



A MESSAGE FROM THE MANAGING DIRECTOR



Shuichi Hirano
MANAGING
DIRECTOR

Dear readers,

Thank you for reading the 2017 Autumn edition of JETRO Sydney's newsletter.

On January 14, the "Japan-Australia Business Dialogue" was held at a hotel in Sydney. This event was organized by the Japanese Government, with JETRO as a co-organizer, in cooperation with the Australian Department of Foreign Affairs and Trade and The Australian Trade and Investment Commission.

Prime Minister Abe delivered the opening remarks, and looked forward to the two countries leading the world in developing innovation areas. He also commented on opening up further opportunities and possibilities for business development

from a broad perspective and the prospect of further enhancement of the "Special Strategic Partnership" between Japan and Australia.

In recent times, examples where Japanese companies have invested into Australian companies where there has been a high potential for the creation of new business has been attracting attention. This is a result of the synergy achieved through making use of the Australian business's technical advantage, as well as other factors.

This is not only limited to Australia, with there being many cases of foreign companies collaborating with Japanese companies to take advantage of Japan's outstanding R&D strength and other resources in Japan. For example, PRISMADD, a French company manufacturing products through 3D printing for the aviation and automobile industries, and Yamaichi Special Steel of Japan established PRISMADD Japan. The joint venture aims to enter the global market by combining PRISMADD's 3D printing technologies and design optimization knowhow with Yamaichi's post-process technologies including precision making.

Furthermore, there has been a movement by foreign-affiliated companies to take advantage of Japan's outstanding technologies and knowhow by establishing R&D centers in Japan such as Rocket Software (US), Pierre Fabre Dermo-cosmétique Japon (France), Johnson&Johnson (US), Caterpillar (US), etc.

There are many companies with Australia who hold a competitive advantage in the areas of ICT and biotechnology, as well as in other specialized and niche industries. As a result of this it could be said that now is the perfect time for Australia to follow the lead of other western countries and to consider the opportunity of expanding into Japan. As mentioned above, an innovative cooperation between Australian and Japanese companies could hold the potential to further the business of both the Australian and Japanese side.

In conjunction with furthering investment into Japan, JETRO is also looking to support the development of an innovation partnership between our two countries. ●

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FEATURE ARTICLE: Global Innovation Centers

Adam Sims / Jennifer Bean
JETRO Australia
Trade & Investment

INCENTIVE PROGRAMS

To facilitate investment in Japan, the Japanese government offers appealing incentives, as well as operating single contact points in relevant ministries and agencies for inquiries/support regarding doing business in Japan. In addition, local governments also offer various incentives and support exclusively for foreign-affiliated companies and foreign companies that are planning to open an office in their region.

There are a number of different types of incentive programs available to foreign companies that are planning to open an office in Japan, including: Tax incentives for strengthening local business facilities - for companies that relocate their headquarters from the 23 wards in Tokyo to other regions, or that enhance and expand the function of their headquarters in those regions, Tax credit for research and development expenses, Immigration Treatment Incentive, Incentives regarding Special Zones – such as Special Zones for Reconstruction, with special measures such as deregulation, tax incentives, etc. available for companies with business plans

in disaster afflicted areas. There are also a large number incentives provided by local governments, to encourage foreign business outside of Tokyo.

The Subsidy Program for Global Innovation Centers was one such incentive program, designed to attract new foreign investment and management resources into Japan with the long term goal of establishing Japan as a high-value hub for business innovation and development in the fields of regenerative medicine and IoT. This program subsidised the cost of companies from overseas for setting up innovation centers, experimental studies and feasibility studies in collaboration with Japanese companies and other organizations in Japan.

Companies eligible for this subsidy were private business operators incorporated in Japan, which met all of the requirements, and which are able to administer and manage the facilities and equipment after the completion of the projects. The subsidy was granted to companies selected by the final decision of METI (the Ministry of Economy, Technology and Industry) and JETRO based on screening by the third party screening panel.

