

Advantages of Doing Business in Japan

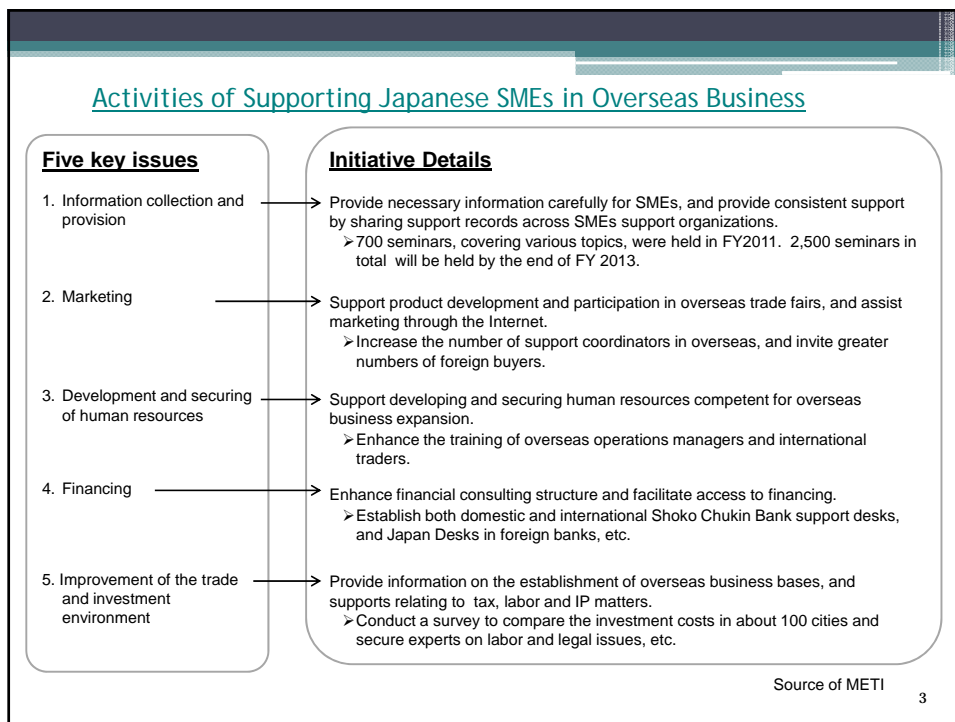
27th November 2012

Hiroshi Tsukamoto
General Manager
EU-Japan Centre for Industrial
Cooperation


Strategies for promoting the internationalization of
small & medium enterprises(SMEs) in the EU and Japan
(21st November at the Delegation of EU to Japan)



2



Invest Japan Business Support Center (IBSC)
Locations: Tokyo, Osaka, Yokohama, Nagoya, Fukuoka, Kobe

