- Rieckermann (Japan) Ltd.
- Seika Sangyo Co., Ltd.
- Siemssen & Co.
- Simon, Evers & Co., GmbH
- Sumitomo Corporation
- Techno Trade Technical Trading & Consulting GmbH
- Thyssen Nippon K.K.
- Unico Co., Ltd.
- Verona Co., Ltd.
- C. Weinberger & Co., Ltd.
- Weinig Japan Ltd.
- Winckler & Co., Ltd.
- T. Yamaoka Sohn AG
- Yoshida Shokai Ltd.
- Alltec (Japan) Ltd.
- Bio Bridge K.K.
- Hermann Strack Impex GmbH
- Western Trading Co., Ltd.

Advertising Agencies

- AD-Media Corp.
- Concept Intern. Co., Ltd.
- Cove-Ito Advertising Ltd.
- Dentsu Incorporated
- Hakuhodo Inc.
- I & S Corporation
- Nippo Inc.

Germany (continued)

- Shin Nihon Kikaku K.K.
- SYNTAX Ltd.
- Television Corporation of Japan (TCJ)
- Tokyu Agency International Inc.
- Toseisha Co., Ltd.

Testing and Inspection

- Germanischer Lloyd
- Japan Camera & Optical Instrument Inspection & Testing Institute (JCII)
- Technischer Überwachungs-Verein Bayern e.V
- TÜV Rheinland Japan Ltd.

State Offices

- Bayerisches Staatsministerium fuer Wirtschaft und Verkehr
- Landeshauptstadt Duesseldorf
- Stadt Frankfurt/Main, Amt fuer Wirtschaftsförderung
- Gesellschaft für Wirtschaftsförderung Saar GmbH
- HWF Hamburgische Gesellschaft fuer Wirtschaftsförderung GmbH
- Stiftung Aussenwirtschaft Baden-Württemberg
- Landeshauptstadt Wiesbaden-Amt für Wirtschaft
- Wirtschaftsförderungsgesellschaft der Freien Hansestadt Bremen GmbH

Greece

Source of References:

- *The Embassy of Greece*
3-16-30, Nishi-Azabu
Minato-ku, Toyo 106
Tel: 03 403-0871
Fax: 03 402-4642

Note:

For specific information concerning services and company names and addresses, please contact the Embassy directly

Note:

In order to provide the information contained in this section the Trade Commission and the Chamber of Commerce of each European Community member was contacted in Tokyo. This section represents their response to our request for information. For further information please contact the Trade Commission or Chamber of Commerce of this country at the address listed above.

Ireland

Source of References:

- *Embassy of Ireland*
Kowa 25 Bldg, 8-7
Sanbancho, Chiyoda-ku, Tokyo 102
Tel: 03 263-0695
Fax: 03 265-2275

- *Irish Export Board*
New Aoyama Bldg. West 1753
1-1-1, Minami-Aoyama
Minato-ku, Tokyo 107
Tel: 03 475-1521
Fax: 03 475-5683

Note:

In order to provide the information contained in this section the local embassy and the Chamber of Commerce of each European Community member were contacted in Tokyo. This section represents their response to the request for information. For further information please contact your local embassy or Chamber of Commerce at the address provided.

Ireland (continued)

Source of Information

- **Industrial Development Authority**
Kioicho TBR Bldg. (#1205)
7, Kojimachi 5-chome
Chiyoda-ku, Tokyo 102
Tel: 03 262-7621
Fax: 03 261-4239
- **Shannon Development**
Same as IDA
- **Irish Tourist Board**
Yamaga Bldg. 3F.
1-10-9, Azabudai
Minato-ku, Tokyo 106
Tel: 03 582-8886
Fax: 03 582-4434
- **Aer Lingus**
Same as Irish Tourist Board

Bankers

- **Allied Irish Banks**
AIU Bldg., 13F.
1-13, Marunouchi
Chiyoda-ku, Tokyo 100
Tel: 03 218-4001
Fax: 03 218-4004
- **Bank of Ireland**
ABC Bldg., 9F.
2-4-16, Kudan Minami
Chiyoda-ku, Tokyo 102
Tel: 03 592-0014
Fax: 03 501-8034

Note:

In order to provide the information contained in this section the Trade Commission and the Chamber of Commerce of each European Community member was contacted in Tokyo. This section represents their response to our request for information. For further information please contact the Trade Commission or Chamber of Commerce of this country at the address listed above.

Italy

Source of References:

- *Italian Embassy*
2-5-4, Mita
Minato-ku, Tokyo 108
Tel: 03 453-5291
Fax: 03 456-2319

Note:

In order to provide the information contained in this section the Trade Commission and the Chamber of Commerce of each European Community member was contacted in Tokyo. This section represents their response to our request for information. For further information please contact the Trade Commission or Chamber of Commerce of this country at the address listed above.

Italy (continued)

Organization which assists firms, particularly small and medium sized firms

- Italian Embassy, Tokyo

Tel: 475 1401

Fax: 475 1440

Lawyers

- Akimoto & Co.
Shin Aoyama Bldg., West 14th F.
1-1-1, Minami-Aoyama, Minato-ku

Tel: 475 1501

Fax: 475 0965

- A. Racheli & C. Fiammenghi
Via Quattro Fontane, 31
00184 Roma

Tel: 48.54.31

Tlx: 61077 FIAMRM I

- Nakamura & Partners
Shin Tokyo Bldg.
3-3-1, Marunouchi, Chiyoda-ku

Tel: 211 8741

Fax: 214 6358/9

- Barzono & Aznaro S.p.A.
Via Piemonte 26
00187 Roma
Via Borgonuovo 10
Milano

Tel: 47 43 2 41

Tlx: 611015 ZANARO

Tel: 66 42 87

Tlx: 320034 ZANARO

Accountants/Tax Advisors

- KPMG Peat Marwick
3-M Bldg., 7-1-21
Akasaka, Minato-ku

Tel: 403 2551

Fax: 423 1826

Business Consultants

- Asia Links Associates K.K.
Mori Bldg. #32
3-4-30, Shiba-koen, Minato-ku

Tel: 433 3613/4

Fax: 433 3523

- C. Correns & Co., Ltd.
Iino Bldg., 2-1-1
Uchisaiwai-cho, Chiyoda-ku

Tel: 501 2361

Fax: 501 5309

Italy (continued)

- **Eureco Ltd.**
Akasaka Coop. 603
6-4-17, Akasaka, Minato-ku
Tel: 586 1573
Fax: 587 4652
- **Euro-Japanese Trade Consultants**
Dai Nippon PR Center Bldg.
2-3-8, Irifune, Chuo-ku
Tel: 555 0831
Fax: 555 0840
- **Itasco**
Azabu Tokyu Apartments
47, Mamiana-cho, Azabu
Minato-ku, Tokyo
Tel: 585 4778
Fax: 585 9827
- **Parallels K.K.**
Shin Aoyama Bldg., East-1506
1-1-1, Minami-Aoyama, Minato-ku
Tel: 406 9751
Fax: 423 0908
- **P. M. C.**
Dowa Bldg., 4F.
5-18-18, Roppongi, Minato-ku
Tel: 582 1486
Fax: 582 1420

Advertising Agencies

- **Dentsu PR Center Ltd.**
2-16-7, Ginza, Chuo-ku
Tokyo
Tel: 542 3978
Fax: 5565 4019
- **Tokyo PR Inc.**
Oar Bldg., 3F.
2-9-13, Uchikanda
Chiyoda-ku, Tokyo
Tel: 256 5691
Fax: 256 5694
- **UNO Associates Inc.**
Lions Plaza 606
1-2-10, Ohashi, Meguro-ku
Tel: 477 7640
Fax: 496 3927
- **Ohira Enterprise Co., Ltd.**
Goko Bldg. #900
1-34-3, Minami-Aoyama
Minato-ku, Tokyo
Tel: 401 0028
Fax: 406 6070
- **Inforvis Co., Ltd.**
Dainikyouten Bldg., 9F.
1-2-10, Shinbashi, Minato-ku
Tel: 573 7391
Fax: 573 7422

Luxemburg

Source of References:

- *Embassy of Luxemburg
Nibancho T.S. Bldg., 2-1
Nibancho, Chiyoda-ku, Tokyo 102
Tel: 03 265-9621
Fax: 03 265-9624*
- *Belgian-Luxemburg Chamber of Commerce
GS Heim 207
2-2-18 Shiba Daimon
Minato-ku, Tokyo 105
Tel: 03 435-0254
Fax: 03 435-0255*

Note:

In order to provide the information contained in this section the Trade Commission and the Chamber of Commerce of each European Community member was contacted in Tokyo. This section represents their response to our request for information. For further information please contact the Trade Commission or Chamber of Commerce of this country at the address listed above.

Netherlands

Source of References:

- *Royal Netherlands Embassy
Minato-ku, Tokyo 105
Tel: 03 431-5126
Fax: 03 432-7560*

Note:

In order to provide the information contained in this section the Trade Commission and the Chamber of Commerce of each European Community member was contacted in Tokyo. This section represents their response to our request for information. For further information please contact the Trade Commission or Chamber of Commerce of this country at the address listed above.