Whilst the Subsidy Program for Global Innovation Centers has finished its selections for the 2016 financial year with no current planned selections for the future, it is a great example

of the opportunities provided by the Japanese Government and other bodies to attract foreign direct investment to Japan. This and other available subsidies and incentive programs can assist foreign companies with significant financial savings and ease the transition into establishing and operating a business in Japan.

FREESTYLE TECHNOLOGY EXPANDS INTO JAPAN MARKET

Australian company Freestyle Technology is a recent recipient of the Subsidy Program for Global Innovation Centers from the Japanese Government that was granted to support an IoT based project. The subsidy was provided to Freestyle Technology Japan K.K., a Japanese subsidiary corporation the company established in October 2016 for the purpose of providing local support and sales to the Japanese market. It was granted following Freestyle Technology Melbourne's application through JETRO Sydney in September 2016.

Freestyle Technology is an Internet of Things integrator that takes a 'comms and device agnostic' approach to connecting devices and systems. Its Freestyle Microengine software platform and cloud-based machine-to-machine (M2M) switch management platform are used to

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Photo: https://unsplash.com/@carina_sze

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connect and manage IoT devices. Its platforms are designed to address utilities' requirements globally and can be utilised with any communications and metering solution thus providing a range of new facilities and capabilities across networks.

Its application through JETRO Sydney, Freestyle provided information about how it proposed to utilise the subsidy if approved and described the project and its benefits to Japan particularly from an energy conservation and innovation perspective. Utilising Freestyle's leading IoT expertise and unique patented technology the subsidy supported a project aimed at developing a two-way IoT system that could revolutionise complex systems through the development of resilient meter systems and gas pipes that can minimise secondary damage due to earthquakes.

By using Freestyle Technology's two-way IoT true real-time smartgrid solution, power companies will be able to lower electricity generation in real-time to match the demand (real time demand and response system). Currently Japanese power companies waste many resources to over-generate electricity because they are forecasting energy usage mainly based on historical data. The application of Freestyle Technology's pat-

ented technology will provide utility companies a true real-time smartgrid solution.

Freestyle Technology's IoT and M2M solutions also aim to help resolve current problems with Energy Management Systems (EMS) in Japan. Until recently, most EMS used very old

For more information about incentive programs for foreign companies please visit:

https://www.jetro.go.jp/en/invest/incentive_programs/

or contact JETRO Sydney at (02) 9002 6200 or syd-bd@jetro.go.jp



Utilising Freestyle's leading IoT expertise and unique patented technology the subsidy supported a project aimed at developing a two-way IoT system [...] through the development of resilient meter systems and gas pipes."

system architecture posing three major problems (a) connection is restricted to a limited number of devices, (b) difficult to use UI, and (c) cannot be expanded/upgraded.

Freestyle Technology is the first Australian company to meet criteria for approval and successfully secure this type of Japanese Government subsidy. In order to be eligible for the subsidy Freestyle brought forward its plans to establish an entity in Japan and representatives from Freestyle Technology consulted with JETRO Specialist Advisors on matters concerning the process of incorporation and operation of a business in Japan. ●



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Celebrating Japanese Investment in Australia



Manuel Panagiotopolous
Australian & Japanese
Economic Intelligence

As we know, 2017 is the 60th anniversary of the 1957 Commerce Agreement between Australia and Japan, a visionary agreement that proved to be a true game changer for the economic development of both countries. There are several major events in the planning to celebrate this diamond anniversary.

Coinciding with these is the commencement of research for a major study by Austrade with the title "Japanese Investment in Australia – A Trusted Partnership". The title encapsulates the enormous contribution of Japanese investment to Australia's economy over many decades and the solid foundation of trust based on mu-

tual values that permeate all facets of our rich relationship. We are planning a major launch in mid-2017.

Japanese firms have been key contributors to the development of some of our largest export industries such as iron ore, coal and LNG. In recent years major investments have been made in many new sectors, such as logistics, renewable energy, food and beverages, financial services, ITC, automation and even manufacturing. This momentum has made Japan the second largest investor in Australia after the United States.

The contributions are not limited to capital, export revenue and employment; they also include R&D, connections to global value chains, upgrading of skills and knowledge and important social contributions. The report will cover all these areas. The positive impact of the JAEPA will also be included.