<p style="text-align: center;">Consulting Services</p> <ul style="list-style-type: none">● Marketing● Laws and regulations● National and local government incentives● Cost simulation● Incorporation procedures● Employment and labor issues	<p style="text-align: center;">Facilities</p> <ul style="list-style-type: none">● Free temporary office space (Tokyo IBSC has 35 spaces)● Well-stocked library● Exhibition space and auditorium 
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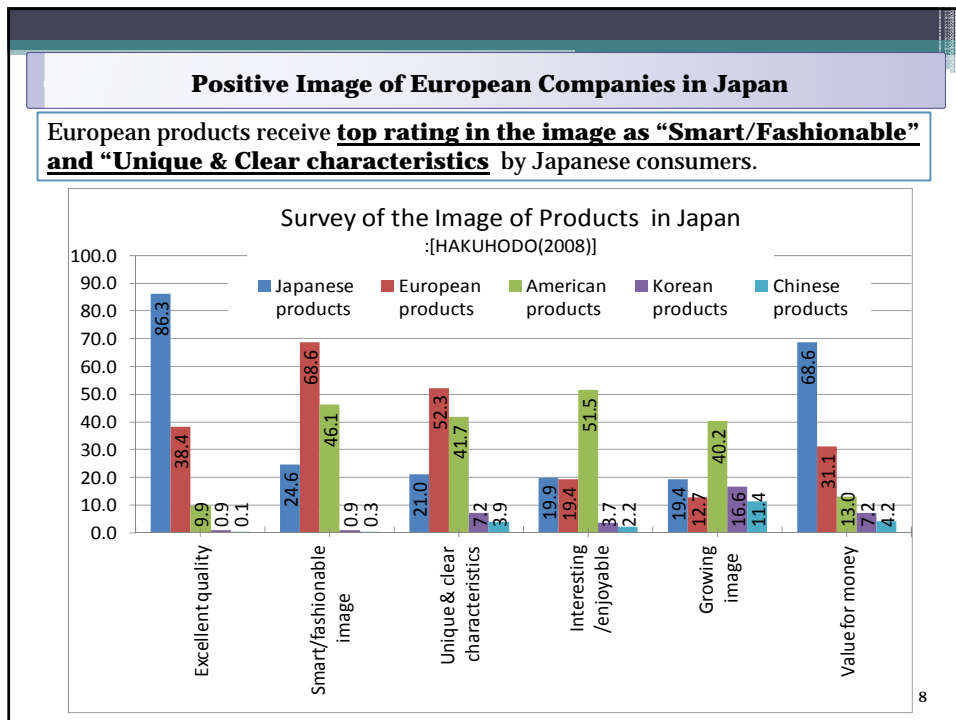
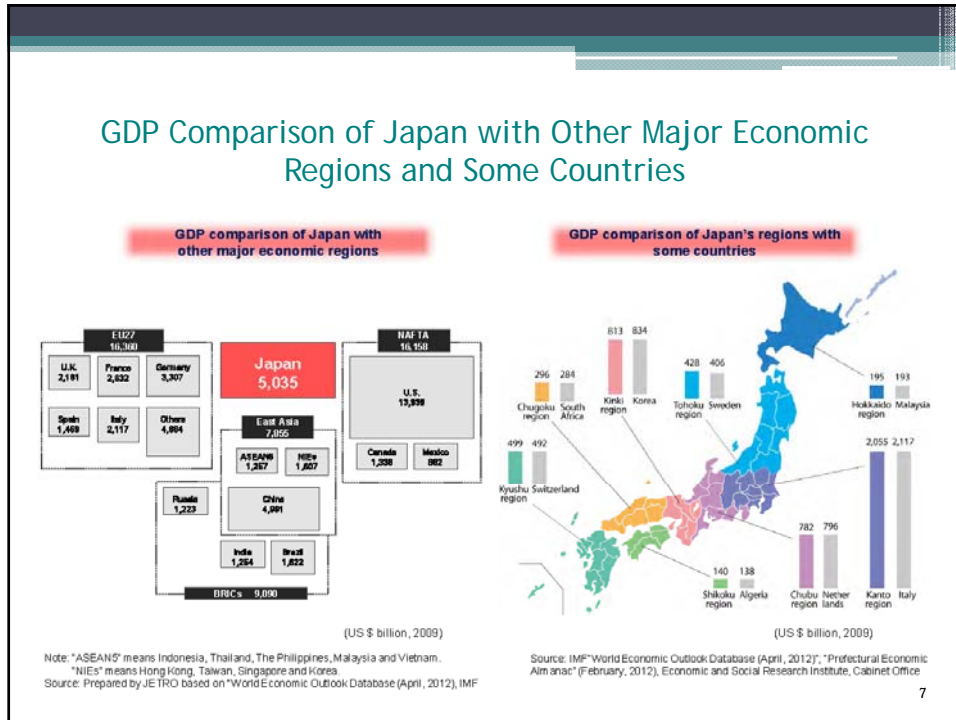
2003-2006 June
IBSC Support 10,766 companies
Success 1,028 companies
(Europe 325 companies)