Netherlands (continued)

Accountants/Tax Advisors

- Loyens & Volkmaars B.V.
Maeda Bldg. 5F.
1-12-3, Uchi-Kanda, Chiyoda-ku
Tel: 233 3141

Business Consultants

- Far East Relations
Nic Heim lidabashi No. 902
6-39, Shin-Ogawa-cho
Shinjuku-ku, Tokyo
Tel: 235 6181
Fax: 235 6123

Bankers

- Algemene Bank Nederland N.V. (ABN)
Fuji Bldg., 3-2-3
Marunouchi, Chiyoda-ku, Tokyo
Tel: 211 4858
Fax: 214 1409
- Amsterdam-Rotterdam Bank N.V. (Amro)
Yurakucho Denki Bldg., South 8F.
1-7-1, Yurakucho, Chiyoda-ku
Tel: 284 0701
Fax: 284 0718
- Nederlandsche Middenstandsbank (NMB)
Kokusai Bldg. 5F.
3-1-1, Marunouchi, Chiyoda-ku
Tel: 212 6481/7
Fax: 214 5808
- Pierson, Heldring & Pierson N.V.
Fukoku Seimei Bldg., 21F.
2-2-2, Uchisaiwai-cho
Chiyoda-ku, Tokyo
Tel: 508 0681
Fax: 592 1928

In the Netherlands itself Dutch companies could use the resources of the Foreign Trade Agency of the Ministry of Economic Affairs

- Ministerie van Economische Zaken
EVD
Bezuidenhoutseweg 151
2594 AG 's-GRAVENHAGE
Tel: 31(70)379 88 11
Fax: 31(70)379 78 78

Portugal

Source of References:

- *Embassy of Portugal
Olinpia Annex 304, 305
6-31-21, Jingu-mae
Shibuya-ku, Tokyo 150
Tel: 03 470-7162
Fax: 03 470-7164*

In Japan:

- Portugal Business Forum
Mitsui & Co., Ltd.
c/o Mr. Teruo Shimizu
Deputy General Manager
Second Overseas Department
Corporate Planning Division
Tel: 285 9906
Fax: 285 7630

In Portugal:

- ICEP-Portuguese Institute for Foreign Trade
Avenida 5 de Outubro nr. 101
1016 Listoa
Tel: 01 7934420
Fax: 01 7930103

For further information, please contact The Embassy of Portugal

Note:

In order to provide the information contained in this section the Trade Commission and the Chamber of Commerce of each European Community member was contacted in Tokyo. This section represents their response to our request for information. For further information please contact the Trade Commission or Chamber of Commerce of this country at the address listed above.

Spain

Source of References:

- *Embassy of Spain*
1-3-29, Roppongi
Minato-ku, Tokyo 106
Tel: 03 583-8531
Fax: 03 582-8627

Note:

In order to provide the information contained in this section the Trade Commission and the Chamber of Commerce of each European Community member was contacted in Tokyo. This section represents their response to our request for information. For further information please contact the Trade Commission or Chamber of Commerce of this country at the address listed above.

Spain (continued)

Bankers

- Banco Hispano Americano
Landic Akasaka Bldg.
2-3-4, Akasaka
Minato-ku, Tokyo 107
Tel: 582 4111
Fax: 505 3489
- Banco De Santander
Akasaka Twin Tower Main Bldg.
2-17-22, Akasaka
Minato-ku, Tokyo 107
Tel: 5561 0591
Fax: 5561 0580
- Banco Exterior De Espana
Hibiya KoKusai Bldg. #1413
2-2-3, Uchisaiwaicho
Chiyoda-ku, Tokyo 100
Tel: 591 1321/2
Fax: 501 4008
- Banco Bilbao Vizcaya
Fukoku Seimei Bldg., 11F.
2-2-2, Uchisaiwaicho
Chiyoda-ku, Tokyo 100
Tel: 501 1061
Fax: 501 1064
- Banco Central
Akasaka Twin Tower 1104
2-17-22, Akasaka
Minato-ku, Tokyo 107
Tel: 588 1821
Fax: 588 0205
- Banco Espanol De Credito (Banesto)
Shin Kokusai Bldg., #810
3-4-1, Marunouchi
Chiyoda-ku, Tokyo 100
Tel: 214 6821
Fax: 214 6823

In Spain, please defer to the following organization:

- Instituto Espanol de Comercio Exterior
Secretaria de Estado de Comercio
Paseo de la Castellana, 14
28046 Madrid
Tel: 431 1240
Apartado 14.710
Fax: 431 6128
Tlx: 44838 IECE

Note:

In order to provide the information contained in this section the Trade Commission and the Chamber of Commerce of each European Community member was contacted in Tokyo. This section represents their response to our request for information. For further information please contact the Trade Commission or Chamber of Commerce of this country at the address listed above.

United Kingdom

Source of References:

- *British Embassy*
1, Ichibancho
Chiyoda-ku, Tokyo 102
Tel: 03 265-5511
Fax: 03 5275-3164
- *British Chamber of Commerce*
Kowa Daiichi Bldg., 3F
1-11-41, Akasaka
Minato-ku, Toyo 107
Tel: 03 505-1734
Fax: 03 505-2680

Note:

Refer to "Japan - A Directory of Markets Entry Services for Business"

- *Over 300 organizations are included*
- *Published by British Overseas Trade Board*
(could be obtained from the organizations listed below and on the previous page)

For further information, please contact the following:

Exports to Japan Unit
Department of Trade and Industry
1 Victoria Street
London SW1H 0ET
Tel: 71-215-4806
Fax: 71-215-4701

Note:

In order to provide the information contained in this section the local embassy and the Chamber of Commerce of each European Community member were contacted in Tokyo. This section represents their response to the request for information. For further information please contact your local embassy or Chamber of Commerce at the address provided.

Appendix B

Names And Addresses Of Japanese Government And Other Organizations In Japan

- I. Examples of Japanese government contacts**
- II. List of organizations by type**

I. Examples of Japanese Government Contacts

Formation and incorporation of company

- **Bank of Japan**
 - Investment Section, Foreign Country Bureau
2-2-1, Nihonbashi-Hongokucho
Chiyoda-ku, Tokyo
Tel: 03-279-1111
Fax: 03-664-4334

- **Fair Trade Commission**
 - 2-2-1, Kasumigaseki
Chiyoda-ku, Tokyo
Tel: 03-581-5471
Fax: 03-581-1963

Trade mark and service mark registration

- **Japanese Patent Office**
 - 3-4-3, Kasumigaseki
Chiyoda-ku, Tokyo
Tel: 03-581-1101
Fax: 03-593-2397

Tax filings: Corporate, e.g., Blue Returns/For personnel

- **National Tax Office**
 - 3-1-1, Kasumigaseki
Chiyoda-ku, Tokyo
Tel: 03-581-4161
Fax: (confidential)

- **Local Tax Office**

For information regarding particular licences/possible restrictions

- **Bank of Japan**
 - Investment Section, Foreign Country Bureau
2-2-1, Nihonbashi-Hongokucho
Chiyoda-ku, Tokyo
Tel: 03-279-1111
Fax: 03-664-4334

- **Agricultural, Forestry and Fishery business:**
 - Enterprise Promotion Section, Food Distribution Bureau, Ministry of Agriculture, Forestry and Fisheries
1-2-1, Kasumigaseki
Chiyoda-ku, Tokyo
Tel: 03-502-8111
Fax: 03-506-1934

- **Petroleum and Mining business:**
 - **The Agency of Natural Resources and Energy, Ministry of International Trade and Industry**
1-3-1, Kasumigaseki
Chiyoda-ku, Tokyo
Tel: 03-501-1511
Fax: 03-501-1787

- **Leather and leather products manufacturers:**
 - **Culture Goods Section, Consumer Goods Industries Bureau, Ministry of International Trade and Industry**
1-3-1, Kasumigaseki
Chiyoda-ku, Tokyo
Tel: 03-501-1511
Fax: 03-501-1787

Visas

- **Tokyo Regional Immigration Branch**
1-1-1, Kasumigaseki
Chiyoda-ku, Tokyo
Tel: 03-580-4111
Fax: 03-592-9091

- **Central Immigration Office, Ministry of Justice**
1-1-1, Kasumigaseki
Chiyoda-ku, Tokyo
Tel: 03-580-4111
Fax: 03-592-9091

II. List of Organizations by Type

The following pages provide the names and addresses of organizations in Japan which can provide a variety of information on investment locations in Japan.

| Section | Type of agency/Information typically available |
|----------------|--|
| 1 | <ul style="list-style-type: none">• National government and other affiliated organizations<ul style="list-style-type: none">- General guidance- Overview of industrial park locations- Site selection guidance- Financing information |
| 2 | <ul style="list-style-type: none">• Regional organizations<ul style="list-style-type: none">- Local labour conditions- General information on transportation access- General information on industrial park locations- Introduction to prefecture level government officials |
| 3 | <ul style="list-style-type: none">• Non-government sources of regional information<ul style="list-style-type: none">- Utility availability and costs- General guidance on regional investment conditions- Introductions to prefecture government officials |
| 4 | <ul style="list-style-type: none">• Prefectural governments<ul style="list-style-type: none">- Local labour conditions- Detailed information on local industrial park availability and costs- Information on potential financial incentive programs- Information and introductions to local/municipal governments |

Note: Organisations in the prefectures highlighted in the guide are indicated by ""**"

1. National government and other affiliated organizations

| Name of Organization Address and Phone | Section | Service Provided |
|--|---|-----------------------------------|
| Ministry of International Trade and Industry (MITI) 1-3-1, Kasumigaseki, Chiyoda-ku, Tokyo 100 Tel: 03-501-6623 Fax: 03-501-1787 | Office for the Promotion of the Foreign Investment in Japan | General Guidance, Financing |
| Ministry of International Trade and Industry (MITI) 1-3-1, Kasumigaseki Chiyoda-ku, Tokyo 100 Tel: 03-501-0645 Fax: 03-501-1787 | Industrial Location Guidance Division | General Guidance, Industrial Site |
| Japan External Trade Organization (JETRO) 2-2-5, Toranomon, Minato-ku, Tokyo 105 Tel: 03-582-5571 Fax: 03-585-3628 | Investment Promotion Division | General Guidance |
| Japan Regional Development Corporation (JRDC) 3-8-1, Kasumigaseki, Chiyoda-ku, Tokyo 100 Tel: 03-501-5211 Fax: 07-581-1345 | Sales Promotion Division | Introduction of Industrial Parks |
| Center for Inducement of Industry to Rural Areas 1-11-38, Nagata-cho, Chiyoda-ku, Tokyo 100 Tel: 03-580-1668 Fax: 03-580-1660 | Operation Division | Introduction of Industrial Parks |
| Japan Industrial Location Center 1-4-2, Toranomon, Minato-ku, Tokyo 105 Tel: 03-502-2361 Fax: 03-580-6936 | Operation Division | Introduction of Industrial Parks |

