



A MESSAGE FROM THE MANAGING DIRECTOR

Hiroyuki Nakazato
Managing Director
JETRO Sydney

Dear readers,

Thank you for reading the 2017/18 Summer edition of JETRO Sydney's newsletter.

In 2017, it can be seen that Japan – Australia relations have continued to deepen and strengthen.

In January 2017, Japanese Prime Minister Mr. Shinzo Abe visited Australia, and during a joint press statement with Australian Prime Minister Mr. Malcolm Turnbull, said "The press statement we put together today will be a guide in the deepening and development of the special strategic partnership between Japan and Australia."

2017 also marked the 60 year anniversary of the Australia-Japan Commerce Agreement, formed in 1957. Further, a report on Japanese investment in Australia was recently published by Austrade (Australian Trade & Investment Commission). For all foreign direct investment in Australia, Japan ranks second, and its importance to the Australian economy is outlined in detail.

In order to further strengthen the connections between Australia and Japan, JETRO will continue to work towards this goal, and we thank all relevant parties for their continued cooperation.

In 2018, JETRO will undertake the following:

First of all, the continued support of Japanese companies expanding into the Australian market, both pre and post investment. As detailed in this newsletter, JETRO Sydney supported the Japanese company Bodywork with their investment.

For this case, JETRO's service industry delegation last February was supported by Austrade, and the NSW and VIC governments, of which I am extremely grateful.

Giving attention to the marketability of the Australian market, many Japanese companies are interested in the business opportunities available. From planning stages, to actual advancement, JETRO provides support through various measures.

Next, regarding foreign direct investment towards Japan, on December 5 2017, JETRO headquarters released the "Invest Japan Report 2017", a comprehensive report covering recent trends in inward FDI to Japan.

The main points are as follows: 1. Significant increase in Japan's inward FDI – Stock and inflow both marked record highs. 2. New trend of inward FDI in Japan – How foreign technology is contributing to

innovation in Japanese society. 3. Making Japan the most business-friendly country in the world.

In addition, JETRO's activities are as follows: 1. JETRO will contribute to the acceleration of innovation and solving problems that Japan faces through the promotion of inward FDI. 2. JETRO will contribute to resolving challenges that foreign/foreign-affiliated companies face.

The press release and full report text can be accessed online, to read please click [here](#).

Furthermore, for companies which are looking to expand to Japan, feel free to "Talk to JETRO first".

Another key point of JETRO's activities is to facilitate the promotion and spread of Japanese agriculture, fishery, and forestry products. As stated in the previous newsletter, the goal of the Japanese government is to increase the value of Japanese global exports of agriculture, fishery, and forestry products to 1 trillion yen (roughly 12 billion AUD) in 2019.

Towards this target, in 2018, JETRO, with the cooperation of key persons and organisations, will continue to work towards the further spread and popularisation of Japanese agriculture, fishery, and forestry products. ●

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FEATURE ARTICLE

The Australia - Japan Innovation Landscape

During 2017 there have been numerous developments in Japan Australia business, particularly with relation to innovation and the private and public sector initiatives stimulating growth in this sector.

In January 2017 Japanese Prime Minister Shinzo Abe visited Australia, meeting with his counterpart Australian Prime Minister Malcolm Turnbull. The pair, accompanied by leading Australian and Japanese business delegations, discussed further co-operation across different fields, innovation being a key area. In a joint press statement with Abe at Kirribilli House, Malcolm Turnbull stated, "We also confirmed that we would reinforce our cooperation around the pillars of innovation led diversification of industrial structure and region-led promotion of a closer relationship". Following that the two leaders signed a memorandum of cooperation, with major initiatives including the Hydrogen Energy Supply Chain Project, Ichthys LNG Project, and space cooperation, in conjunction with utilisation of the Quasi Zenith Satellite System.

