

Appeal of Japanese Markets in the Eyes of Foreign Corporations

Japan is an affluent nation where goods are readily available and markets have become mature and satirized. Furthermore, most people probably believe that the prospects for Japanese markets are not particularly good considering Japan's declining birthrate and growing elderly population. However, there are actually many corporations uncovering exciting business opportunities in the mature Japanese market. There are foreign corporations eager to expand business in Japan through their unique products, services and technologies.

Many foreign corporations have stressed that "in order to conduct business in Japan, it is essential to have a business partner with a deep understanding of the Japanese market." For Japanese corporations, teaming with such foreign firms to start a new business in Japan can become an important option. When such business partnerships are successful, Japan can serve as the launching pad for new businesses in the rapidly growing Asian markets.

The Japan External Trade Organization (JETRO) has been supporting business matching (arrange meetings between potential business partners) with the aim of building alliances between Japanese and foreign corporations, so that these foreign businesses can take the first step toward setting up a base in Japan. In FY2010, JETRO invited 91 companies from around the world to participate in a business matching, conducted at exhibitions held throughout Japan (Note).

Why are these foreign firms interested in the mature Japanese market and not the newly-emerging markets that are expected to see high levels of growth? What are the business opportunities they see in Japan? Here we will provide some concrete examples that may help to understand the appeal of the Japanese market, which is not always easy to notice from within Japan.



US Corporation Booth in the JETRO Overseas Corporation

Exhibition Zone

In fiscal 2010, five exhibitions held in Japan were selected, and corporations involved in such fields as environment / energy conservation and health care / life sciences were invited to participate. Invitations were extended to foreign corporations wishing to come to Japan using various criteria, such as those planning to establish a base in Japan over the next three years. Applications were received from 199 companies from North America, Europe, Asia, Oceania and the Middle East (14 countries all together). Each invitation was examined from various aspects, such as the likelihood of realizing investment in Japan and successful business matching, and then screening was conducted to ultimately select 91 companies.

Note: The Ministry of Economy, Trade and Industry entrusted JETRO with running a program for inviting foreign companies to invest in Japan as a means for supporting local economies. Exhibitions were used to conduct "business matching" between foreign and Japanese firms with the aim of encouraging these foreign firms to establish businesses in various regions of Japan. The following exhibitions were held in fiscal 2010: Toyama Techno Fair 2010 (Period: Aug. 5~7; Location: Toyama; Participating Firms: 11), N-EXPO KANSAI '10 (Period: Sept. 1~3; Location: Osaka; Participating Firms: 18), Eco-Techno 2010 (Period: Oct. 13~15; Location: Kita-Kyushu; Participating Firms: 16), Green device 2010 (Period: Nov. 10~12; Location: Chiba; Participating Firms: 30) and HOSPEX Japan 2010 (Period: Nov. 17~19; Location: Tokyo; Participating Firms: 16).

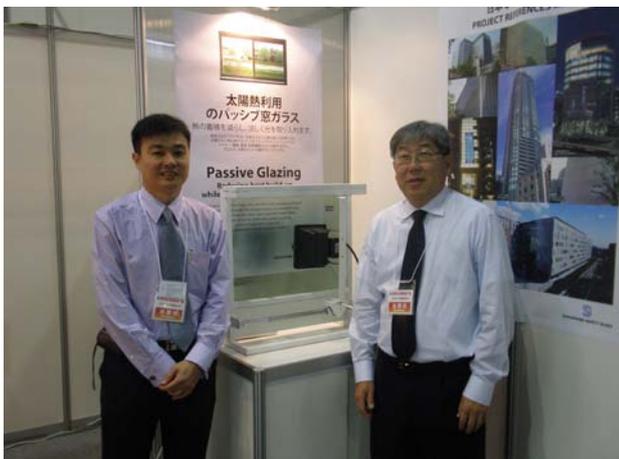
Example 1:

Singapore Safety Glass Pte Ltd.

URL: www.ssg.com.sg**Singapore**

Singapore Safety Glass manufactures and markets specialty architectural glass products. One representative product is a passive window glass that utilizes solar heat. The glass color changes from clear to a darker tone when the glass is warmed by sunlight. The window glass color changes when subjected to direct sunlight. The glass functions to let light and heat into the room when needed, while restraining this light and heat when not needed. The functions of the glass are activated by sunlight alone, so there is no need for power or control equipment. Simply install these glass windows and the room will be able to capture sunlight while reducing the amount of heat collected.