The relationship was based on the most

compelling economic complementarity between Australia and Japan, growing richer and stronger through the enduring long-term commitment by Japanese companies. The economics has been enhanced through the shared values of the people and developed new complementarities in diverse sectors, a process which is only accelerating.

While celebrating the past and showing the breadth and diversity of current investment, the report will also explore the fields of possible future investments. More than forty major investors in many sectors will be interviewed to enrich our understanding.

I have been honoured by being asked to assist Austrade in this endeavour and I want to pay thanks to JETRO Sydney, the various JCCIs and the Embassy of Japan for their strong support of assistance to this project. ●

WANT TO DO BUSINESS IN JAPAN? CONTACT JETRO SYDNEY:

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Japanese-Affiliated Companies in Asia and Oceania: Survey Results



Tomomi Koyanagi
Research Director

The Japan External Trade Organisation's (JETRO) 2016 October-November edition of its annual 'Survey on Japanese-Affiliated Companies in Asia and Oceania' has been recently released, and contains some interesting results.

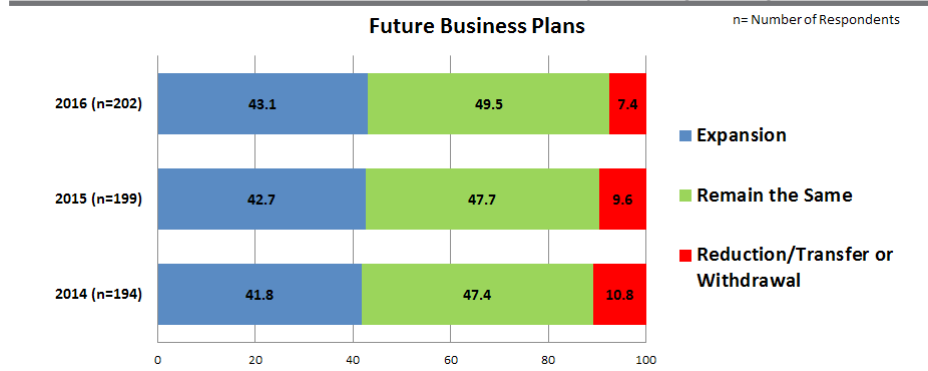
An examination of the Australia economy reveals that whilst the economy remains overall stable as it transitions away from mining investment and towards broader growth, issues such as low inflation and weak wage growth still need to be addressed. It is under these current economic conditions that we present the results of this survey showing the current state of Japanese-affiliated companies within Australia.

A total of 70.7% of Japanese-affiliated firms stated that they were expecting an operating profit in 2016, a 1.4 percentage point decrease from 2015, while the proportion expecting a loss increased 0.5 points to 16.4%. In comparison, 43.6% of firms are expecting improvement in their 2017 forecast (an 8.4% increase from previous outlook), whilst 10.9% expected it to worsen (a 1.7% decline compared to the previous year). The main reason attributed for the improved forecast for 2017 was "Increased sales in local markets", while "Decreased sales in local markets" was identified as one of the main

reasons for a declining forecast.

An examination of business confidence through a look at the Differential Index (DI) (The proportion of firms expecting an improvement minus the proportion of firms expecting a decline) reveals that business confidence within Australia is improving, with Australia's DI in 2017 being 32.7, an increase from both 16.6 in 2015 and 22.6 in 2016. Furthermore, developing countries in the Asia-Oceania region including

continues to be an issue for Australia; and with companies running out of room for cost-cutting, they are now employing strategies including raising prices and re-evaluating traditional supplier relationships. Furthermore, labour and other costs also featured prominently as issues for management, with 62.9% of respondents claiming employee wages their main issue. Also on the rise were the issue of volatility of the local currency's exchange rate against both the US



Myanmar, Cambodia, and Bangladesh are all reporting strong results.

This increase in business confidence was also reflected in the number of firms who hold an optimistic forecast about the years to follow, with, in regard to future business plans, 43.1% of firms responding with plans of "expansion", a slight increase on last year, and "Transfer or Withdraw" being down in comparison to last year.