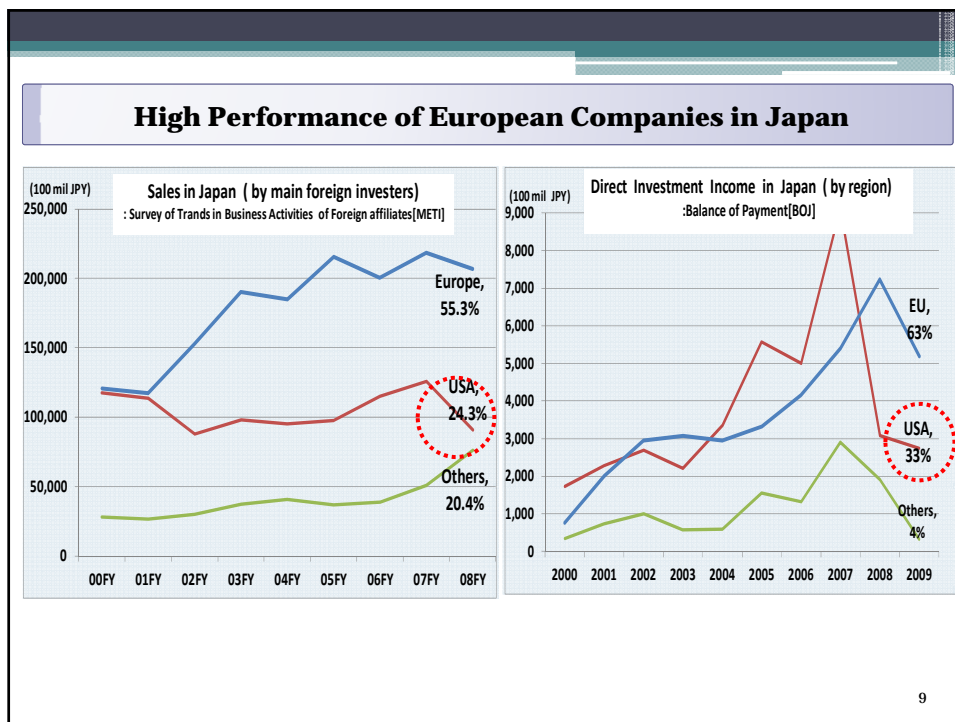
5

Why Japan?

- World's third-largest market
- Sophisticated consumers with high purchasing power
- World's center for technological innovation and product development

6





Popular European Products and Services in the Japanese Market

- Pierre Marcolini (Belgium)**
<Tokyo, Nagoya etc.>
- PAUL (France)**
<Tokyo, Osaka, Fukuoka, etc.>
- IKEA (Sweden)**
<Tokyo, Kobe, etc.>
- PHILIPS (Netherlands)**
Shavers, etc
- Volkswagen (Germany)**
Polo
(Import car of the year in Japan)
- Dyson (UK)**
vacuum cleaners
- MC Decaux (France)**
<Sapporo, Nagoya, Fukuoka, etc.>

10

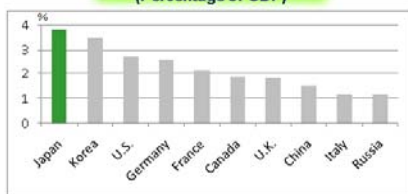


J.DANDROY (Brussels) opened the first overseas shop in Tokyo.
(22, Aug 2012)

11

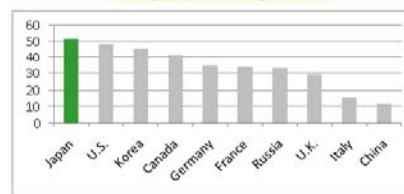
Technological Innovation

Science and Technology Development Expenditure (Percentage of GDP)



Country	Research Expenditure (Unit: 100 M dollars)	Percentage of GDP	Fiscal Year
Japan	1,616	3.78	2008
U.S.	3,688	2.68	2007
Canada	238	1.82	2008
U.K.	389	1.79	2007
France	432	2.08	2007
Germany	719	2.54	2007
Italy	197	1.13	2006
Russia	235	1.13	2007
China	1,023	1.49	2007
Korea	417	3.47	2007

Number of Researchers per 10,000 People



Country	Number of Researchers (Unit: 10,000 researchers)	Number of Researchers per 10,000 People	Year
Japan	65.7	65.7	2008
U.S.	142.6	47.6	2006
Canada	13.4	41.6	2005
U.K.	17.5	28.9	2007
France	21.1	33.4	2006
Germany	28.4	34.6	2007
Italy	8.8	15.0	2006
Russia	46.9	32.9	2007
China	142.3	10.7	2007
Korea	22.2	45.8	2007

Source: Ministry of Internal Affairs and Communications, "The Results of the 2009 Survey on Science and Technology Research (Summary)". The original source (except for Japan) is OECD, "Main Science and Technology Indicators." For conversion into dollars, the OECD purchasing power parity exchange rate was used.