When company president Mr. Gan Geok Chua visited Japan, he talked about expectations for the creation of new markets amid the trend toward creating low-carbon societies. "Our products are being used in numerous Japanese buildings such as the Tokyo International Airport, the Chanel store in Ginza and the Tokyo Midtown. Tokyo is full of buildings that use many windows in their designs, so we see plenty of room for sales. Tokyo is not the only potential market as there are other major cities such as Osaka and Nagoya. Japan still has many undeveloped markets for us," he said.



Singapore Safety Glass president Gan Geok Chua (right)

Mr. Gan Geok Chua also had high praise for the current state of Japanese markets. "The Japanese economy has been a bit dull, but the market scale is still very large. A solid business environment is in place, so risks are low," he said.

Singapore Safety Glass expects the global economy will turn up around 2012. Japan, along with New Zealand and Australia, is seen as a promising market as it and other advanced nations try to create low-carbon societies. Singapore Safety Glass is looking to team up with general contractors, outer wall / window installation companies, window / door makers and others in a push to increase its share of the Japanese market.

Example 2:

Greenpac (S) Pte Ltd.

URL: www.greenpac.com.sg**Singapore**

Greenpac believes that as environmental awareness is raised even further in Japan, even more Japanese corporations will focus on environmental problems and adopt environmental measures for their supply chains. Many Japanese corporations supply products to countries around the world, and in most of these cases, the packaging materials used are simply discarded after use.

Greenpac believes this presents a good business opportunity and has proposed environmentally-friendly, reusable wood-based packaging instead of the conventional packaging material that needs to be discarded after use. This product, called Revolutionary Systems Concept Packaging (RSCP™), is a lightweight, collapsible packaging material that does not use nails. RSCP™ is used as pallets and crates when transporting products. According to Greenpac, RSCP™ offers the following advantages.

(1) **Environmentally-friendly:** RSCP™ utilizes Oriented Strand Board (OSB) made from materials obtained from sustainable forests certified by the

Forest Stewardship Council, which works to prevent indiscriminate deforestation.

(2) **Reduced raw materials:** By optimizing the amount of raw materials used, the amount of required wood is reduced by 20% to 60% as compared to conventional products. The packaging material is lighter, but the structure is reinforced by a revolutionary design. Lighter materials help to lower shipping cost by reducing fuel consumption.

(3) **Reusable:** The packaging materials can be reused for a long time. The materials can also be dismantled and collapsed (folded) for easy storage and then reassembled whenever needed.

(4) **Recycling:** When reuse as packaging is no longer possible, the materials can be recycled as plywood.

(5) **Nail-less:** The packaging materials are assembled without using any nails, so the products are less likely to be scraped or damaged when transporting.



Greenpac's Crate (upper)

A scene of a Business Matching (lower)

Furthermore, the packaging does not use any nails or metal fasteners. Therefore, materials can be quickly processed, and hiring additional workers for the process of recycling will be unnecessary.

Yamamuro Co. became very interested in these packaging materials after holding talks with Greenpac through JETRO's matching support. Yamamuro president Kazuyuki Shimomura expects demand for reusable wood packaging materials will increase. "The manufacturing sector is placing greater importance on approaches that help protect the environment (recycling) and the reusing of packaging materials will probably grow," he said.

In addition to reduced environmental burdens and lower costs, president Shimomura sees another advantage. "When wood packaging materials are imported, they must be fumigated for pine weevils, but fumigation is not needed for packaging materials made from wood chips."

Yamamuro Co. is now in talks with Greenpac regarding the production and marketing of RSCP™ in Japan.

Example 3:
 BASF Japan Ltd.
 URL: www.basf-japan.co.jp
Germany



BASF Ecoflex

© BASF

German chemicals maker BASF has been searching for business opportunities in Japan's

environment-related markets. One such approach has been in the areas of expanding sales of its biodegradable plastics that can be broken down by microorganisms. Most of the biodegradable plastics (product name: Ecoflex) being sold in Japan by BASF are for use as a raw material for agriculture mulch films.

In many European countries the processing of garbage into compost has become very common. In this case, garbage bags need to be made from biodegradable plastics that can be broken down by microorganisms when buried so that the bags do not become mixed with the compost.

Mr. Takehiko Tsuchiyama, project leader for BASF Japan, explained, "When garbage is buried, it produces methane with a greenhouse effect 23 times that of CO₂. Therefore, countries like Germany, France and Holland convert between 40% and 60% of their garbage into compost and they have introduced shopping and garbage bags made from biodegradable plastics."

"On the other hand, most local governments in Japan burn their garbage and so prefer polyethylene bags that burn easily. As such, bags using biodegradable plastics have not become popular," he said.