The Australian Government has also established a number of key agendas to help facilitate economic technological change in innovation. The National Innovation and Science Agenda was established by Malcolm Turnbull in December 2015. The aim is to drive smart ideas that create business growth across sectors where innovation is crucial - from ICT to healthcare, education to agriculture, and defence to transport. The Agenda includes initiatives worth \$1.1 billion over four years. It will focus on four key

pillars, culture and capital, collaboration, talent and skills, and government as an exemplar.

Recently, Hitachi has committed to investing AUD\$1.25 billion to 'social innovation' projects in Australia to 2020, and has already invested around AUD\$875 million in 2016-17, primarily to mining technology projects. Social innovation is a broad term, which Hitachi defines as "using innovative technologies and business solutions to address the key trends and challenges facing society". Hitachi held a social innovation forum in November 2017 in Brisbane, focusing on digital transformation in mining and agriculture. They are looking for innovations developed in Australia, which can be then exported globally.

Another Japanese company, NEC, has been investing in Australia for over 50 years. NEC Australia has demonstrated a deep commitment to innovation by investing more than \$200 million in research and development since 2000. In June 2016, NEC Australia, NEC Japan and the South Australian Government announced a partnership to establish an A\$4.8 million Global Security Intelligence Centre (GSIC). The GSIC, which aims to address growing global demand for cyber security capabilities, is a key project under Adelaide's Smart City initiative. The commitments NEC has made over the past 50 years has harnessed NEC Australia's ability to bring innovation in security, biometrics, public safety, telephony and data services to SMB, enterprise and government customers Australia-wide.

NEC Australia recently won the Minister for Trade, Tourism and Investment's Invest-

ment Award, at the 55th Australian Export Awards Ceremony, presented by the minister himself the Hon Steven Ciobo MP. The award recognises NEC's significant investments in Australian innovation over the past decade and further contributions of nearly half a century to Australia's thriving ICT industry. NEC Australia won the Investment Award on the merits of its lasting contributions to Australia and the fact it introduced innovative business practices and technologies. It also stood out as a company with strong corporate governance and as a company that helps Australia become part of a global supply chain in a high-value market.

With such active growth and developments in the innovation sector, particularly in relation between Australia and Japan, government organisations such as JETRO and Austrade are involved in expanding economic relations to the next stage, beyond traditional areas.

In December 2017, Austrade hosted the Australian Innovation Dinner, a discussion roundtable featuring key presentations by select Australian companies and invited guests from major Japanese companies in Sydney. This event was third in a series of major events around the important 60th Anniversary of the Commerce Treaty signed between Japan and Australia in 1957, and in support of the Japanese Investment Report: Japanese Investment in Australia- A Trusted Partnership, recently released by Austrade. The report provides a timely opportunity

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to focus on the contribution that innovation continues to make to the development of the AU-JP bilateral relationship. To read the report, please click [here](#).

JETRO and the Japan Chamber of Commerce and Industry (JCCI) assisted in preparation of the event. The event featured key presentations from three leading Australian companies, providing them with an opportunity to showcase their company and Australia as an innovative destination.

1. AgriDigital, CEO Ms Emma Weston. AgriDigital provides integrated commodity management software for the global grains industry, to provide seamless solutions to complex commodity, logistical, risk and customer management issues. To read more about AgriDigital please click [here](#).

2. Titomic Limited, CEO Mr Jeff Lang. Titomic Limited is an advanced manufacturing original equipment manufacturer with a new proprietary Titomic Kinetic Fusion cold process to manufacture larger, stronger products in Titanium and hybrid materials more cost effectively and faster. To read more about Titomic please click [here](#).

3. CSIRO's Data61, Professor Paulo de Souza. Prof Souza is working on micro-sensor research program to analyse the effects of stress factors including disease, pesticides, air pollution, water contamination, diet and extreme weather on the movements of bees and their ability to pollinate. To read more about this research please click

[here](#).

