

Mie Prefecture: “Three Valleys” Concept Attracts Specialized Business Segments to Nurture Next-generation Industries

As part of its policy to change the prefecture’s industrial structure, Mie is taking active steps to attract enterprises in specific sectors, shifting toward knowledge-intensive industries that are highly competitive in international markets, such as makers of advanced materials and parts. To pursue this strategic approach, Mie Prefecture is working to attract cutting-edge enterprises in three areas: flat-panel displays, semiconductors, and medical care, health and welfare.

Situated between the Two Major Economic Centers of Chubu and Kansai, Mie Prefecture Is Keen to Attract Next-generation Industries

Mie Prefecture, located right in the middle of Japan, lies between the two major economic centers of Chubu and Kansai. Nagoya, center of the Chubu economic region (Aichi, Gifu and Mie prefectures) is also known for the Greater Nagoya Initiative (GNI), where government, industry and academia work together to promote technological and business alliances, and accordingly Mie Prefecture is well-located as a base for business activities.

Major companies that are leaders of Japanese industry are found in the northern part of the prefecture. For example, semiconductor- and liquid crystal display-related industries have plants for NAND flash memories (Toshiba), system LSI chips (Fujitsu) and LCDs (Sharp). Mie Prefecture is also home to automotive industry concerns such as Honda Motor in Suzuka, Toyota Auto Body and Denso

Corporation. Petroleum and chemical industries, such as Mitsubishi Chemical Corporation, JSR Corporation, Cosmo Oil and Showa Yokkaichi Sekiyu, are heavily concentrated in Yokkaichi. Mie Prefecture promotes tie-ups between the materials and parts industries and assembly industries and aims to become fertile ground for continuous innovation. Various small and medium-size enterprises are also located in neighboring areas, and the prefecture is promoting further development of this region as a concentration of next-generation industries.

Attracting Enterprises in Specific Industries

Mikiya Tanaka, head of the Mie Prefecture’s Industrial Investment Promotion Division, Department of Agriculture, Fisheries, Commerce and Industry, relates that “beginning six years ago, we have made the industrial policy, ‘Three Valleys’ concept, a central component of our strategy for attracting industry to the prefecture, and we are actively approaching companies based on this idea.”

The “Three Valleys” concept was set down in 2000, and prefectural governor Akihiko Noro, who took office in 2002, placed particular emphasis on this in the prefecture’s overall plan. A major feature of the plan is industrial policy targeting fields expected to develop into next-generation industries. The “Three Valleys” idea is currently being pushed along in the form of “Crystal Valley” (flat-panel displays and other LCD technologies), “Silicon Valley” (semiconductors and IT) and “Medical Valley” (medical care, health and



welfare). Various incentives, such as subsidies, are being offered to attract related industries, and the prefecture also actively supports research and development and networking.

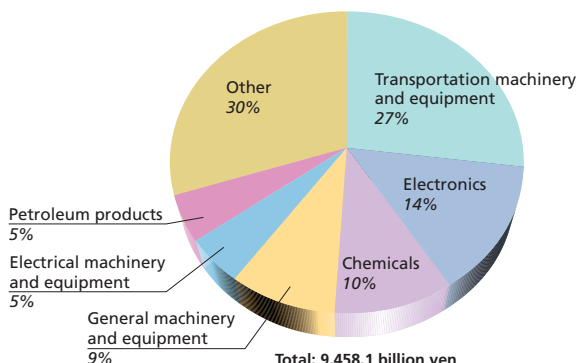
Promoting the concept helps attract industries in these fields to Mie Prefecture, which has various advantages to offer. For example, locating related industries in the same area can reduce logistics costs and also makes it easier to obtain information or procure parts. Furthermore, industries of the same type can develop technologies that complement each other, leading to development of a comprehensive industrial structure. The major advantage of this idea is that it helps create a brand for the region, something that can’t be done through the activities of companies acting individually.

As far as attracting foreign-affiliated companies is concerned, Mr. Tanaka says, “the quickest way for foreign-affiliated companies to set up operations in Mie is through tie-ups with companies in the region. We act as intermediaries between the two sides, and if they do business with each other in the prefecture, that can lead



Mikiya Tanaka, head of the Industrial Investment Promotion Division, Department of Agriculture, Fisheries, Commerce and Industry, Mie Prefecture

Shipment value of goods manufactured in Mie Prefecture (establishments with 10 or more employees)



Source: Ministry of Economy, Trade and Industry, “Statistics Table (Census of Manufactures 2005)” (made public on July 20, 2007) <http://www.meti.go.jp/statistics/kougyou/2005/k3/index.html>

to their setting up a representative office here or ultimately, a branch office.” To stimulate the process, from this fiscal year Mie Prefecture has started a program to attract foreign-affiliated companies that can offer technical tie-ups. And to make the process of attracting companies run smoothly, the prefecture has also set up an advisory board to collect information on foreign companies and study the potential for technical tie-ups between those companies and companies in the prefecture. In addition, half of the employees in the prefecture’s Industrial Investment Promotion Division have engineering backgrounds, so that office can provide one-stop service and it’s also set up to handle all the necessary administrative procedures. That way, companies interested in locating in Mie Prefecture are assured of quick support from the prefecture while maintaining confidentiality.