"Japan produces 50 million tons of trash each year, of which 99.5% is disposed of by burning. A handful of cities such as Furano, Nagasaki and Nanao have started turning some garbage into compost, but this accounts for less than 0.5% of the total amount," he continued.

"A ton of heavy oil is needed to burn a ton of trash. Over the next 20 years 75% of Japanese municipalities will need to replace their incinerators. We want to encourage them to introduce raw garbage-to-compost plans that have reduced environment and economic burdens, and could provide some revenue by selling compost," he enthusiastically explained.

If more local governments begin converting their garbage into compost, the demand for bags made

using biodegradable materials would likely grow. BASF wants to build cooperative relationships with local governments considering the conversion of garbage into compost. In this manner, BASF is aiming to create future markets and expand the sales of its products.

Example 4:

Energy and Environment Corporation (E & E)

URL: www.browngas.co.kr

South Korea

E&E has developed high-performance cutting equipment, ash melting equipment and industrial waste / noxious odor processing equipment using "Brown gas." Brown gas is a gas that mixes hydrogen and oxygen that has been decomposed from water (H₂O) by electricity. When Brown gas is burned, temperatures contained by flame-resistant bricks can top 1,900 degrees in less than 5 seconds. Such super-heated energy can be used to cut not only steel materials, but scrap and slab as well. It can also be used for the ash melting of harmful materials, industrial waste and the burning off of noxious odors.

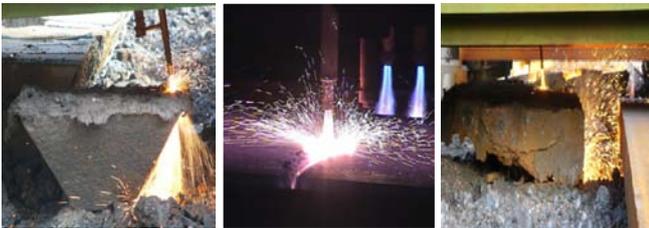
Brown gas was discovered by Bulgarian professor Yull Brown; however, E&E's main sales points are (1) they have discovered that burning Brown gas results in a very large and efficient source of energy, and (2) that they have developed equipment for generating large volumes of Brown gas. Compressing hydrogen is dangerous, but with the E&E equipment, safety can be emphasized that storage tanks are not needed and the equipment can be used with low atmospheric pressure of less than 1.5 without any compression.

There are also advantages from environmental and energy viewpoints. For example, E&E equipment contributes to efforts to reduce carbon as the burning of Brown gas does not generate carbon dioxide. Furthermore, because gas is generated by electric decomposition of water, the amount of fuel used for burning is reduced, contributing to energy

conservation. The high energy effect also means that cutting and burning can be performed at high speeds, which helps to lower costs by reducing the time required for such operations. E&E has already supplied its equipment to South Korean firms such as POSCO, POSCO Specialty Steel and Magitech.

When asked why he wants to expand business in Japan, E&E president Hyun Jang Soo spoke about the importance of the Japanese market, saying, "Once you are successful in Japan, you earn respect around the world. Even if a product sells well in Korea, business in Japan can still be tough. The hurdles are high, but we want to establish our brand while taking on the challenges of the Japanese market."

In addition to marketing Brown gas generation equipment, along with sales representative Kazahana Oita, E&E also wants to work with Japanese companies in producing and selling products in Japan that use Brown gas.



Cutting with Brown gas



E&E president Mr. Hyun Jang Soo

And Kazahana Oita president Mr. Seisuke Ishitobi (center)

The business cases presented here are some examples. There are many other companies with high opinions of the latent business potential in the

Japanese market. Japanese firms have been under pressure to move production bases overseas due to the strong yen, but at the same time there are many foreign firms who have set up bases in Japan to target this market.

For example, Umicore (Brussels, Belgium) has established a site for producing lithium ion battery cathodes at the Kobe Port Island district with support from the City of Kobe, the Ministry of Economy, Trade and Industry (METI) and JETRO.

The government in June cited "improving the competitiveness of companies based in Japan and encouraging foreign firms to set up operations in Japan" as key components of the New Growth Strategy adopted by the Cabinet. To encourage companies to set up headquarters and research centers in Japan with the aim of restoring Japan as a key Asian hub, incentive systems, including tax breaks, are being considered with an eye on implementation from 2011.

Many of the foreign companies that set up operations in Japan are expecting the creation of new markets in the country, where progress has been made in addressing environmental issues such as reducing carbon output and recycling. Even though these companies have unique products and technologies, cultivating new markets on their own can still be difficult. It is essential to have a partner well-versed in the ways of the Japanese markets.

With support from government policies, there are strong expectations that more foreign and Japanese companies will build complimentary relationships and together create these new markets.

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