1. National government and other affiliated organizations (continued)

| Name of Organization Address and Phone | Section | Service Provided |
|---|---------------------|--|
| <p>The Bank of Japan</p> <p>2-2-1, Nihonbashi- Hongokucho, Chiyoda-ku, Tokyo 100 Tel: 03-279-1111 Fax: 03-664-4334</p> | | Foreign Capital Control |
| <p>The Japan Development Bank</p> <p>1-9-1, Otemachi, Chiyoda-ku, Tokyo 100 Tel: 03-270-3211 Fax: 03-271-8464</p> | International Dept. | Financing |
| <p>Japan Technomart Foundation</p> <p>8 Fl. Mori Bldg. No. 33 3-8-21, Toranomon, Minato-ku, Tokyo 105 Tel: 03-432-6061 Fax: 03-435-8489</p> | | R&D Partners, Production & Sales partners, Human Resources Information |

2. Regional organizations

| Name of organization, address and phone | Section |
|---|-------------------------------------|
| <p>The Committee for the Promotion of International Investment and Economic Exchange in Hokkaido**</p> <p>6, Kita-Sanjo-Nishi, Chuo-ku, Sapporo, Hokkaido 060 Tel: 011-231-9102 Fax: 011-232-2139</p> | N.A. |
| <p>The Tohoku International Investment Exchange Promotion Conference (Tertiary Tokyo Region)**</p> <p>3-3-1, Honcho, Sendai, Miyagi 980 Tel: 022-222-2425 Fax: 022-265-2349</p> | N.A. |
| <p>The Council for Encouraging The International Exchange of Investment for Regional Development in Hokuriku</p> <p>9-13, Oyama-cho, Kanazawa, Ishikawa 920 Tel: 0762-32-0472 Fax: 0762-62-8127</p> | N.A. |
| <p>Chugoku Region Investment Facilitation Committee Communicate Conference of Industrial Invitation to Shikoku Region</p> <p>6-30, Kami-Hacchobori, Chujo Hiroshima 730 Tel: 082-224-5630 Fax: 082-223-2293</p> | N.A. |
| <p>The Kyushu International Investment Promotion Council (Fukuoka)**</p> <p>2-11-1, Hakataeki-Higashi, Hakata-ku Fukuoka 812 Tel: 092-431-1301 Fax: 092-474-3553</p> | N.A. |
| <p>Hokkaido International Trade and Industry**</p> <p>2-1-1, Kita-Hachijo-West, Kita-ku, Sapporo, Hokkaido 060 Tel: 011-709-2311 Fax: 011-709-1788</p> | Regional Development Division |

2. Regional organizations (continued)

| Name of organization, address and phone | Section |
|--|-------------------------------|
| <p>Tohoku International Trade and Industry (Tertiary Tokyo Region)** 3-3-1, Honcho, Aoba-ku, Sendai Miyagi 980 Tel: 022-263-1111 Fax: 011-709-1788</p> | Regional Development Division |
| <p>Kanto International Trade and Industry (Chiba, Saitama)** 1-3-3, Otemachi, Chiyoda-ku, Tokyo 100 Tel: 03-216-5641 Fax: 03-214-65217</p> | Regional Development Division |
| <p>Chubu International Trade and Industry (Aichi)** 2-5-2, Sannomaru, Shichu-ku, Nagoya Aichi 460 Tel: 052-951-2551 Fax: 052-961-7809</p> | Regional Development Division |
| <p>Kinki International Trade and Industry 1-5-44, Otemachi, Chuo-ku, Osaka 540 Tel: 06-941-9251 Fax: 06-141-5390</p> | Regional Development Division |
| <p>Chugoku International Trade and Industry 6-30, Kami-Hacchoberi, Naka-ku Hiroshima 730 Tel: 082-224-5638 Fax: 082-223-2293</p> | Regional Development Division |
| <p>Shikoku International Trade and Industry 1-10-6, Bancho, Takamatsu, Kagawa 760 Tel: 0878-31-31441 Fax: 0878-31-0165</p> | Regional Development Division |
| <p>Kyushu International Trade and Industry (Fukuoka)** 2-11-1, Hakataeki-Higashi, Fukuoka 812 Tel: 092-431-1301 Fax: 092-474-3553</p> | Regional Development Division |
| <p>The Hokkaido-Tohoku Development Corporation (Tertiary Tokyo Region)** 1-9-3, Otemachi, Chiyoda-ku, Tokyo 100 Tel: 03-270-1651 Fax: 03-277-1955</p> | Project Development Division |

3. Non-Government sources of regional information

| Name of organization | Address and phone |
|--|--|
| Hokkaido Electric Power Company Inc. ** | 1-2, Odorihigashi, Chuo-ku, Sapporo Hokkaido 060 Tel: 011-251-1111 Fax: 011-221-0194 |
| Tohoku Electric Power Company Inc. (Tertiary Tokyo Region)** | 3-7-1, Ichibancho, Sendai, Miyagi 980 Tel: 0222-25-2111 Fax: 022-225-2111 |
| Tokyo Electric Power Company Inc. (Chiba, Saitama)** | 1-1-3, Uchisaiwai-cho, Chiyoda-ku, Tokyo 100 Tel: 03-501-8111 Fax: 03-501-8111 |
| Chubu Electric Power Company Inc. (Aichi)** | 1, Higashi-Shinmachi, Higashi-ku, Nagoya, Aichi 461-91 Tel: 052-951-8211 Fax: 052-961-3592 |
| Hokuriku Electric Power Company Inc. | 3-1, Sakurabashidori, Toyama 930 Tel: 0764-41-2511 Fax: 0764-32-4975 |
| Kansai Electric Power Company Inc. | 3-3-22, Nakanoshima, Kita-ku Osaka 530 Tel: 06-441-8821 Fax: 06-443-5416 |
| Chugoku Electric Power Company Inc. | 4-33, Kamachi, Naka-ku, Hiroshima 730 Tel: 082-241-0211 Fax: 082-242-8483 |
| Shikoku Electric Power Company Inc. | 2-5, Marunouchi, Takamatsu Kagawa 760-91 Tel: 0878-21-5061 Fax: 0878-23-3039 |
| Kyushu Electric Power Company Inc. (Fukuoka)** | 2-1-82, Watanabedori, Chuo-ku Fukuoka 810-91 Tel: 092-761-3031 Fax: 092-761-7542 |

4. Prefectural governments

| Prefecture | Address and phone | Section |
|---|---|--|
| Hokkaido** | 5, Kita-Sanjo-Nishi, Chuo-ku Sapporo, Hokkaido 060 Tel: 011-231-4111 Fax: 011-251-3879 | Industrial Promotion Division |
| Aomori (Tertiary Tokyo Region) | 1-1-1, Nagashima, Aomori 030 Tel: 0177-22-1111 Fax: 0177-35-4761 | Industrial Location Planning Sec. |
| Iwate (Tertiary Tokyo Region) | 101, Uchimaru, Morioka, Iwate 020 Tel: 0196-51-3111 Fax: 0196-25-7316 | Regional Development Division |
| Akita (Tertiary Tokyo Region) | 4-1-1, Sanno, Akita 0101 Tel: 0188-60-1932 Fax: 0188-64-0326 | Industrial Promotion Division |
| Miyagi (Tertiary Tokyo Region) | 3-8-1, Honcho, Sendai, Miyagi 980 Tel: 0222-63-2111 Fax: 022-225-5723 | Industrial Development and Promotion Division |
| Yamagata (Tertiary Tokyo Region) | 2-8-1, Matsunami, Yamagata 990 Tel: 0236-30-2697 Fax: 0236-30-3048 | Industrial Location Division |
| Fukushima (Tertiary Tokyo Region) | 2-16, Sugitsumacho, Fukushima 960 Tel: 0245-21-1111 Fax: 0245-22-3814 | Section of Industrial Development |
| Ibaragi (Secondary Tokyo Region) | 1-5-38, Sannomaru, Mito Ibaragi 310 Tel: 0292-21-8111 Fax: 0292-27-6151 | Division of Industrial Development |
| Tochigi (Secondary Tokyo Region) | 1-1-20, Hanawada, Utsunomiya Tochigi 320 Tel: 0286-23-3201 Fax: 0286-23-2011 | Industry and Labour Development |
| Gunma (Secondary Tokyo Region) | 1-1-1, Otemachi, Maebashi Gunma 371 Tel: 0272-23-1111 Fax: 0272-24-9123 | Textile, Industry and Mining Division |
| Saitama** | 3-15-1, Takasago, Urawa Saitama 336 Tel: 0488-24-2111 Fax: 048-822-9034 | Industrial Policy Sec. |

4. Prefectural governments (continued)

| Prefecture | Address and Phone | Section |
|-------------------------------------|---|--|
| Chiba** (Secondary Tokyo Region) | 1-1, Ichibancho, Chiba 280 Tel: 0472-23-2444 Fax: 0472-23-2430 | Industry Investment Promotion Office |
| Tokyo | 3-8-1, Marunouchi, Chiyoda-ku, Tokyo 100 Tel: 03-212-5111 Fax: 03-216- 4514 | Planning Section of Commerce and Industry Division |
| Kanagawa | 1, Nihonodori, Naka-ku, Yokohama Kanagawa 231 Tel: 045-201-1111 Fax: 045-201-2396 | The Industrial Policy Division |
| Yamanashi | 1-6-1, Marunouchi, Kofu, Yamanashi 400 Tel: 0552-37-1111 Fax: 0552-32-8515 | Industry Investment Promotion Office |
| Niigata | 4-1, Shinkocho, Niigata 950 Tel: 0252-85-5511 Fax: 025-283-0898 | Enterprise Establishment Sec. |
| Nagano | Naganohabashita, Oazaminami Nagano 380 Tel: 0262-32-0111 Fax: 0262-35-6232 | Trade Promotion Sec. |
| Shizuoka | 9-6, Otemachi, Shizuoka 420 Tel: 0542-21-2511 Fax: 0542-21-2750 | Industrial Division |
| Aichi** | 3-1-2, Sannomaru, Naka-ku, Nagoya Aichi 460 Tel: 052-961-2111 Fax: 052-951-1529 | Industrial Promotion Division |
| Gifu | 1-1, Yabuta, Gifu 500 Tel: 0582-72-1111 Fax: 0582-74-0588 | Industrial Location Division |
| Toyama | 1-7, Shinsogawa, Toyama 930 Tel: 0764-31-4111 Fax: 0764-41-9050 | Commerce and Industrial Division |
| Ishikawa | 2-1-1, Hirasaka, Kanazawa Ishikawa 920 Tel: 0762-61-1111 Fax: 0762-64395 | Economic Development Promotion Division |
| Fukui | 3-17-1, Ote, Fukui 910 Tel: 0776-21-1111 Fax: 0776-26-1171 | Industrial Development Division |