12

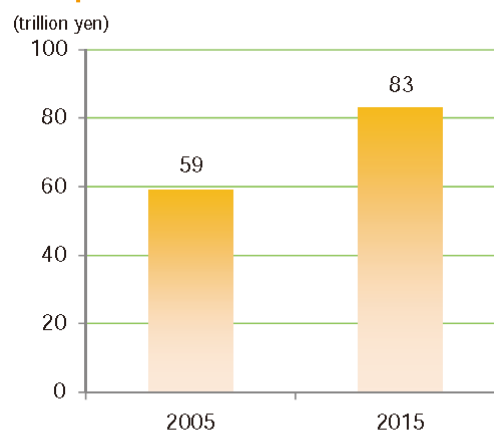
Attractive Sectors

- Future Energy Systems
- Healthcare
- Automotive Parts
- Retail
- ICT
- Biotechnology

13

Future Energy Systems Market Overview

<Japanese Environment Business Market>



Source: "Survey on Environment Management and Environment Business Promotion" (Ministry of Economy, Trade and Industry)

14

<Environmental Business Related Markets that are Attracting Attention>

(billion yen)

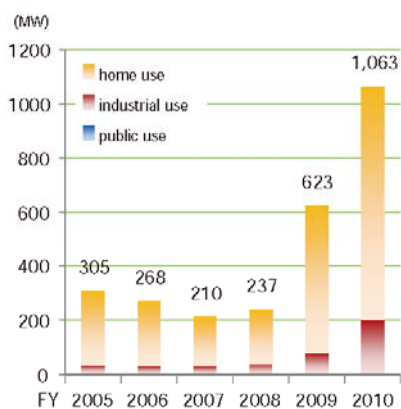
	2008	2020	Growth rate (2020/2008)
PV power systems	164.8	1,287.6	681%
Wind power generation facilities	63	249	295%
Secondary batteries	513.4	777	51%
Organic EL/LED	15	70	367%
High-efficiency hot water heaters	121.3	134	10%
Home insulation	187.8	139.6	-26%
Electric vehicles	0	1,400	-
Hybrid electric vehicles	242.2	3,200	1,221%
Environmentally friendly homes	2615.9	5,231.8	100%
HEMS/BEMS	103.2	152.4	48%
Smart grids	0.4	340	84,900%

Source: "The FY2010 Survey and Research concerning the Japanese Environment Business in 2020" (Japan Society of Industrial Machinery Manufacturers) (*)