The rising costs of production and services

dollar and Japanese yen. In regards to the possible impact of the TPP, firms in the manufacturing sector mentioned an increase in exports from Australia, and an increase in local production, while firms in the non-manufacturing sector focused on an increase of exports from Australia and an increase in sales in the local market.

We would also like to use this opportunity to express our sincere gratitude to all the firms that cooperated with this year's survey. ●



Photo: Courtesy of Cutting Edge

SUCCESS CASE: CUTTING EDGE /

CUTTING EDGE: PROFILE

For 25 years Cutting Edge has been a leading provider of sound and picture post production, and VFX for the advertising, film & television industries both in Australia and internationally.

Cutting Edge's VFX credits include Pandemonium's 'Hacksaw Ridge', Lakeshore Entertainment's 'Underworld 5', and HBO's 'Underground', as well as, television commercials for brands such as Toyota, Subaru, and Sony. Their commitment to creativity in design, VFX and animation is regularly recognised. Over recent months they have amassed an impressive list of accolades that includes winning multiple Australian Production Design Guild Gold Awards, BADC Gold Awards, a Gold Promax BDA, as well as being listed as finalists for the Create Design Awards, AWARD Awards, and Australian Effects and Animation Awards.

Cutting Edge offers end-to-end post and 7.1 Dolby Digital mixing. With state-of-the-art, custom-built facilities in Brisbane, Gold Coast, Sydney, and Tokyo, Cutting Edge is ideally placed to deliver a full suite of post services, meaning productions gain access to all of Cutting Edge's resources wherever the production hub resides.

CUTTING EDGE EXPANDS IN JAPAN

After operating in the Japanese market for the past 15 years, over the last 12 months Cutting Edge has continued to demonstrate a commitment to the region, opening a new Tokyo studio.

The Tokyo studio gives Cutting Edge the ability to work even closer with the Japanese market, and is strengthening partnerships with Japanese agencies. Cutting Edge's dedication to the crea-

to meet rapidly developing content needs. With the creative and technical DNA the business has developed through the post production and VFX for feature films, television and advertising, they are positioned to create truly remarkable content in this emerging space.

Ben Richards, Head of Innovation explains, "Our background in post-production, and history creating world-class CGI and VFX for feature



JETRO have been a great help in establishing our new office. They supported Cutting Edge by assisting as we sourced credible office locations, new staff, and even helped with the official studio launch"

tive product resonates with the Japanese market. This has facilitated the studios expansion in the region.

The business is not only finding success with post production projects for the advertising and film industries but, due to the rapidly increasing adoption of new technologies in virtual and augmented reality, across Asia, Cutting Edge finds themselves uniquely placed to deliver content

films, television series and advertising, means we have the creative and technical ability to generate immersive and memorable experiences."

General Manager of the Japanese studio, Junji Matsuo states, "We are really excited about taking this step, and we see huge potential to expand our operations in Japan."

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Photo: Courtesy of Cutting Edge/

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"We have unique skills and artists and we think Cutting Edge is a great fit here."

Since opening the doors to the post studio in July 2016 - as a registered Japanese entity - they have seen exponential growth. The business also welcomes seasoned VFX Supervisor, Matt Smith. With more than a decade's experience working in Japan, Matt takes the Tokyo's VFX team to new heights, allowing Cutting Edge to expand its capacity.

With more than 20-years-experience behind him, Matt began his VFX career at Animal Logic, before relocating to Japan to work with Polygon Pictures and Square-Enix.

"Cutting Edge has a reputation for outstanding creative work and the addition of Matt only strengthens this. The growth in our team means we are now able to react to the needs of our clients even faster," said Mr. Matsuo.

Cutting Edge's Tokyo studio was made possible with support from JETRO.

"JETRO have been a great help in establishing our new office. They supported Cutting Edge by assisting as we sourced credible office locations, new staff, and even helped with the official

studio launch. We were very pleased with the support they offered," Mr. Matsuo said.