Foreign-affiliated Companies in Mie Prefecture

Case study 1: BASF Japan

—BASF and Mie Prefecture signed cooperation agreement.

BASF, founded in 1865 and based in Germany, is a leading company in the chemical industry. The company’s presence in Japan dates back to 1949, when the predecessor organization to BASF Japan was established. As of 2006, the BASF Group in Japan, with BASF Japan Ltd. as its core, has four fully-owned subsidiaries and three joint ventures.

In Mie Prefecture, BASF Japan established a production base in Yokkaichi in 1968 and later opened a technical center. In January 2007, BASF Japan signed a cooperation agreement with Mie Prefecture and Yokkaichi City to support their innovations, particularly high technology ventures and small and medium-sized businesses. BASF had already worked with companies in Mie prefecture, but with the signing of the agreement, BASF intends to increase collaboration, tie-ups and joint research with local companies, universities and research organizations that offer leading technology.

“The groundwork for the agreement was laid when Governor Akihiko Noro of Mie Prefecture visited the BASF head offices in Germany in 2006. Governor Noro

explained the projects and activities that Mie Prefecture has undertaken with such enthusiasm that BASF offered to become a partner in revitalizing the prefecture’s regional economy,” said Hideyuki Kitabayashi, General Manager, Corporate Development, BASF Japan. “The prefecture has also followed up extensively after the signing of the agreement and continues to bring new ideas forward. We are very encouraged by the prefecture’s active support.”

Case study 2: Nihon Cabot Microelectronics KK.

—Mie Prefecture assisted the company in setting up a plant and R&D center for the Asia-Pacific region.

Nihon Cabot Microelectronics KK., a subsidiary of the U.S. company Cabot Microelectronics Corporation, built a plant in Geino-cho, a district in the city of Tsu, in 1998. The



Tsunehisa Katsuki,
Operations Manager, Nihon
Cabot Microelectronics KK.

company, which produces polishing compounds for semiconductors and has a 60 percent share of the world market. The Tsu plant exports its products to semiconductor manufacturers in Asia and the Pacific region. The plant started with 20 employees. Today it has grown to employ 135 people, most of who are hired locally from around Tsu. The company also opened a research center in November 2005.

The parent company initially considered Taiwan and Korea, in addition to three cities in Japan, as possible locations for its manufacturing plant, finally deciding to build the plant in Geino-cho, Tsu City, based on the results of a 30-item evaluation checklist. Operations Manager Tsunehisa Katsuki explains that Tsu was chosen “not just because Mie Prefecture was very interested in attracting our plant and responded swiftly, but also because Tsu is a good location (close to an expressway and to Yokkaichi Port) and costs (for the land, etc.) were lower compared to the Kanto area. Another important factor is that Japanese semiconductor makers are very good customers on a global scale, and this subsidiary plays an important role in relaying their requests quickly to our parent company.”

Case Study 3: Photon Dynamics

—With the prefecture’s help, the company opened a support center near major users.

Photon Dynamics is the Japanese subsidiary of U.S. company Photon Dynamics Inc. The company’s head office that has sales department is located in Tokyo, and its support center is at



Masayuki Nouda, President
of the Japanese subsidiary
of Photon Dynamics

Anotsudai in the city of Tsu. The parent company, founded in 1986 as a venture business producing testing equipment for gallium arsenide semiconductors, went on to develop testing equipment for LCDs, which were starting to emerge in the 1990s. Today, the company has a 70 percent share of the world market for liquid crystal testers. Masayuki Nouda, president of the Japanese subsidiary, relates that “Photon Dynamics set up a Japanese subsidiary in 1991 because Japanese makers dominated LCD production at the time. We had a tie-up with IHI Corporation (Ishikawajima-Harima Heavy Industries Co., Ltd. at the time) to sell and maintain testing equipment. But when we later switched to direct sales, we decided to set up a support center in Mie Prefecture, close to the Kameyama Plant of Sharp, a major LCD maker, in order to support our equipment.

“When we relocated, staff from the prefecture’s Industrial Investment Promotion Division were very helpful in suggesting suitable sites, and once we had actually moved they called on us a number of times to make sure everything was going well. They are really very enthusiastic.” The company hires people with readily usable skills and English-language ability from throughout Japan, and “over the past two or three years, Mie Prefecture has worked really hard to find personnel suitable for us to hire.”

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