Listening to the presentation were executive level representatives from leading Japanese trading houses, financial institutions, and professional services. The purpose of the event was to introduce and share Australian innovation to the Japanese representatives, who come from backgrounds focused on more traditional areas of investment, such as energy, resources, commodities etc. Australian innovation is generally not well known or recognised in Japan, so such events are important in expanding AU-JP economic relations.

JETRO spoke with organiser, Mr Tom Yates PSM, Director of Japan Special Projects at Austrade, to understand his thoughts on hosting the dinner event. On his reason to host such an event, Yates stated "Australia's intellectual capital, commercial focus and collaborative approach make it an ideal partner for business and investment activities". Yates' comments reflect on the current relationship between Australia and Japan, with a long standing history of collaboration, more and more Japanese companies looking abroad to Australia for new business ideas.

For Japanese companies, the opportunities to partner with Australian innovation are numerous. On this point, Yates said "International organizations have opportunities to collaborate with Australian research institutions, invest in or incorporate Australian solutions into existing products, or enter into joint ventures to take them to the global market."

With the Japanese companies giving positive feedback on this event, JETRO expects similar events to become more common in the future. Other Australian innovative sectors that could be potential areas for further business discussions include AI, cyber security, regenerative medicine, defence, and advanced manufacturing.

In particular to regenerative medicine, in 2015, Japan's peak regenerative medicine industry body, the Forum for Innovative Regenerative Medicine (FIRM) signed a Memorandum of Understanding (MoU) with Austrade to jointly enhance collaboration in this sector. And then in November 2017, Austrade facilitate the signing of a MoU between FIRM and AusBiotech, which is Australia's peak industry body in this sector. Japan's ageing population has propelled its Government's efforts to advance regenerative medicine. It is looking globally to commercialise the best med-tech, and Australia is a strong partner for Japan in stem cell research and regenerative medicine therapy development.

The relationship between Australia and Japan is extraordinarily close in the commercial, political as well as grass-roots level, with many examples to be seen, such as mentioned in this article. As a result, the number of collaborations and the opportunities for collaborative research and development between Australia and Japan are at an unprecedented level of opportunity. ●

This article was written by Adam Sims, JETRO Sydney, with assistance of Austrade's Tom Yates PSM and David Lawson.



Raffine TOKYO
Japanese Relaxation Space

JETRO Supports Japanese Service Industry Investment into Australia

JAPANESE "OMOTENASHI" SERVICE ARRIVES IN SYDNEY

In Japan's services industry, overseas expansion of Japanese companies has been increasing year on year. At JETRO Tokyo's head office service industry department, every year they perform multiple overseas missions, and conduct various support and consultation work to support this overseas expansion trend of Japanese business.

Australia has seen continual steady economic growth year on year, increasing population growth, and the market is expected to develop further moving forwards. Under these circumstances, in February 2017 JETRO's service industry department held their first delegation mission to Sydney and Melbourne. Amongst the companies that participated in this mission, was Bodywork, Japan's largest relaxation store provider. They recently opened their first shop in Sydney, to provide the service and spirit of Japanese "Omotenashi" to Australian consumers.

Bodywork Australia, subsidiary of Bodywork Japan, opened their first store in Sydney, Australia on December 1st 2017. Their relaxation salon brand "Raffine TOKYO" is located in the shopping mall The Galleries, a lifestyle and cultural destination in the heart of Sydney's central

business district. It is conveniently located on the lower ground floor, a short walk from Town Hall station.

With 800 stores across Japan, Raffine TOKYO is Australia's first experience of the leading relaxation brand. The store's ambience is a fusion of traditional and modern Japan, with delicate treatments provided by experienced and skilled therapists, all from Japan. Bringing the Japanese customer service standards of "Omotenashi", potential customers can expect a luxurious soothing experience, to relax the body and mind. The name itself "Raffine", comes from French, meaning refined, an encompassing expression of Raffine TOKYO's service standards.

