



JETRO TORONTO

Newsletter

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Executive Director's Message



Kazuo Nakamura
Executive Director
JETRO Toronto

The coldest winter is about to end. Amid this bitter winter season, we held 2 important events in Toronto.

One was the first in our Provincial Economic Seminar Series designed to introduce Canada's provincial capabilities

and business opportunities to Japanese firms in the GTA. There are more than 200 Japanese companies in Ontario and JETRO is looking to facilitate business between them and other Provinces by providing information and networking opportunities.

The other was JETRO's Japan Business Seminar co-organized with DFATD. As you know, one of JETRO's core focus in the 21st century is promoting foreign direct investment into Japan. Our executive vice president Mr. Kato made a keynote presentation on Japan's Re-Emergence: Opportunities for Foreign Companies. We successfully attracted more than 150 attendees to this seminar. Although we hold a number of seminars every year, this is the first time in about 5 years that we held such a large event. JETRO will continue to encourage more foreign direct investment to Japan.

For the coming new fiscal year, we are going to accelerate our activities in Canada. Let me provide some examples of our activities in FY 2015.

Our number one priority is promoting foreign direct investment in Japan. We are planning to hold industry specific seminars and to increase more interaction with Canadian companies by exhibiting JETRO booths at major Canadian Shows such as GLOBE 2016.

The second priority is export promotion. We will continue to offer a number of buyer invitation programmes for Canadian Companies.

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Japan Business Seminar

150 participants gather together in Toronto to get an update on the Japanese economy and to hear 4 Canadian investment success stories in Japan

Following similar events hosted by JETRO in New York and London in 2014, JETRO Toronto was pleased to organize a **major business seminar on Japan** at the Hilton Hotel in downtown Toronto on March 3, 2015 in cooperation with the Department of Foreign Affairs, Trade & Development and other supporting organizations.

Tsuneyuki Kato, Executive Vice President of JETRO gave the Keynote Presentation and Executives from a number of Canada's top companies in their field, **Manulife, OMERS, Redknee and Woodbridge**, spoke about the latest situation in Japan and their experiences in entering the Japanese market. JETRO and the Development Bank of Japan (DBJ) explained about their services to assist Canadian companies.

Jim Feir, **Director of Foreign Affairs, Trade and Development (DFATD)** Ontario Regional Office, opened the event with a look back at the long-standing diplomatic ties between Canada and Japan and a look forward at potentially closer economic ties in the context of on-going **Canada-Japan Economic Partnership Agreement (EPA)** and Trans-Pacific Partnership (TPP) negotiations.

Yasunori Nakayama, **Consul-General of Japan in Toronto** encouraged Canadian firms to seriously consider investing in Japan explaining that the Japanese government has launched an **expert group on investment** to look at tax reforms, tightened corporate governance rules and special innovation zones in fields such as healthcare, which are designed to promote increased FDI into Japan.

The event was a great success, bringing over **150 participants** together to learn more about how to enter the Japanese market and to provide unique Japan-related networking opportunities.

See **page 2** for more details and **presentations** can be downloaded at the link below:

www.jetro.go.jp/canada/events/jbseminar030315.html



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**Manulife
Financial**
Paul Rooney,
COO



After it acquired Daihyaku Mutual in 2001, Manulife expanded to 100 offices, 1,400 employees and 2,500 agents to become the largest Canadian investor in Japan.

Japan, the 2nd largest life insurance market in the world, contributes 1/4 of Manulife's worldwide sales. With the 'silver class' emerging, there are \$9 trillion in retirees' personal financial assets. Over the next 10 years, more and more Japanese will retire receiving a lump sum retirement payment and will be in need of advice and retirement planning solutions. Even winning a small proportion of this market will be significant. Japan is also a key part of Manulife's Asia strategy, leveraging their experience from Japan to other aging Asian markets.

In terms of advice for other Canadian companies looking to enter the Japanese market, Mr. Rooney emphasized the support provided by the Canadian Government, the need to recruit senior Japanese professionals, which is not always easy, the necessity to compete against large domestic players with significant scale and by bringing something unique to the Japanese market as well as the need to build relationships and understand and respect the unique culture.

Redknee Solutions
Vishal Kothari, COO



Founded in 1999, Redknee Solutions is one of the top software companies in Canada with operations in 16 countries and 95% of its revenue coming from overseas. It provides software to telecom companies and has over 200 customers across 90 countries. Initially, Redknee was not keen to enter the Japanese market because they thought it would be too difficult. However, after acquiring a Spanish company in 2008, which happened to have Japanese clients, they entered the market in 2009.