4. Prefectural governments (continued)

| Prefecture | Address and phone | Section |
|------------|--|---|
| Osaka | Otemaenochi, Higashi-ku Osaka 540 Tel: 06-941-0351 Fax: 06-941-5758 | Industrial Planning Office |
| Kyoto | Yabunouchi-cho, Shinmachi-Nishi Iru, Simodachiuri, Kamikyo-ku, Kyoto 602 Tel: 075-451-8111 Fax: 075-451-8420 | Industry Division |
| Nara | Noboriozicho, Nara 630 Tel: 0742-22-1101 Fax: 0742-23-8695 | Commerce and Industry Division |
| Shiga | 4-1-1, Kyomachi, Otsu, Shiga 520 Tel: 0775-24-1121 Fax: 0775-24-8502 | Commerce and Industry Sec. |
| Wakayama | 1-1, Komatsubaradori Wakayama 640 Tel: 0734-32-4111 Fax: 0734-31-0232 | Industrial Development Sec. |
| Mie | 13, Komeicho, Tsu, Mie 514 Tel: 0592-24-2443 Fax: 0592-24-2180 | Business Location Sec. |
| Hyogo | 5-10-1, Shimoyamatedori, Chuo-ku Kobe, Hyogo 650 Tel: 078-341-7711 Fax: 078-351-3464 | Industry Division |
| Okayama | 2-4-6, Uchiyamashita, Okayama 700 Tel: 0862-24-2111 Fax: 0862-23-7751 | Industrial Placement Sec. |
| Tottori | 1-220, Higashicho, Tottori 680 Tel: 0857-26-7220 Fax: 0857-26-8111 | Industrial Location Division |
| Shimane | 1, Tonomachi, Matsue, Shimane 690 Tel: 0852-22-5295 Fax: 08552-22-5811 | Industry and Commerce Promotion Sec. |
| Hiroshima | 10-52, Motomachi, Naka-ku, Hiroshima 730 Tel: 082-228-2111 Fax: 082-223-1948 | Enterprise Location Sec. |

4. Prefectural governments (continued)

| Prefecture | Address and phone | Section |
|----------------|--|--|
| Yamaguchi | 1-1, Takimachi Yamaguchi 753 Tel: 0839-22-3111 Fax: 0839-25-8861 | Commercial Administration Division |
| Kagawa | 4-1-10, Bancho, Takamatsu Kagawa 760 Tel: 0878-31-1111 Fax: 0878-62-3653 | Commerce and Industry Division |
| Ehime | 4-4-2, Ichibancho, Matsuyama Ehime 790 Tel: 0899-41-2111 Fax: 0899-41-2973 | Industry Promotion Division |
| Kochi | 1-2-20, Marunouchi, Kochi 780 Tel: 0888-23-1111 Fax: 0888-25-2537 | Industry and Commerce Promotion Sec. |
| Tokushima | 1-1, Bandaicho, Tokushima 770 Tel: 0886-21-2120 Fax: 0886-25-3881 | Enterprise Establishment Division |
| Fukuoka** | 7-7, Higashikoen, Hakata Fukuoka 812 Tel: 092-651-1111 Fax: 092-641-3768 | Industrial Location Sec. |
| Oita | 3-1-1, Otemachi, Oita 870 Tel: 0975-36-1111 Fax: 0975-32-2613 | Industry and Mining Division |
| Saga | 1-1-59, Zyonai, Saga 840 Tel: 0952-24-2111 Fax: 0952-26-0798 | Enterprise Promotion Division |
| Nagasaki | 2-13, Edomachi, Nagasaki 850 Tel: 0958-24-1111 Fax: 0958-22-2265 | Industrial Investment Promotion Office |
| Kumamoto | 6-18-1, Suizenji, Kumamoto 862 Tel: 096-383-1111 Fax: 096-382-4799 | Commerce and Industry Promotion Sec. |
| Miyazaki | 2-10-1, Tachibanadori-Higashi, Miyazaki Tel: 0985-24-1111 Fax: 0985-28-8760 | Investment Promotion Division |
| Kagoshima | 14-50, Yamashitacho, Kagoshima 892 Tel: 0992-26-2567 Fax: 0992-23-5241 | Industrial Location Policy Sec. |
| Okinawa 140 | 1-2-32, Iaumisaki, Naha, Okinawa 900 Tel: 0988-66-2340 Fax: 0988-66-2658 | Industrial Location Policy Sec. |

Appendix C

Summary of Major Government Incentive Programs

- I. MITI import expansion program - 1990**
- II. Regional development legislation**

I. Summary of Import Promotion Measures

1. Tax incentives to promote manufactured imports

- Objective:**
- Lower the costs and risks of importing products into Japan
- Actions:**
- A tax credit of 5% of the amount of the increase of imports will be offered to manufacturing industries
 - Wholesalers and retailers will be allowed to reserve untaxed funds to develop markets in Japan for manufactured imports
 - These measures will be in effect for three years
- Products Covered :**
- Duty free manufactured goods which currently account for 50% of all manufactural imports (contact MITI for further details)

2. Elimination of tariffs

- Objective:**
- Increase percentage of manufactured imports with zero tariff from 42% to 56%
- Actions:**
- Tarriffs on 1,008 products will be reduced or eliminated
- Products**
- Various manufactured imports (contact MITI for further details)

3. Increase an import expansion program budget

- Objective:**
- Increase the information available and raise the profile of foreign imports in Japan
- Actions:**
- Increase budget from approximately 10.5 MECU in 1989 to approximately 80.5 MECU in 1990
 - Establishment of an information network for promotion of imports
 - Set up an active exchange program among importers and exporters
 - Send experts to other countries to seek products with import potential
 - Implementation of pilot projects to establish comprehensive import promotion centers

4. Enhanced import expansion loan programs

Objective:

- The programs of five major public financing corporations will be enhanced and expanded: the Export-Import Bank of Japan, the Japan Development Bank, the Small Business Finance Corporation, the Peoples Finance Corporation and the Japan Small Business Corporation.

Actions:

- Amount available for these programs will be 1.2 BECU
- Expansion of financing for manufactured imports (Export-Import Bank of Japan and Japan Development Bank)
 - Interest rate: 5.2% for specific articles, and 5.4% for others
 - Term of loan : More than one year but less than 10 years
- Expansion of financing for import facilities and investments in Japan by foreign companies
 - Applicable to: (1) Importers, wholesalers, retailers, etc.
(2) Foreign companies investing in Japan -- for equipment purchase
 - Interest rate: 5.4% or 5.9%
 - Term of loan : Maximum of 25 years
 - Coverage of loan:40%
- Expansion of financing for import by Japanese small and medium-sized retailers and wholesalers (Small Business Finance Corporation, People's Finance Corporation)
 - Applicable to: Small and medium-sized retailers and wholesalers
 - Interest rate: 5.4% for the first three years, and 5.9% from the fourth year onwards
 - Term of loan : 15 years or less for equipment, 5 years or less for working capital

- Establishment of financing for comprehensive international import centers (Japan Small Business Corporation)
 - Applicable to: Wholesale markets for imported products (for small and medium-sized distributors)
 - Interest rate: 2.7%
 - Coverage of loan: 65%

 - Applicable to: Facilities and services for promotion of import procurement (information services, exhibition space, shared warehouses, etc.)
 - Interest rate: 0%
 - Coverage of loan: 80%

Note:

For more specific information please contact MITI directly at:

Overseas Public Affairs Office,
International Trade Policy Bureau
3-1 Kasumigaseki
1-chome Chiyoda-ku, Tokyo 100 Japan
03-501-1657/1654

II. Regional development legislation

If more detailed information is required regarding the applications of the legislative acts described in this section please contact the government agencies listed below:

| <u>Name of Organization Address and Phone</u> | <u>Section</u> | <u>Service Provided</u> |
|--|--|--------------------------------------|
| Ministry of International Trade and Industry (MITI) 1-3-1 Kasumigaseki Chiyoda-ku, Tokyo 100 Tel: -03 501-0645 Fax:-03 501-1787 | Industrial Location Guidance Division | General Guidance, Industrial Site |
| Japan Industrial Location Center 1-4-2, Toranomom, Minato-ku, Tokyo 105 Tel: 03 502-2361 Fax: 03 580-6936 | Operation Division | Introduction of Industrial Parks |

The Law For The Promotion of Industries in Rural Areas (農村地域工業等導入促進法)

Date of Establishment: 1961

Objectives

- To positively promote and plan the introduction of industries to rural areas
- To promote employment of farmers in industrial activities based on their requests and abilities
- To promote improvement of the agricultural structure
- To aim for balanced development, both agricultural and industrial and to advance the structure of the employment

Target Areas

- Rural areas including cities which have agricultural development area, developmental mountain villages and depopulated areas
- Excluding
 - .. The new industrial cities and special areas for industrial development
 - .. Existing cities in Tokyo region, Kinki region and Chubu region
 - .. Cities with populations of more than 200,000
 - .. Cities with populations of more than 100,000 and where a population growth ratio or employee growth ratio in the secondary industry is above the national average

Incentives

- Tax
 - .. Special deduction in capital gains when agricultural lands are transferred
 - .. Exemption when switching assets for specific business purposes
 - .. Exemption of depreciation on machinery and buildings
 - .. Exemption from local tax
 - .. Exemption from special land holding tax
- Loans
 - .. Special loans from Japan Development Bank, Hokkaido - Tohoku Development Corp, Small Business Finance Corp. and People's Finance Corp.
 - .. Loans from the Central Cooperative Bank for Agriculture and Forestry