Cutting Edge's Japanese brand projects have ranged from high-end VFX based TVC's for brands such as Toyota & Sony, feature film's VFX and they're currently in production on a Japanese anime feature film.

"We're looking forward to continuing to grow

and offer the Asian markets access to some of the world's-best artists," Mr. Matsuo said. ●

For more information please visit:
www.cuttingedge.com.au or contact
Mrs Trelise Blade, Executive Producer of
Cutting Edge at: (07) 3013 6289 or
tblade@cuttingedge.com.au



Photo: Courtesy of Cutting Edge/



THINKING OF DOING BUSINESS IN JAPAN?

For more information please visit
 JETRO Sydney: www.jetro.go.jp/australia or
 Invest Japan: www.jetro.go.jp/en/invest



Photo: JETRO Sydney

Japan-Australia Business Dialogue: Innovation-Focused Cooperation



Adam Sims
Editor

On Saturday, January 14th 2017, His Excellency Shinzo Abe, Prime Minister of Japan, accompanied by his wife and a delegation of Japanese business executives, visited Australia. On this occasion, the "Japan-Australia Business Dialogue" was held in Sydney and with the aim to further advance economic cooperation between the two countries. The event was organised by the Japanese government, co-organised by JETRO, and supported by Austrade and the Department of Foreign Affairs and Trade.

To begin the event, opening remarks were received from Mr Abe, as well as Former NSW Premier Mark Baird and The Hon Steven Ciobo, Minister for Trade, Tourism and Investment.

Mr Abe spoke briefly highlighting the continuing efforts of Australia and Japan to improve institutions, infrastructure, and free trade. He also addressed his desire for Australia

and Japan to work together to lead the world in the areas of regenerative medicine and artificial intelligence, and his expectations that special strategic relationship between the two countries will further broaden and enhance.

Mr Ciobo, in his opening remarks, spoke of Australia and Japan's ongoing relationship, and how the Japan-Australia Economic Partnership Agreement (JAEPA) has helped to bring together the two countries common values in terms of trade, as well as the common aspirations for a prosperous future. He also commented on the Trans-Pacific Partnership Agreement (TPP), thanking Mr Abe for his strong leadership and Australia's hope for the ratification of the TPP.

Mr Baird outlined NSW's recent economic growth and the focus on expansion in the services sector and infrastructure. He stated that Japan recently surpassed the UK in becoming NSW's second largest trading partner, due to trade agreements between the two nations. He also talked about recent investment in Sydney and NSW by Japanese firms, in particular mentioning Hitachi's plan to invest \$1.2 billion AUD

in its Australian Social Innovation business, with expectations for further development in the field of innovative technologies.

The meeting was attended by senior representatives of leading Japanese and Australian firms and featured discussion with an emphasis on innovation. During the meeting, the representatives of various Japanese firms explained their involvement in innovation-focused cooperation in Australia, as well their future ambitions in this respect.

As mentioned by Mr Ciobo, the issues regarding the TPP and Asian trade were also discussed during the event. Since then we have seen new American President Donald Trump sign an executive order to withdraw from the TPP, leaving the Australian and Japanese governments in a precarious position. Whilst the withdrawal of America from the TPP is a significant loss, it is now time for ongoing discussions regarding high quality trade deals for all members in the Asia-Pacific region. The leadership and commitment to trade shown by Australia and Japan will be of continued importance moving forward. ●



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JETRO Global Channel
See the latest JETRO videos at: <https://www.youtube.com/user/jetroglobalchannel/>

TALK TO JETRO FIRST.

About Business in Japan.

Japan welcomes global companies with open arms! This is an ideal country for innovation, with business and living environments unparalleled in the world.

JETRO is Japan's core governmental organization for promoting inward foreign direct investment and has supported over 14,000 overseas companies. Our Invest Japan Business Support Center (IBSC) offers comprehensive support services to provide our clients with the resources they need to get started and grow in Japan. Together with JETRO's IBSC, the Tokyo One-Stop Business Establishment Center (TOSBEC) streamlines the process of setting up a business including registration, taxes, and more. We are a partner you can count on.

When it comes to doing business in Japan, please "Talk to JETRO first!"