First settled in 1869, Hokkaido is still a young prefecture. Host to the Toyako G8 Summit meeting this July, this northernmost island prefecture is blessed with wide-open spaces and rich nature. Also home to numerous international-standard ski resorts, Hokkaido attracts many foreign tourists.

Hokkaido is known too for being an IT industry center. The first IT companies opened in Sapporo, the prefectural capital, more than 20 years ago, and the city continues to attract more companies in that field today. This special feature reports on IT-related activities in Sapporo and Hokkaido.

Superior Human Resources

Hokkaido, with an area of 83,455.33 square kilometers, is roughly the size of Austria. The population stands at just over 5.63 million, and current gross prefectural production is 168,243 million U.S. dollars.* This figure is comparable with the GDP levels of Greece, South Africa and Finland. Hokkaido also has numerous well-regarded educational institutions such as Hokkaido University, which have produced many prominent graduates.

Over the years, Hokkaido also has become known throughout Japan for its biotechnology and IT industry clusters. Most recently, it has attracted a variety of manufacturers such as leading automobile-related manufacturers Toyota Motor Corporation, Inc., Aisin Seiki Co. Ltd. and Denso Corporation, which have made substantial capital investments in the prefecture. This has prompted related industries to set up shop there as well. Tourism is another area with great potential for growth, and foreign capital businesses entering the market are expected to create new business models in the future.

In 2001, Amazon Japan opened a call center in Hokkaido. More recently, in line with the trend in the IT industry toward moving out of big cities into regional areas, Accenture Technology Solutions Japan Corporation opened a delivery center in Sapporo in 2006. The prefecture also hopes to attract more global logistics companies by promoting its geographical advantage as a potential relay point between North America and China.

Hokkaido takes an active approach to getting the word out to the world about its environment for industry, and the prefectural government provides related information in foreign languages through a website and so on. In preparation for the G8 Summit to be held in Toyako, Hokkaido this July, the prefecture has also created a DVD promoting itself to attract foreign companies. It is also working with JETRO on potential investment projects, and in the past it has held a seminar in Singapore to recruit foreign companies to Hokkaido.

On the subject of attracting foreign companies, including their Japanese subsidiaries in the future, Mr. Kenichi Nakagawa of the Industrial Location Development of the Hokkaido Government says that “particularly in IT and biotechnology, Hokkaido has a competitive edge in terms of human resources, forward-looking moves by local industries, and R&D capabilities. Our past cooperative relationships with foreign countries also

Major IT companies in Hokkaido

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Business Activities</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accenture Technology Solutions Japan Corp.</td>
<td>Business solution system development, etc.</td>
<td>Sapporo</td>
</tr>
<tr>
<td>Seiko Epson Corp.</td>
<td>Software development, semiconductor design/development</td>
<td>Sapporo</td>
</tr>
<tr>
<td>IBM Japan</td>
<td>Information system design, development, operation</td>
<td>Sapporo</td>
</tr>
<tr>
<td>Microsoft Corp.</td>
<td>Software development</td>
<td>Sapporo</td>
</tr>
<tr>
<td>Panasonic Mobile &amp; System Engineering Co., Ltd.</td>
<td>Mobile communication system design, development, operation</td>
<td>Sapporo</td>
</tr>
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Source: Business Location Guidebook Hokkaido

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*Source: Sekai no Tokei 2007 [International Statistics Compendium 2007], compiled by the Statistics Bureau & Statistical Research and Training Institute, Ministry of Internal Affairs and Communications
support our future potential. As far as conditions in Japan today are concerned, there is a shortage of skilled IT workers in large cities such as Tokyo, Osaka and Nagoya. Consequently, some enterprises have been moving to Hokkaido in search of skilled personnel, so we are working on developing local human resources while maintaining high staffing levels.”