15

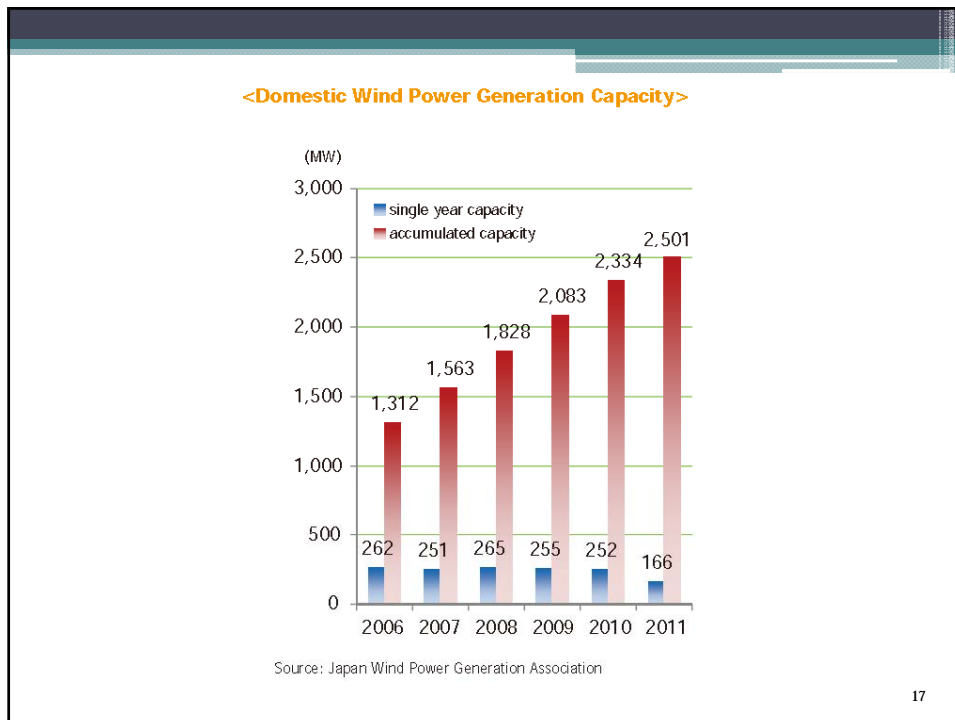
Key Sectors

<Change in Domestic PV Cell Shipments>



Source: Photovoltaic Generation Association

16



17

Examples of European companies that participated in environmental PJTs*in Japan

<p>Vestas Japan A Japanese corporation under a Danish company (wind power)</p> <p style="text-align: center; color: red;">Large-scale facilities of a total of 80 MW in power, started operating successively in 2010</p>	<p>Main example: Delivery of power generation facilities to wind farms in Fukushima Prefecture</p> <ul style="list-style-type: none"> - Time of operation: December 2010 - Delivery: 23 facilities (46 MW) <p>Other examples</p> <ul style="list-style-type: none"> - Also delivered 17 facilities to Irozaki Wind Farm in Shizuoka Prefecture
<p>Enercon A Japanese corporation under a German company (wind power)</p> <p style="text-align: center; color: red;">22 facilities started operating successively from Aomori to Okinawa</p>	<p>Main example: Delivery of power generation facilities to wind farms in Aomori Prefecture</p> <ul style="list-style-type: none"> - Time of operation: January 2010 - Delivery: 8 facilities (15 MW) <p>Other examples</p> <ul style="list-style-type: none"> - Also delivered 7 facilities to Yuza wind power plant in Yamagata Prefecture (2011)
<p>SAP Japan A Japanese corporation under a German company (software development)</p> <p style="text-align: center; color: red;">Participated in a smart city project by Kashiwa City, Chiba Prefecture</p>	<p>Main example: Participation in a smart city PJT by Kashiwa City, Chiba Prefecture</p> <ul style="list-style-type: none"> - Project launch: September 2009 - Project contents: Participated in a smart city management PJT and suggested the introduction of "AEMS (Area Energy Management System)" (a system to provide the transparency of energy consumption in the area), and so on - Contributed to energy saving PJTs with advanced European systems

* PJTs: Projects

18

Case Study

Umicore Japan K.K.
 Founded: June 2002 Headquarters: Belgium

Umicore K.K. (headquarters: Belgium) is a functional material maker founded in Belgium in 1805. The company develops secondary battery materials, photovoltaic cells, fuel cells, and exhaust-gas cleaning catalysts, and recycles noble metals for the global market. It is the world's second largest manufacturer of positive-electrode material for lithium-ion batteries. It is a global enterprise with approximately 50 subsidiaries, sales of 14.5 billion euro (2011), and 14,600 employees worldwide. After the establishment of Umicore Japan K.K. in 2002 in Tokyo, the company opened an office in Tsukuba (noble metal chemical synthesis, plating chemicals) in 2011 set up production company for positive electrodes for lithium-ion batteries and a Technical Center in Kobe. The company later established a Yokohama office to design, develop, and produce dissolution equipment for special glass.

Umicore's appreciation of the Japanese market's potential led the company to set up a factory in Kobe.

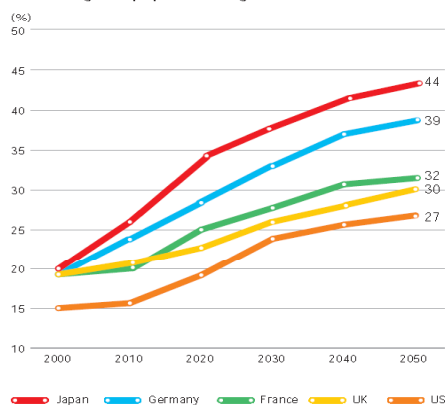
Umicore has positioned itself in Japan, an important market in which critical technologies closely linked to Umicore's materials are developed. Understanding the importance of showing its commitment to the Japanese market, Umicore invested 4 billion yen to establish a new factory in Kobe to produce the positive electrode material for lithium-ion batteries. Although Umicore Japan K.K. is a newcomer to the Japanese market, the company expects significant growth by leveraging its unique battery, vehicle catalyst, and recycled material technologies.