Bodywork Japan first learnt of the potential for opening a store in Australia in February 2017 while participating in the service delegation mission of JETRO. It provided Raffine and other Japanese companies with an efficient, productive and informative business schedule, in addition to meetings and site visits which would normally be too difficult to arrange for individual companies. The delegation was supported by Austrade, and the NSW and VIC governments. From that experience they visited multiple sites across Sydney and Melbourne, met with business

and government representatives, and made new business connections that ultimately led to the decision to open a store in Sydney.

There were a number of factors that led Bodywork's decision to open in Australia. One key factor is the similarity in pricing standards between Japan & Australia. In other countries in the Asia Pacific region, prices are lower, and as a result customers are less willing to pay for premium services. However, Australian consumers are more conscious about the quality of the service they receive and the value of their money, which matches well with the standards of Raffine TOKYO's service.

Another key factor is Australia's multicultural society. Sydney's western consumers are well accustomed to Japanese products already, known for its reputation of high quality. There is a large Asian population (predominately Chinese) supporting the main customer base that are already major purchasers of Japanese products. In addition, there are also around 35,000 Japanese nationals living in Sydney.

Raffine TOKYO is looking to expand further in Sydney to cater to their growing customer base, with eyes on other sites across Australia as well. ●

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Australia and Japan: A Virtuous Spiral of Success



Manuel Panagiotopolous
Australian & Japanese
Economic Intelligence

In the daily maelstrom of news and noise, important aspects of the real world can be overlooked. For example, the JAEPA, which has been operating as an exemplary success since it began in January 2015. It is worth remembering that this was Japan's most comprehensive FTA with an advanced economy. At that time, I had expected that it would provide Australia with a nice window of 18-24 months to establish networks, relationships and market share in numerous products before the then-proposed TPP allowed equal access for Australia's competitors in the Japanese market.

In April 2017 Trade Minister Ciobo announced that tariffs under JAEPA were cut for the fourth time and there have been tariff reductions in 3,400 product lines: "these tariff cuts continue to give Australian exporters a competitive edge in Japan."

In the midst of all the hand-wringing over the obstacles faced by the TPP, the significant successes of the JAEPA have gone under the radar. Australian exporters have even more time to establish market presence, which is a very valuable asset.

Also obscured under the constant and misdirected commentary in the media is a key political result for Australia, the re-election of Prime Minister Abe. Mr Abe can continue to provide political stability in Japan and the region and move forward with more of the necessary elements of his updated Abenomics program.

Complementing the extensive economic relationship between Australia and Japan, built over six decades, is the geopolitical alignment and shared values that form a solid foundation. This reality is recognised in the latest Australian Foreign Policy White Paper, which refers to Japan as a "Special Strategic Partner of Australia" and "together we are working to achieve a stable region underpinned by open economies and the rule of law. As close partners, each country is invested in the success of the other" (p.40-41).

Similarly, in Japan's Defense White Paper, Defence of Japan 2017, "Australia is a special strategic partner for Japan in the Asia-Pacific region: both Japan and Australia are allied with the United States and share not only universal values but also strategic stakes and interests. (p.363).

It is never redundant to remind everyone that commerce relies on stable geopolitical conditions. Japan and Australia are natural partners in the pursuit of stability in the region which is increasingly referred to as Indo-Pacific.

One area that is underdeveloped in the Australia-Japan economic relationship is the investment into Japan by Australian companies. But I am optimistic that more outward-looking Australian firms will follow the examples of Challenger, Goodman, Lend Lease and Dominos Pizza, which all have significant and growing operations in Japan. The trade and investment relationship is a continual upward spiral as each element supports the other to grow, bringing wealth in its wake. I expect more of the same in 2018. ●

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Editor's Corner: Fintech in Japan



Adam Sims
Editor

Although Japan is the world's second largest financial market, when it comes to investing in IT, the nation's major financial institutions have largely invested in back office operations. Thus, although Japanese fintech companies and the front-end innovation they offer have risen suddenly to the forefront, this rise is actually belated when compared with their Asian neighbours.