The Industrial Relocation Promotion Law - Eligible Areas

(工業再配置促進法)



Regend:



Eviction Promotion Areas



Industry Inducement Areas

(⊗ Excluded Areas)



Special Industry Inducement Areas

The Industrial Relocation Promotion Law

(工業再配置促進法)

- **Date of Establishment:** 1972

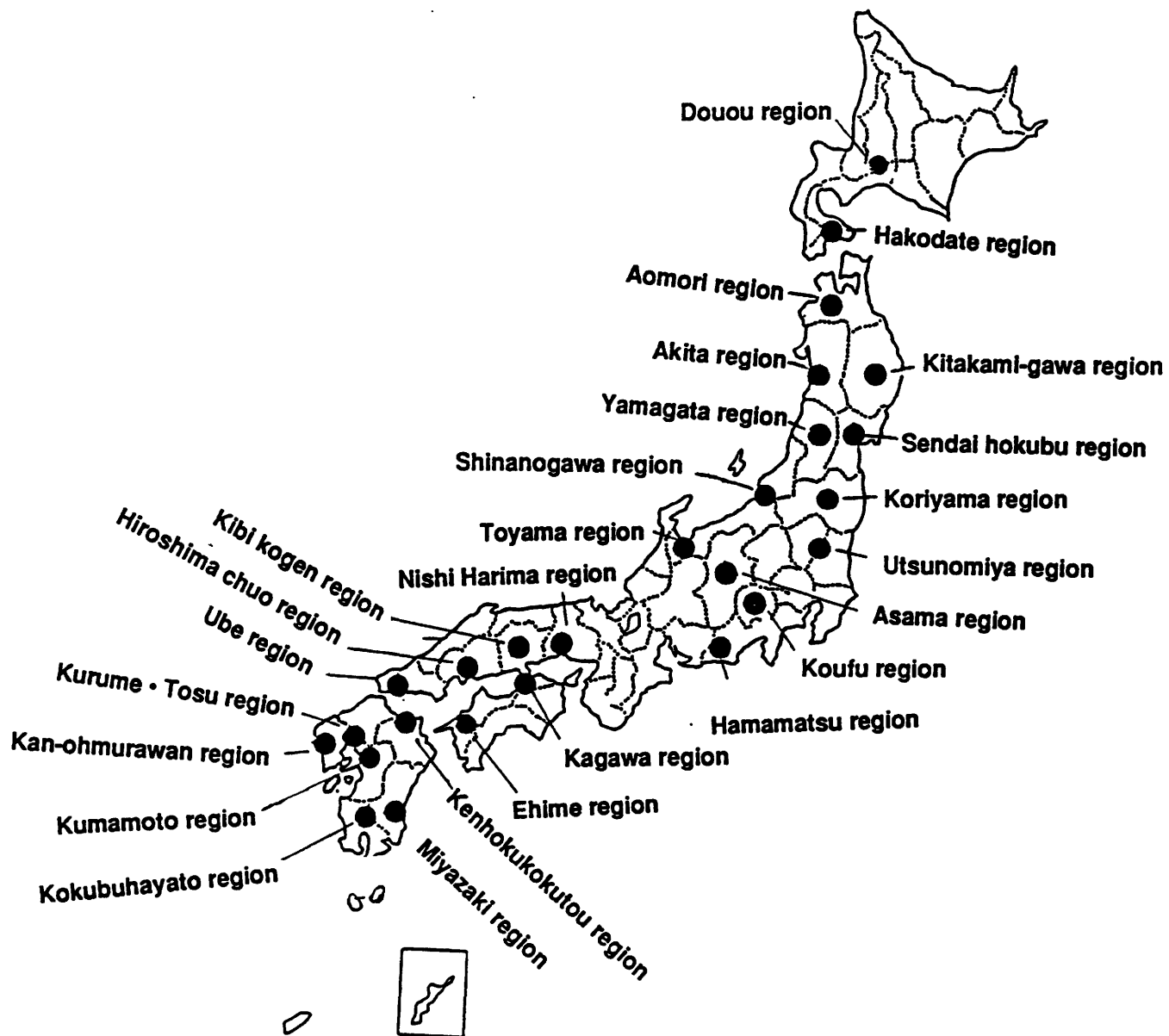
- **Objectives**
 - To relocate factories from over-concentrated areas to less populated areas
 - To promote industrial relocation with environmental security and stable employment considerations when new plants are built
 - To aim development toward a sound national economy, and to contribute to the improvement of national welfare

- **Targeted areas**
 - Eviction promotion areas -- over-concentrated areas in and around big cities
 - Industry inducement areas -- less crowded and low population growth
 - Special industry inducement areas -- very little industrial concentration areas

- **Incentives**
 - Tax
 - .. Exemption of fixed property tax
 - .. Exemption of special land holding tax
 - Loans
 - .. Loans from government financial institutions
 - .. Plant relocation loans from Japan Development Bank
 - Subsidies
 - .. Industry introduction areas -- maximum ¥100 million
 - .. Special industry introduction areas -- maximum ¥150 million

The Law for Accelerating Regional Development Based Upon High-Technology Industrial Complexes - Eligible Areas

(高度技術工業集積地域開発促進法 - テクノポリス法)



The Law for Accelerating Regional Development Based Upon High-Technology Industrial Complexes - (Technopolis Law)

(高度技術工業集積地域開発促進法 - テクノポリス法)

- . **Date of establishment:** 1983

- . **Objectives**
 - To promote industrial development based on high-technology in specific areas, excluding over-concentrated industrial areas
 - To improve the standard of living of area residents, and to contribute to the well-balanced development of national economy

- . **Targeted Areas**
 - Areas excluding over-concentrated industrial areas
 - Areas where national economic and social conditions are suitable for industrial development based on high-technology
 - Areas which have a certain amount of companies engaged in high technology activities
 - Areas where acquiring lands/water for industrial use and land for housing is easy
 - Areas which have established universities where education/research on high technology can be undertaken
 - Areas where the access to highways, airports, or other transportation facilities are easily accessible

- . **Incentives**
 - Tax
 - .. Exemption of depreciation on industrial machinery
 - Loans
 - .. Loans from Japan Development Bank and Hokkaido-Tohoku Development Corp.
 - .. No interest loans - funds from government capital gains proceeds on NTT stock

**The Law to Promote the Group -
Sitting of Designated Types of Business
Contributing to More Sophisticated
Local Industrial Structure - Eligible Areas**

(頭腦立地法)



The Law to Promote the Group - Sitting of Designated Types of Business Contributing to More Sophisticated Local Industrial Structure

(頭腦立地法)

- . **Date of establishment:** 1988

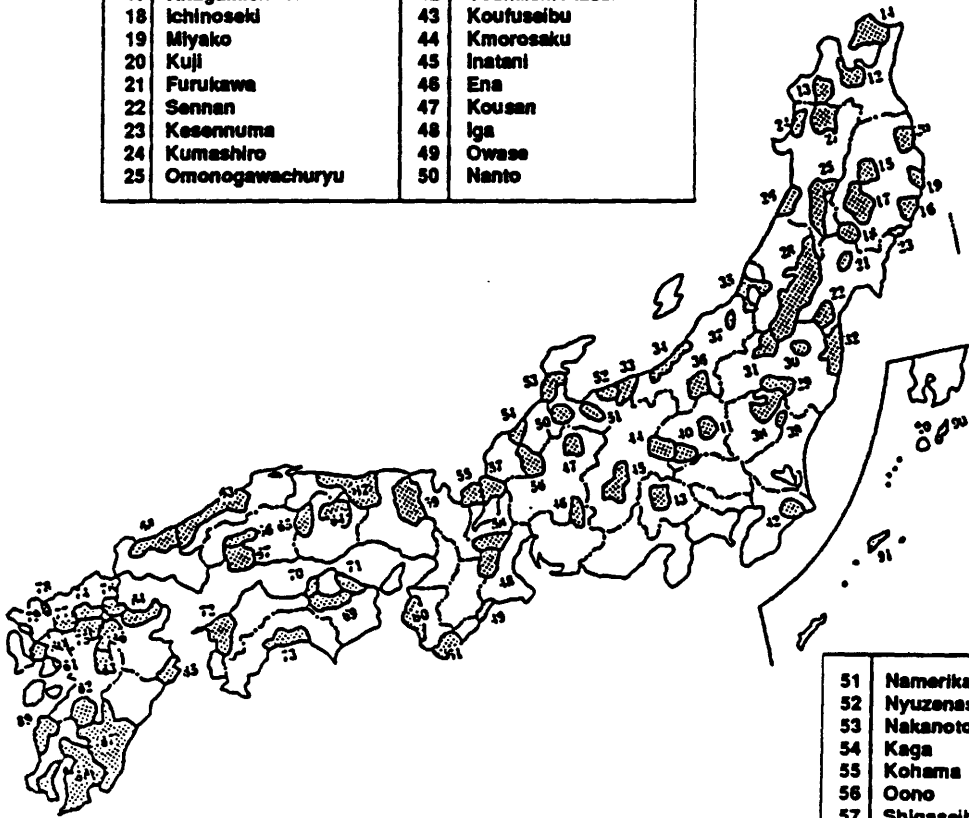
- . **Objective**
 - To promote the accumulation of designated types of business which would contribute to the improvement of regional industries
 - To contribute to the improvement of the standard of living of regional residents and to the well-balanced development of the national economy

- . **Targeted areas/Targeted business**
 - Areas excluding over-concentrated industrial cities, including those with a certain amount of industrial accumulations and where acquiring talented human resources is not difficult
 - **Business**
 - .. Comprehensive leasing business, leasing of 1) industrial machinery equipment, 2) office machinery; machinery mending business, software business, data processing service, data information service, advertising agencies, display business, industrial facilities cleaning/maintenance business, non-destructive testing, design, management consulting, machinery planning, engineering, natural science R&D