They soon found that their original feelings about Japan were wrong. Japan was not as closed as they had originally thought and, with liberalization in the market, they now see Japan as a tremendous opportunity. Japan is now in the top 3 revenue generating markets for Redknee and being there has taught them a lot about building software and servicing customers. Japan is most demanding but most rewarding.

Mr. Kothari believes there is a huge potential for Canadian companies in Japan but you have to adapt your products, technology and business practices to the Japanese market and deliver high quality on time. Finding partners, hiring local talent, building brand awareness and developing relationships, trust and a track record are important.

Redknee utilized JETRO's free Tokyo IBSC office from May 2014 to February 2015 and JETRO also supported with market research and generating leads.

Japan Business Seminar: Corporate Growth Opportunities

Supported by:



Keynote Presentation

Japan's Re-emergence: Opportunities for Foreign Companies

JETRO Tokyo

Tsuneyuki Kato

Executive Vice President



Japanese Economy, Trade & Investment

The three arrows of Abenomics: monetary loosening, fiscal stimulus centered on infrastructure spending, and growth-oriented structural reforms have led to improvement in the Japanese economy. Mr. Kato explained that the increase in the consumption tax had a negative effect on Japan's GDP but that this was temporary, with most organizations predicting a rise in GDP in 2015, contributed to by low crude oil prices and yen depreciation. In the longer term, Mr. Kato explained that the 2020 Tokyo Olympics would give a further boost to the Japanese economy.

As for the Canada-Japan economic relationship, Japan is the 4th largest export destination for Canada and the 5th largest import source for Canada. Japan is also the largest Asian investor into Canada.

Canadian Companies in Japan

Mr. Kato highlighted a number of Canadian companies that were doing well in Japan.

- Four Season Hotel has achieved outstanding growth in Japan with the Four Seasons Hotel in Kyoto set to open in 2016.
- Canadian Solar is active in mega solar projects in Japan.
- Canada Goose, the outerwear manufacturer, is doing very well in Japan after redesigning their clothes to fit Japanese bodies.

Mr. Kato encouraged more Canadian companies to look at the Japanese market. It is the ideal test market; if a product can satisfy the high standards of Japanese consumer it can succeed anywhere.

Invest in Japan

Japan is a perfect place to invest. Japan has the third largest GDP in the world at 500 trillion yen (\$4.2 trillion dollars). Research funding as a percentage of GDP and the number of researchers per 10,000 people are among the largest in the world. Japan is No. 1 in the world for business sophistication according to the World Economic Forum and No.1 in Asia on the Global Peace Index as ranked by the Institute for Economics & Peace. According to Monocle in the UK, Tokyo is the 2nd most livable city in the world with Kyoto 9th and Fukuoka 10th.

The Japanese government is actively promoting foreign direct investment into Japan as part of the 3rd Arrow of Abenomics, with a target to double FDI by 2020. The government is promoting structural reform and deregulation, implementing measures to make Japan more attractive to foreign investors such as: reducing the corporate tax rate from 34.62% to 32.11% in FY2015 and 31.33% in FY2016 and eventually to around the 20% level; reducing the time it takes to commercialize regenerative medicine such as stem cell therapies; creating National Strategic Special Zones as hubs to attract foreign companies with special employment conditions and comfortable living environments.

OMERS

Jacques
Demers,
Global Head
Investment



Partners & Partnerships

Ontario Municipal Employees Retirement System (OMERS) is one of Canada's largest pension funds. In 2012, OMERS launched the US\$7.5 billion GSIA "Global Strategic Investment Alliance" along with 2 Japanese partners, the Pension Fund Association (PFA) and a consortium led by Mitsubishi Corporation (MC) contributing US\$1.25 billion each. The GSIA's goal is to find attractive, large-scale infrastructure investment assets mainly in North America and Western Europe.

In 2014, OMERS entered a co-investment agreement with Japan's Government Pension Investment Fund (GPIF), and the Development Bank of Japan (DBJ), who committed a further US\$2.5 billion into the GSIA.

Mr. Demers explained that Japan is a long-term investment decision. And for the long haul, you could not pick a better partner than Japan. The Japanese economy is improving and this will provide opportunities for foreign companies. However, any company planning to enter the Japanese market should recognize the importance of people-to-people relationships and having a long-term plan to develop their business.

Woodbridge Group

Hamdy Khalil,
Senior Global Director
for Advanced
Technologies
and Innovation



Established in 1978, the Woodbridge Group has 68 global facilities. It is in the 'comfort' business: seats cushions, arm rests, headliners, acoustic insulators for the auto industry. Woodbridge is vertically integrated developing its own proprietary chemical formulas and manufacturing machinery, one of the reasons they have been accepted in Japan. It was also the first auto parts manufacturer to use recycled materials.