Promoting IT in Sapporo

Sapporo’s current population is around 1.88 million, out of which about 900,000 are of working age. The city has long been a magnet for IT enterprises, starting when the Hokkaido Microcomputer Research Group was set up at Hokkaido University in the 1970s. This group gave birth to leading companies such as Hudson and BUG. The city of Sapporo backed this movement by establishing Japan’s first IT R&D facility, Sapporo Techno Park, in 1986. This cluster, nicknamed “Sapporo Valley,” became known throughout the country. “Sapporo Valley can be considered a good example of making the most out of the incubator function for venture businesses.” So proudly states Mr. Masaki Watanabe, chief of Sapporo’s Industrial Policy Planning Section.

Since the opening of Sapporo Techno Park, Sapporo has continued to promote the IT industry, and now the city is also trying to attract more IT enterprises. “In 2006, we conducted a random sample questionnaire of 10,000 manufacturing and service industries in Japan to find out which new industries might possibly move to Sapporo. Among respondents saying that they were thinking of setting up offices in Sapporo, a very large number were IT-related. If so many companies associated with Sapporo with IT, we thought it natural for us to focus on IT again,” explains Mr. Hiroaki Yoneta of the Industry Promotion Section, Sapporo Industry Promotion Department, Economic Affairs Bureau on the reason for once again concentrating on IT.

Today, Sapporo’s IT promotion measures consist of three major elements: improving the quality of existing human resources to move away from its subcontractor role to big cities like Tokyo; developing new IT human resources to supplement current demand and making use of overseas manpower; and supporting creative software development and expanding global sales channels.

Regarding the first point, Mr. Watanabe speaks of Sapporo’s ambitions. “In order to break out from being merely subcontractors to large enterprises, we want to provide training to help develop human resources with sophisticated IT skills, offer technological certification for personnel and actively match up companies with partners.

Second, to expand its human resources base, Sapporo is promoting an IT personnel employment program and taking steps to make use of talented IT personnel from other Asian countries.

As its third measure for promoting IT, Sapporo is cooperating with Microsoft to support software development and expand sales channels through the Sapporo Innovation Center. Mr. Watanabe adds that as far as Sapporo’s IT industry promotion activities are concerned, “we are open-minded about who we partner with. We welcome tie-ups with any company, domestic or foreign, if that will contribute to invigorating our local IT industry.”

Accenture’s Brave Move

What was it like for Accenture, when it decided to move to Hokkaido? Accenture established a Japanese subsidiary in 1989. Selling IT-based consulting, technology and outsourcing services to highly demanding customers in Japan and throughout the world, the company has various offshore bases. “To speedily respond to Japanese customers, we thought it more suitable to establish a ‘nearshore’ base in Japan where employees are on the same page as far as language, culture and commercial practices are concerned,” explains Mr. Yutaka Anma, president, Accenture Technology Solutions Japan Corporation.

Several other cities came to mind when Accenture was weighing where to locate its second base in Japan, but “I thought Hokkaido seemed to need a new business model more than other places. Locals have a strong love for Hokkaido. I know many people who wanted to return to work in Hokkaido after graduating from college elsewhere, but they just couldn’t because there were almost no jobs for them there. So they had to go to a big city like Tokyo to work. I thought that if we could provide worthwhile engineering jobs in Hokkaido, that would make every body—me, the employees and the clients—happy,” added Mr. Anma.

Opening the Hokkaido Delivery Center in November 2006, Accenture feels that Sapporo is ideal because “it has high-level IT engineers, prices for real estate, personnel expenses and consumer prices are lower compared to Tokyo, and access to Tokyo is very convenient, with 60 flights between the two cities daily.” Mr. Anma also notes that Hokkaido people are imbued with the frontier spirit: “They’re quiet, but they will earnestly tackle any task you give them.”

Rather than just a short-term investment, Accenture seeks to “create a long-term, win-win model for us and for the people of Hokkaido. We want to promote employment diversity, including the opportunity to work outside of Tokyo, and in the future, we would like to employ all kinds of people, including more women and people with physical disabilities, at all our offices in Japan,” concluded Mr. Anma.

The tailwind of an IT manpower shortage in large cities has pushed Hokkaido once more into the limelight as an attractive working and living environment. With the Toyako G8 Summit coming up soon, global attention will focus on this northernmost prefecture as world leaders gather there, and Hokkaido can only benefit from the attention.

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