- . **Incentives**
 - **Tax**
 - .. Exemption of depreciation on assets for specific business purposes
 - .. Reduction/exemption of office tax and exemption of special land holding tax for specific businesses
 - .. Exemption of property acquisition tax provided by Japan Regional Development Corporation
 - Loans from Japan Development Bank, Hokkaido-Tohoku Development Corp and the Small Business Finance Corp

**The Act for Industrial Development
in Under-Developed Areas -- Eligible Areas**
(低開発地域工業開発促進法)

| | | | |
|----|---------------------|----|-------------------|
| 1 | Nayoroshihetsu | 26 | Honyokitakasa |
| 2 | Moriyakumooshamanbe | 27 | Oodatetakanosu |
| 3 | Iwanakutchan | 28 | Yamagatanairiku |
| 4 | Takikawafukagawa | 29 | Shirakawa |
| 5 | Furano | 30 | Nihonmatsu |
| 6 | Rumoi | 31 | Kitakata |
| 7 | Watkanai | 32 | Souma |
| 8 | Ohotsuku | 33 | Itogawa |
| 9 | Shizunaiurakawa | 34 | Kashwazakiyoshida |
| 10 | Obihiro | 35 | Murakaminakajyo |
| 11 | Nemuro | 36 | Toukamachi |
| 12 | Aomori | 37 | Gosen |
| 13 | Hirosaki | 38 | Shiona |
| 14 | Mutsu | 39 | Karasuyama |
| 15 | Morioka | 40 | Tomiokeannaka |
| 16 | Kesen | 41 | Numata |
| 17 | Kitagamichubu | 42 | Youkaichibasahi |
| 18 | Ichinoseki | 43 | Koufuseibu |
| 19 | Miyako | 44 | Kmorosaku |
| 20 | Kuji | 45 | Inatani |
| 21 | Furukawa | 46 | Ena |
| 22 | Sennan | 47 | Kousan |
| 23 | Kesenuma | 48 | Iga |
| 24 | Kumashiro | 49 | Owase |
| 25 | Omonogawachuryu | 50 | Nanto |



| | | | |
|----|------------------------|----|------------------|
| 51 | Namerikawa | 76 | Buzen |
| 52 | Nyuzenasahi | 77 | Segatoubu |
| 53 | Nakanoto | 78 | Karatsu |
| 54 | Kaga | 79 | Takeoeritakashim |
| 55 | Kohama | 80 | Oomurawan |
| 56 | Oono | 81 | Shimabara |
| 57 | Shigaseihokubu | 82 | Kuma |
| 58 | Kougananbu | 83 | Kikuchi |
| 59 | Tajimatanba | 84 | Nakatsubugataka |
| 60 | Chuki | 85 | Saeki |
| 61 | Nanki | 86 | Hida |
| 62 | Totori | 87 | Miyazakichunanb |
| 63 | Shimane | 88 | Kagoshimachuto |
| 64 | Tsuyama | 89 | Hokuma |
| 65 | Niimitakahashi | 90 | Kumage |
| 66 | Miyoshishobara | 91 | Ooshima |
| 67 | Kamo | | |
| 68 | Kitachomon | | |
| 69 | Yoshinogawachuryu | | |
| 70 | Nishisanu | | |
| 71 | Higashisanu | | |
| 72 | Uwajimayahatahamaooczu | | |
| 73 | Kouchisuzaki | | |
| 74 | Amagi | | |
| 75 | Chikugo | | |

The Act for Industrial Development in Under-Developed Areas

(低開発地域工業開発促進法)

- . **Date of Establishment:** 1961

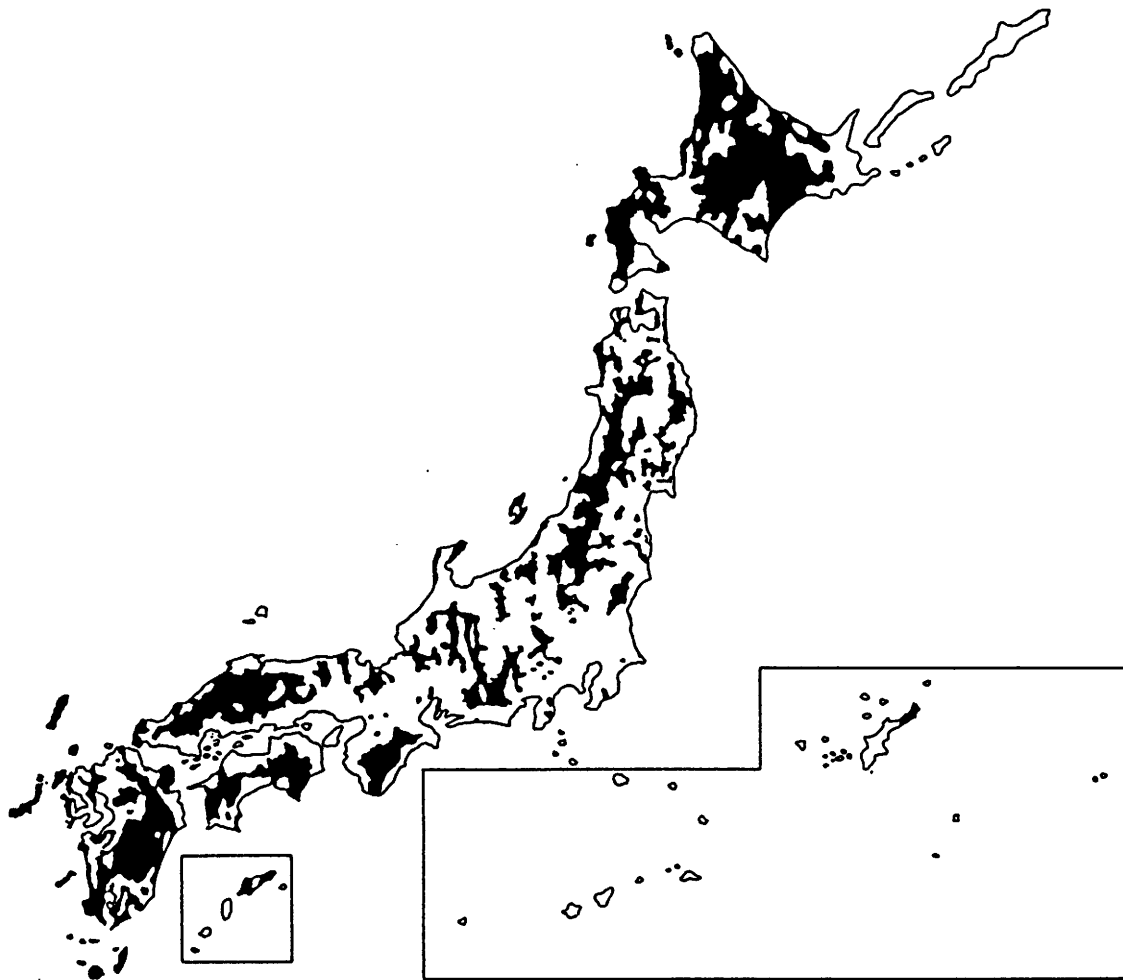
- . **Objectives**
 - To create employment opportunities by promoting industrial development in underdeveloped areas
 - To abolish the economic gaps found in different areas
 - To contribute to a well balanced development of national economy

- . **Target areas**
 - Underdeveloped areas where land/water for industrial purpose and labor resources are easily acquired, or where the access to transportation facilities is easy to obtain
 - When a city is included in an under-developed area, the city should meet the following requirements
 - .. Working ratio of the primary industry is above the average, or that of the secondary industry is beyond the average
 - .. The financial index is beyond 0.72

- . **Incentives**
 - Tax
 - .. Exemption when switching assets for specific business purposes
 - .. Exemption of depreciation
 - .. Exemption from local tax
 - .. Exemption from special land holdings tax

**The Act on Special Measures for Depopulated Areas -
Eligible Areas**

(過疎地域振興臨時措置法)



The Act on Special Measures for Depopulated Areas

(過疎地域振興臨時措置法)