Woodbridge has been in Japan for 30 years. They have a strong partnership with a Japanese company called INOAC, the largest polyurethane manufacturer in the world. They have 6 joint venture plants in Japan and have expanded together to Thailand. Customers include Honda, Toyota, Mitsubishi, Suzuki, Isuzu and Nissan.

The keys to the successful partnership with INOAC are based on: mutual trust, dating back to the friendship of both their founders; uninhibited open innovation, including annual technical gatherings; not worrying about who invented what but focussing on joint creation of unique value, differentiated products and the customer.

From 2009-12, Woodbridge partnered with JETRO on a bio-plastics project with Okayama Prefecture companies and researchers including Mitsubishi Motors.



Development Bank of Japan (DBJ) Supports Foreign Expansion into Japan including M&A



As a special guest to JETRO's March 3, 2015 **Japan Business Seminar**, Mr. Hirochi Fuchiwaki, Deputy Chief Representative at the New York office of the Development Bank of Japan (DBJ) came to Toronto to explain about DBJ's **support for Canadian companies** entering Japan. Established in 2008 and 100% owned by Japan's Ministry of Finance, the DBJ as of March 2014 had total assets of ¥16,248 billion (C\$171 billion) and loans of ¥13,963 billion (C\$147 billion).

Since 1984, DBJ has **loaned over US\$10 billion to help more than 300 non-Japanese companies** to penetrate the Japanese market, including support for plant and distribution center construction, launching of high-tech manufacturing divisions, start-up and VC investment, real estate investment and private equity fund investments.

DBJ also provides **M&A matchmaking and advisory services** to non-Japanese companies, especially in the middle-market-sized companies (US\$20-500 million), and since 2011 has established a **Support/Consulting Center for the Comprehensive Special Zones**.

If you would like to speak with DBJ, please contact JETRO Toronto and we will be glad to make the introduction

For more information: www.dbj.jp/en/

Calgary Seminar for Japanese Companies

With the attendance of **Hon. Teresa Woo-Paw**, Associate Minister of Asia Pacific Relations in Alberta, as well as **Consul-General of Japan in Calgary Ryosaku Tamura**, JETRO held a seminar in Calgary for Japanese companies on February 20th, 2014, supported by the **Alberta Japan Business Association (AJBA)**, the **Government of Alberta**, and **Davis LLP**.

The seminar covered **3 major topics**, which were of interest to Japanese companies located in Alberta mostly from the oil & gas sector: update of **work permit regulations**; business relation with **First Nations**; and **forecast of oil prices** and its effects on the economy. Despite the impact caused by the recent decrease of oil price, **28 participants** showed a positive attitude to continuing to develop their business activities in Alberta.

For more information: www.jetro.go.jp/canada/events/past/

Provincial Economic Seminar Series for Japanese Companies

With the aim of providing more information on other regions of Canada for **Japanese companies based in the GTA**, and following the success of the first event in the series on Quebec held in February 2015, JETRO is planning to hold 3 more information sessions on **Manitoba** on April 21, **BC** in June and **Alberta** in September (details to be confirmed). Presentations on **Quebec's** mining, electricity, aerospace and game-software sectors are available at the link below.

For more information: www.jetro.go.jp/canada/events/past/

JETRO Opens New Offices in Kyoto

On February 2, 2015, **JETRO Chairman and CEO Hiroyuki Ishige** was joined by **State Minister** of Economy, Trade and Industry Daishiro Yamagiwa, **Governor of Kyoto Prefecture Keiji Yamada**, **Mayor of Kyoto City Daisaku Kadokawa** and 7 heads of other local governments as well as 50 guests in a ribbon cutting ceremony to mark the **January 15th** established of JETRO's new Kyoto City office.



It is JETRO's **41st domestic office** and, as Mr. Ishige explained: "JETRO Kyoto will work on the front line of **regional revitalization** in the global age by supporting lively activities of small- and medium-sized enterprises in the global market and inviting foreign companies which will revitalize the local economy".

JETRO Kyoto will focus on **four pillars**: supporting exports of products of Kyoto; assisting overseas expansion by companies of Kyoto; inviting foreign companies into Kyoto; and promoting Cool Japan allures from Kyoto to the world.