Technical Center and manufacturing facility for positive electrode material for lithium-ion batteries

Healthcare Market Overview

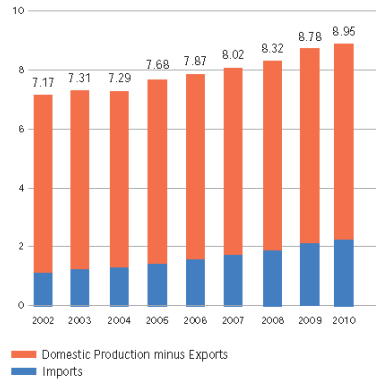
Percentage of population aged 65 or older



Source: "World Population Prospects: The 2010 Revision Population Database," United Nation

Key Sectors

Change in the domestic market size (trillion yen)



2010 production values by therapeutic areas

Rank	Therapeutic areas	Production value (100 million yen)	As Percentage of total production values (%)
1	Cardiovascular drugs	14,017	20.7
2	CNS drugs	7,685	11.3
3	Other metabolic drugs	6,350	9.4
4	GI drugs	5,820	8.6
5	Blood/body fluid products	4,467	6.6

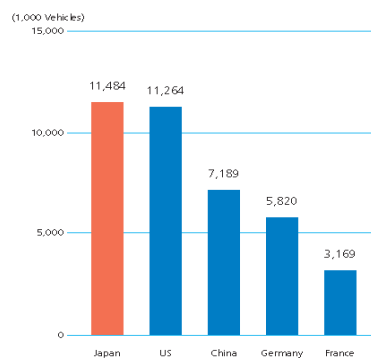
Note: "Other metabolic drugs" includes: Agents for liver disease, Antidotes, Agents for habitual intoxication, Agents for treatment of gout, Enzyme preparations, Enzyme preparations, Antidiabetic agents, and Combined preparations for metabolic disease etc.
 Source: "2010 Annual Report on the Survey of Pharmaceutical Industry Productions," Ministry of Health, Labour and Welfare

Source: "2010 Annual Report on the Survey of Pharmaceutical Industry Productions," Ministry of Health, Labour and Welfare

21

Automotive Parts Overview

Top 5 Automobile Producing Countries (2006)



Source: Japan Automobile Manufacturers Association, Inc. (JAMA)

22

Reference Foreign Automotive Firm Activity Overview

Environment

Company	Products	History in Japan	
BorgWarner (US)	Engines and transmissions	2001	Establishes Hitachi Warner Turbo Systems, a joint venture with Hitachi, in Ibaraki Prefecture
		2004	Establishes BorgWarner Morse TEC Japan factory in Mie Prefecture
		2005	Establishes branch of BorgWarner Morse TEC Japan in Nagoya
Doerken (Germany)	Environmentally friendly chrome-free anti-corrosion coatings	2007	Establishes Japanese representative, Doerken Japan, in Nagoya
Inergy Automotive Systems (France)	Plastic fuel systems, plastic fuel tanks	2000	Establishes Inergy Automotive Systems, in Tokyo
		2003	Establishes factory in Kita-Kyushu
Johnson Matthey (UK)	Fuel cells	1995	Establishes Johnson Matthey Japan Autocatalyst (now Johnson Matthey Japan) in Tochigi Prefecture
		2002	Establishes Johnson Matthey Fuel Cells Japan to take over functions of fuel cell division
Kautex Textron (Germany)	Plastic fuel tanks	2001	Establishes Kautex Japan, a joint venture with Keylex, in Hiroshima (becomes 100% subsidiary of Kautex Textron in 2005)
MANH+HUMMEL Group (Germany)	In take systems	2004	Establishes Mann+Hummel Wako, a joint venture with Wako Industry (now Wako Filter Technology), in Yokohama
PolyOne (US)	Specialized polymer materials	2008	Establishes Japanese representative, PolyOne Japan, in Tokyo