Feeling a sense of urgency from arriving late to the scene, Japanese financial institutions are expected to pour further investments into fintech. Demand in the fintech market will also likely increase as online stock trading grows, e-commerce expands, and the increase in card favouring foreign tourists spurs on the spread of credit cards

In Japan, the leading submarket of fintech is

payments, compared with Australia where consumer and B2B lending remain the largest category of fintech, while payments come second. However, other subcategories have also been swiftly gaining traction in the past few years.

In the area of household budgeting (asset management) companies are actively entering into partnerships and incorporating technologies from their partners into their own services. This provides potential for other companies also possessing advanced technologies to enter the market. While automated advisory services are still in the trial stages, this infancy leaves much more leeway for new companies to get a foothold in field.

Japanese startup Moneytree, co-founded by Australian Paul Chapman, is already disrupting the traditionally conservative Japanese market. Moneytree began in 2012 and in 2013 they launched an app that aggregates and categorises personal spending and income, debts, home loans and loyalty points in read-only mode for free. Since then the business has grown,

especially after Apple Pay declared Moneytree to be the "Best of" for iPhone and iPad in 2013 and 2014. The business now has over 1.2 million users.

Today, Moneytree LINK has become a major provider of financial application programming interfaces (APIs) that can access the features and data of other financial services. That allows it to power apps from two out of the three megabanks while becoming the No.1 data partner for consumer and small business accounting software firms in Japan. Most of its revenue comes from the 20 business enterprise partners on the Moneytree data aggregation platform.

Moneytree plans to move into the Australian market by the end of this financial year. They are currently talking to all the Australian banks about being included on their platforms although it still plans to enter the market with its own automation technology. Australian banks have been reluctant to allow API access

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to start-ups, claiming they need to maintain the security of their customers. The fintech industry complains it's more about protecting business models and profits.

With a relatively less conservative regulatory environment, supported by government-led initiatives and deregulation, the innovation standards in the Japanese fintech ecosystem are much higher than the rest of the world. Recently, innovation around cryptocurrency is one of the most popular categories.

On September 29, 2017, the Financial Services Agency (FSA) announced the issuance of operating licenses to 11 cryptocurrency exchanges in the country, with 4 additional new exchanges approved as of December 1, 2017. Japan has taken over the mantle of cryptocurrency leadership in Asia, and worldwide. With growing interest and acceptance of Bitcoin and other altcoins, investment in this area from financial institutions and fintech startups is expected to increase.

With the broad growth across all fintech submarkets in Japan, payments, lending, asset management, cryptocurrency, crowdfunding, and banking, entry of foreign companies into the Japanese market is increasing. With a large number of domestic and international financial

institutions located in the Tokyo area, the Tokyo Metropolitan Government (TMG) is endeavouring to transform the city into a global financial center, and is currently working on consolidating the optimal environment.

The TMG is enthusiastically trying to attract foreign companies to "Global Financial City Tokyo" and has set a target of attracting 40 foreign companies in the asset management and fintech fields in the four years through to fiscal year 2020. According to the TMG, through revitalizing financial industries, risk capital will be actively supplied to cutting-edge fields with future growth potential, such as IoT, AI, and fintech, which will boost these industries as well, and this is the key point of Tokyo's growth strategy.

There are a number of specific policy measures the TMG has set to create an attractive business and living environment. It includes reducing tax burdens, enhancing the consultation system and English services for financial business-related administrative procedures, and creating a living environment where foreign financial professionals can work comfortably. The TMG also offers a comprehensive one-stop support service, with free consultation, advice, and other services available for foreign financial companies. For more information please visit:

http://www.seisakukikaku.metro.tokyo.jp/bdc_tokyo/english/

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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!"