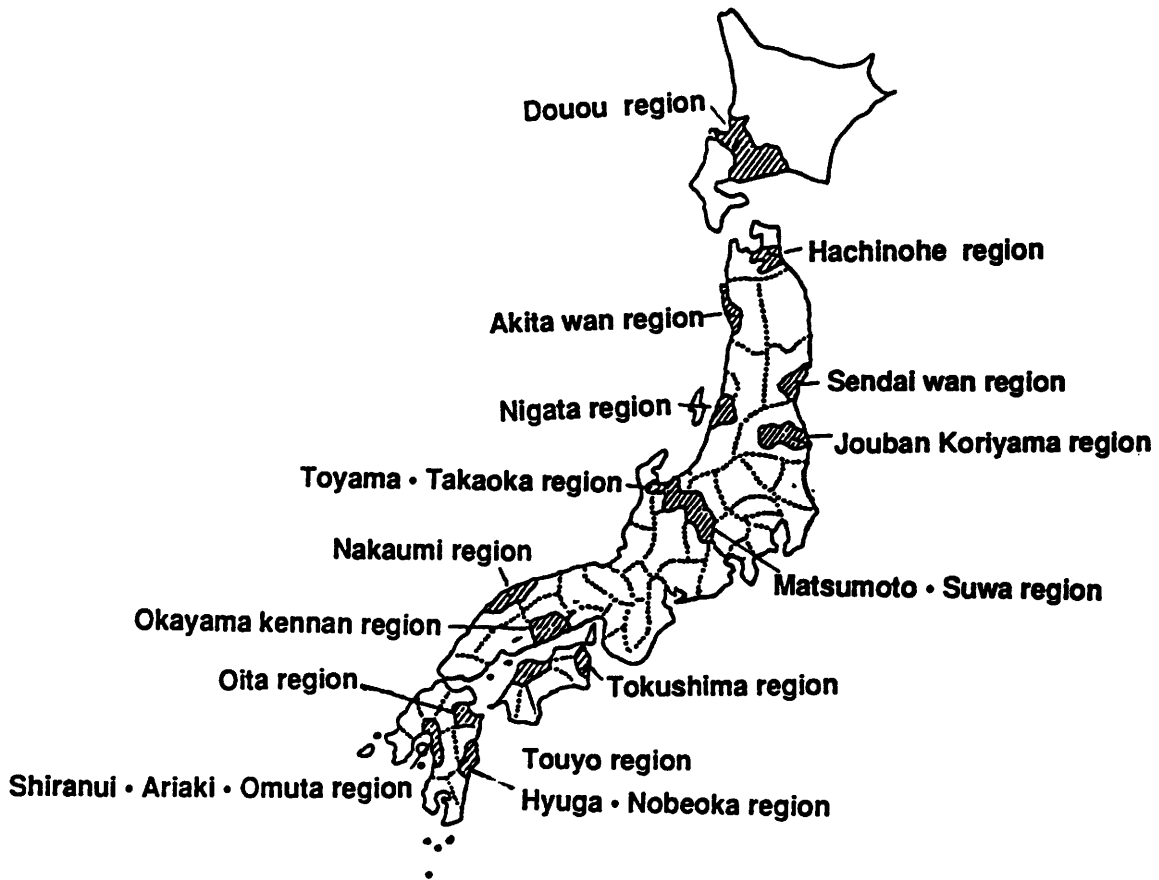
- . **Date of establishment:** 1980

- . **Objectives**
 - To enact special measures for those areas where society has deteriorated and the standard of living/the level of production has become relatively low because of depopulation
 - To contribute to the improvement of residents welfare, the increase of employment and to abolish area economic gaps by promoting area development

- . **Target areas**
 - Areas where the population decrease ratio is over 20% (1980/1975)
 - Areas where the financial index is below 0.37 (1976 - 1978 average)

- . **Incentives**
 - Tax
 - .. Exemption when switching assets for specific business purpose
 - .. Exemption of depreciation
 - .. Exemption from local tax
 - .. Exemption from special land holding tax
 - Loans from Small Business Finance Corp.

The Law for the Development of New Industrial Cities
(新産業都市建設促進法)



The Law for the Development of New Industrial Cities (新産業都市建設促進法)

- . **Date of establishment:** 1962

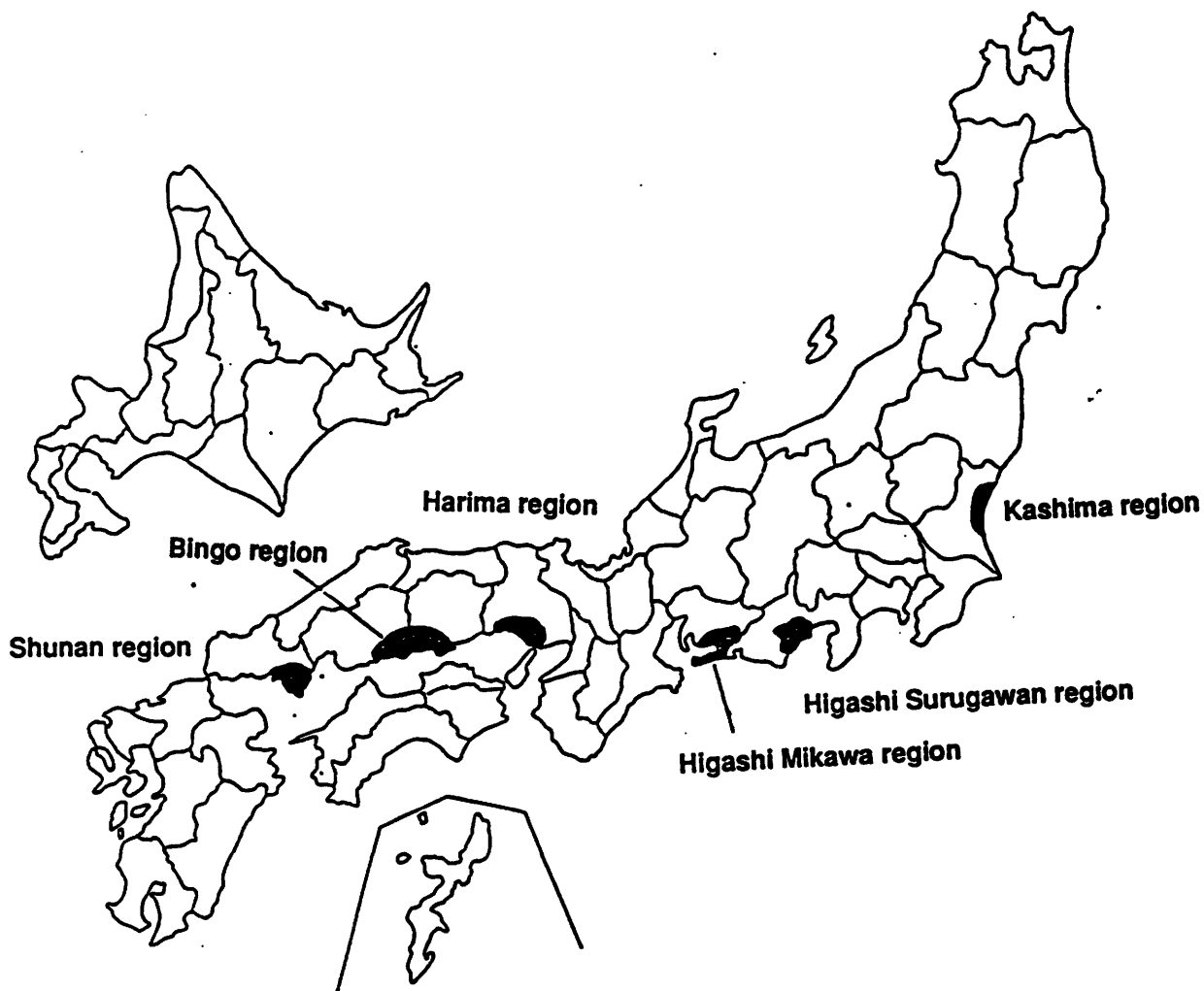
- . **Objectives**
 - To promote the establishment of New Industrial Cities which should be cores of development areas
 - To prevent over-concentration of population and industry in big cities, and to abolish areas of economic gaps
 - To obtain steady employment by establishing industrial organization and city facilities
 - To contribute to a well-balanced national development

- . **Targeted areas**
 - Area designated as a core center of each region
 - Those areas should be recommended by prefectural governors and designated by the Prime Minister

- . **Incentives**
 - Tax
 - .. Exemption when switching assets for specific business purposes
 - .. Exemption from special land holdings tax

**The Law for the Development of the Special Areas for
Industrial Development -- Eligible Areas**

(工業整備特別地域整備促進法)



The Law for the Development of the Special Areas for Industrial Development

(工業整備特別地域整備促進法)

- . **Date of establishment:** 1964

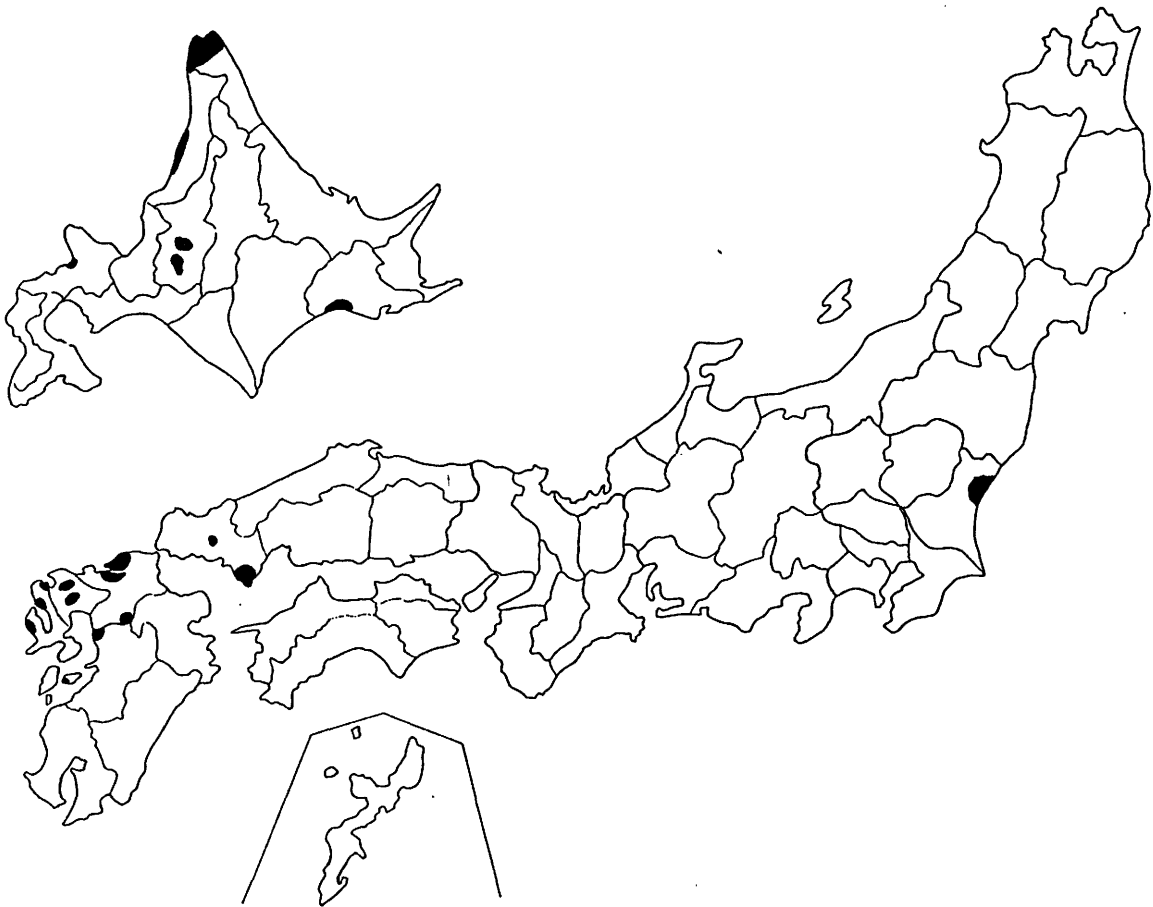
- . **Objectives**
 - To develop areas which are suitable for industrialization and are expected to yield good investment performance
 - To promote area industrial development by establishing facilities
 - To contribute to a well-balanced national development