Kyoto Prefecture has a **pop. of 2.64 million** and a **GDP of ¥9.8 trillion (C\$102.8 billion)**. Kyoto City has a pop. of 1.47 million by itself. Known for many traditional crafts and tourism, Kyoto is also known for its **advanced technologies and science**, including the Nobel prize winning Kyoto University professor, Dr. Shinya Yamanaka, discoverer of **induced pluripotent stem cells**.

For more information: www.jetro.go.jp/en/jetro/topics/1502_topics1.html
www.jetro.go.jp/en/invest/region/kyoto/
www.jetro.go.jp/en/invest/region/kyoto-city/



2014 JETRO Survey on Business Conditions of Japanese-Affiliated Firms in Canada

During Sept.-Oct.2014, JETRO conducted its **latest annual survey**, going back to 1989, on Japanese-affiliated manufacturers and non-manufacturers in Canada (i.e. subsidiaries with 10% direct or indirect investment from a Japanese parent). See links below for the full results of the survey.

Business **confidence for 2014 has improved** over last year and, since there was an increase in product demand, there were many responses indicating that “it feels like the economy is recovering” and “the economy seems stable.” Regarding **future business expansion**, nearly 50% indicated that they would **remain the same**, and the percentage of those expecting to expand is higher than the previous year.

Approximately **60% of products manufactured in Canada were sold domestically**, while around **20% were exported for sales to the U.S.** The majority believe this will continue going forward. Companies **procured 38.5% of their raw materials and parts from within Canada**, 32.8% from the U.S. and 16.7% from Japan. Looking ahead, it seems that procurement from Asia may expand.

Some of the challenges faced by Japanese-affiliated companies in Canada were related to **higher personnel expenses, increase in foreign exchange risks, intensified price competition**, difficulty in developing **differentiated products**, and difficulties in promoting management **localization**.

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We invite distributors in select product categories and pay for them to go to Japan to meet with potential Japanese exporters, usually in conjunction with a major trade show. This fiscal year we will invite buyers in sectors such as agri-food, design & general merchandise, game software and cleantech.

The third priority is assisting Japanese companies which are already doing business in Canada or are planning to enter into the Canadian market. We will hold laws and regulations seminars and Provincial economic seminars for Japanese companies. Also following up on last October's Shale Gas/LNG mission to BC, we will continue to encourage Japanese companies to do more business in this sector by holding a seminar and networking event.

They are just some examples of our activities in the coming fiscal year. We will keep you updated through this Newsletter. We are looking forward to working together to support your business with Japan.

For more information:

www.jetro.go.jp/en/news/2014/20141127540-news
www.jetro.go.jp/en/reports/survey/pdf/2015_04_biz2.pdf

2nd Montreal RIT Mission to Nerima

From **March 8-13, 2015**, as a follow-up to the previous in-coming mission in November 2014, JETRO invited 2 Quebec animation studios, **Audio Z** and **e.d.Films**, to Japan to continue their dialogue with Japanese animation companies in the Nerima ward of Tokyo.

The 2 companies visited several Japanese studios, such as **Studio Kannon** and **3S Studio**, and animation companies such as **MAD BOX** and **UNI JAPAN**, to deepen their understanding of Japan's incentive system for creating films as well as their production process and style.

In addition to those visits, business **meetings and workshops** were held to discuss how to further develop business between the two countries. Despite differences in production and incentive systems, **positive discussions** were held on how to work towards **Canada-Japan co-productions**, taking advantage of each country's characteristics.

For more information:

www.jetro.go.jp/canada/progs/current/

Events & Programmes

International Franchise Expo

JETRO will set up a Japan pavilion with 9 booths at the International Franchise Expo (IFE) at New York's Javits Centre, June 18-20, 2015. JETRO New York office is currently looking for experienced Japanese franchise companies interested in exhibiting at the show. The fee is about ¥625,000 for Small-Medium companies and about ¥1,250,000 for larger organizations. Application deadline: March 31, 2015.

For more information:

www.jetro.go.jp/events/item/20141003117/ (Japanese)
www.ifeinfo.com (English)

Manitoba Seminar

On April 21, 2015, JETRO Toronto will hold a seminar on the Manitoba market for Japanese companies in cooperation with Manitoba Trade & Investment. Main themes:

- 1.Introduction to Manitoba and Manitoba Trade and Investment;
- 2.Mining and Minerals Sector;
- 3.Advanced Manufacturing Sector (including heavy vehicles and aerospace sectors);
- 4.Agri-food Sector;
- 5.Collaboration and Investment Case -studies in Manitoba.

Please note that space is limited.

For more information or to register:

www.jetro.go.jp/canada/events/current/
E-mail: tor@jetro.go.jp

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