- . **Targeted areas**
 - Those areas related to Kashima, Higashi Suruga, Higashi Mikawa, Harima, Bingo and Shunan, where conditions for industrialization are good and where industries are relatively developed

- . **Incentives**
 - Tax
 - .. Exemption when switching assets for specific business purpose
 - .. Exemption from special land holdings tax

**The Law on Extraordinary Measures for the Development of
Coal Mining Areas -- Eligible Areas**

(産炭地域振興臨時措置法)



The Law on Extraordinary Measures for the Development of Coal Mining Areas

(産炭地域振興臨時措置法)

- . **Date of establishment:** 1961

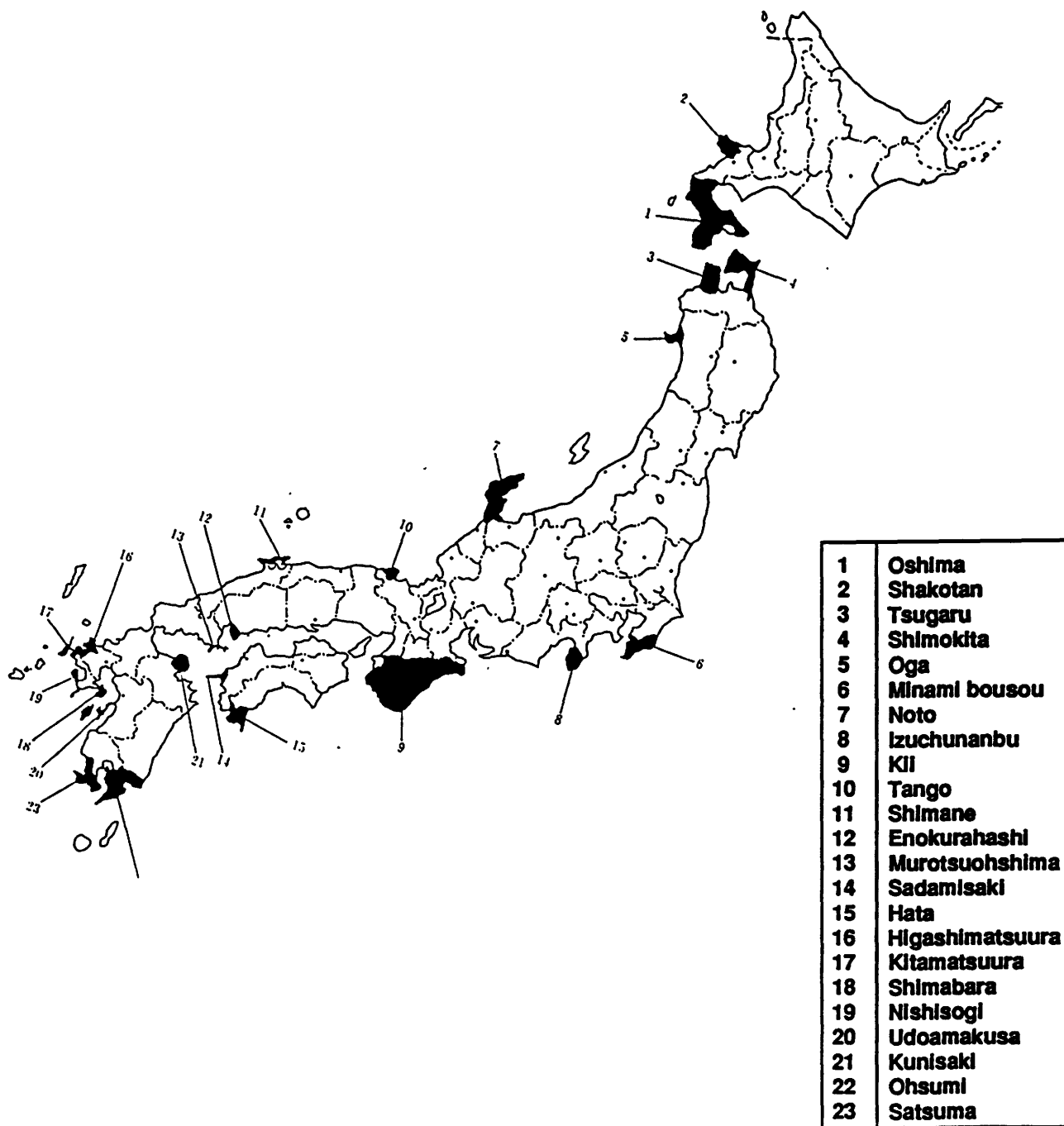
- . **Objectives**
 - To rapidly and systematically develop the mining industry in coal mining areas and to increase the demand for coal

- . **Targeted areas**
 - Coal producing areas and the neighboring areas where industries have deteriorated due to the depression of the coal industry

- . **Incentives**
 - Tax
 - .. Exemption when switching assets for specific business purposes
 - .. Exemption of depreciation
 - .. Exemption from local tax
 - .. Exemption from special land holdings tax
 - Loans
 - .. Loans from Japan Regional Development Corporation

The Peninsula Development Law -- Eligible Areas

(半島振興法)



The Peninsula Development Law

(半島振興法)

- . **Date of establishment:** 1985

- . **Objectives**
 - To promote development of peninsula areas
 - To contribute to raising the standard of living in the area and to a well-balanced national development

- . **Targeted areas**
 - Areas including 2 or more cities and having a certain level of social/economic scale
 - Areas where high speed transportation facilities (e.g. highway, airport) and other public facilities are relatively rare
 - Areas where the development level of industry is low

- . **Incentives**
 - Tax
 - .. Exemption when switching assets for specific business purpose
 - .. Exemption of depreciation
 - .. Exemption from local tax
 - .. Exemption from special land holdings tax
 - Loans from Japan Development Bank and Hokkaido-Tohoku Development Corp.

Appendix D
Reference and Further Reading Material

Reference material on setting up a foreign business in Japan

- **Acquiring Japanese Companies;** Kanji Ishizumi, The Japan Times Publications (1989)
- **Benefit from Others' Experience;** Investment Promotion Division, JETRO; Japanese government publication (1987)
- **Competing in Japan: An Essential Part of Global Strategy;** Booz.Allen&Hamilton, 1989
- **Competing in Japan;** P. Reed Maurer; The Japan Times Publications, 1989
- **Establishment of a Representative Office in Japan;** A guide for Foreign Businessmen; JETRO 1989
- **Establishing a Business in Japan;** US and Foreign Commercial Service; US government Publications (1987)
- **Exporting to Japan;** Richard A. Bush, American Chamber of Commerce in Japan publication, 1987
- **Foreign Investment in Japan;** Booz.Allen&Hamilton, published by the American Chamber of Commerce in Japan and European Business Council, 1987
- **Guide to Investment in Japan;** Industrial Bank of Japan, 1987
- **Investing in Japan - Pointers from British Experience;** British Chamber of Commerce in Japan, 1989

- . **Japan: An Investor's Chronicle:** by Peter J. Buckley, Hafiz Mirza, and John R. Sparkes, University of Bradford Management Centre, Emm Lane, Bradford, West Yorkshire, 1987
- . **Questions and Answers - Setting Up a Business in Japan - Part 1 English Version;** JETRO, Japanese government publication, 1989
- . **Setting Up and Operating a Business in Japan;** Helene Thian, Charles E. Tuttle Company, 1989
- . **Taking on Japan;** Look Japan Ltd., 1985
- . **What's What in Japan's Distribution System;** The Japan Times, The Japan Times Publications, 1989

Further information/reading material on manufacturing site selection

- . **Guidebook of JRDC Industrial Parks;** Japan Regional Development Corporation, Japanese government publication
- . **Incentive Programs for Industrial Location;** Farm Area Industry Induction Center, Japanese government publication
- . **Industrial Investment in Japan;** Industrial Location Guidance Division, MITI, Japanese government publication

General References

- **Publications for The Investment in Japan:** Nov. 1987 83pp,
Essentially this is a list of 107 publications dating from 1982 to the time of publication.
The sources are JETRO, MITI, JRDC, JDB, HTBC, IBJ, CEPC, H-S BA, and SEPCO
(all acronyms are explained). The areas covered are as follows:
 - Basic principles
 - Industrial overview
 - Industrial parks
 - Technopolis
 - Incentives
 - Financing
 - Labour
 - Transportation
 - Electric power
 - Service water
 - Amenities
 - Tourism

Dear Reader,

We are interested in your opinion about this guide and would therefore like to ask you for a few minutes of your valuable time to answer the following questions:

1. Did you find the guide:

(Please tick)

- | | |
|------------------------------------|---|
| •Very useful | 0 |
| •Useful | 0 |
| •Handy as a reference book | 0 |
| •Not a relevant subject | 0 |
| •A relevant subject but not useful | 0 |

2. What other kind of information do you feel should have been included, if any?

3. Please provide your recommendations or suggestions on future initiatives related to EC Exports to Japan?

4. Do you have any further comments or suggestions?

Thank you for your contribution.

Please send this to:

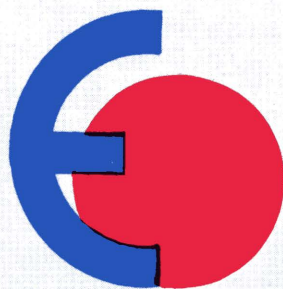
Commission of the European Communities
Directorate General for External Relations
Japan Division
Rue de la Loi 200
B-1049 Brussels
Belgium

Sender: Name:

Position:

Firm:

Address:



**Commission of the European Communities
Export Promotion Programme for Japan**

Japan Division I-F-1
Directorate General for External Relations
Commission of the European Communities
200 Rue de la Loi
B-1049 Brussels

Delegation of the Commission
of the European Communities
Europa House
9-15 Sanbancho
Chiyoda-ku
Tokyo 102