23

Safety

Company	Products	History in Japan	
Alcoa (US)	Aluminum wheels	2000	Establishes Japanese representative, Alcoa Wheel Products Japan, in Tokyo
		2001	Establishes factory in Niigata Prefecture
Autoliv (Sweden)	Automotive safety systems Air bags, seat belts, steering wheels	2001	Establishes Japanese representative, Autoliv Japan, in Yokohama
		2007	Establishes Safety Center in Tsukuba Branch
Bodycote (UK)	Application of heat treatments	2008	Establishes Japanese representative, Bodycote Japan, in Nagoya
Bosch (Germany)	Electronic control systems	2006	Establishes Japanese representative, Bosch Engineering Services Japan, in Yokohama
Continental (Germany)	Electronic braking systems (EBS)	2000	Establishes Continental Teves (now Continental Automotive), a joint venture with Nissinbo, in Yokohama
		2007	Establishes R&D Center in Yokohama
Cooper-Standard Automotive (US)	Sealing systems	2006	Establishes Japanese representative, Cooper-Standard Automotive Japan, in Nagoya
Faurecia (France)	Seats, exhaust system components	2001	Establishes Faurecia-NHK, a joint venture with NHK Spring
		2004	Establishes Development Center in Yokohama
GKN (UK)	Drive system components	2002	Acquires equity in Tochigi Fuji Sangyo
		2005	Acquires 100% ownership of Tochigi Fuji Sangyo, changes name to GKN Driveline Torque Technology
NXP (Holland)	Immobilizers	2006	Establishes Japanese representative, NXP Semiconductors Japan, in Tokyo
OETIKER, Interclamp Holding (Switzerland)	Clamps and rings	2008	Establishes Japanese representative, Oetiker Japan, in Yokohama
ThyssenKrupp (Germany)	Steering columns, shock absorbers, automotive steel sheets	2005	Establishes IEVISE Corporation, a joint venture with JFE Steel, in Tokyo

24

Comfort			
Company	Products		History in Japan
Dongyang Mechatronics (Korea)	Front and rear wiper systems, hydraulic equipment	2005	Establishes Japanese representative, Dongyang Mechatronics Japan, in Tokyo
dSPACE (Germany)	Simulation software and hardware for prototypes	2005	Establishes Japanese representative, dSPACE Japan, in Tokyo
Gentex (US)	Electrochromic, automatic-dimming mirrors	1998 2005	Establishes Japanese representative, Gentex Japan, in Nagoya Establishes office in Yokohama
Johnson Controls (US)	Seats, riACT rear impact active headrests	2000	Purchases Ikeda Bussan
Mahle (Germany)	Piston engine components, filters	2003 2006	Purchases Izumi Industrial Absorbs Yamagata Izumi and Izumi Hirata Seiki
Sabo Industria e Comercio de Autopeças (Brazil)	Oil seals, water pump seals, gaskets and hoses	2007	Establishes Japanese branch in Yokohama
Shanghai University Dingtech Software (China)	Development of software for car navigation systems	2004	Establishes Shanghai University Dingtech Software, a joint venture with Shanghai University and Shanghai Ding-Tech Development, in Nagoya
Tata AutoComp Systems (India)	Concept design/styling, engineering-CAD/CAE, etc.	2007	Establishes Japanese branch in Yokohama
Wilhelm Karmann (Germany)	OEM production of cabriolet and convertible-type vehicles	2006 2007	Establishes representative office Establishes Japanese representative, Karmann Japan, in Tokyo


25

Case Study:
INERGY AUTOMOTIVE SYSTEMS K.K.

Establishment: 2000
Country: France

Inergy Automotive Systems is the world's leading manufacturer of plastic fuel systems. Aware of the ecological consciousness of Japan's automotive industry, Inergy seized the opportunity to supply lightweight fuel tanks to Japanese automakers, which continually seek better fuel efficiency.

MARKET ENTRY
Seeing the opportunity presented under the Nissan Revival Plan, Inergy acquired Nissan's resin fuel tank business. Soon after the acquisition, Inergy opened a plant in Kita-Kyushu in order to become a major supplier to Nissan's Kyushu plant as well as other Japanese automakers.



Plastic Fuel System

PROSPECTS FOR GROWTH
Inergy's presence in Japan means it is well positioned to take advantage of the trend of Japanese automakers that are switching to lighter (therefore more fuel efficient) automotive parts. "The size of the Japanese car manufacturing market means our presence there is crucial, not only to be able to sell there directly, but also for the fallback business in Europe or in North America," said Inergy President and CEO Pierre Lecocq. "Our plan is to build more factories in Japan as we continue to grow our business."

"OUR PLAN IS TO BUILD MORE FACTORIES IN JAPAN AS WE CONTINUE TO GROW OUR BUSINESS."
- Pierre Lecocq, President and CEO, Inergy Automotive Systems

26




Recent Trend among Leading Premium Brands

Jewelry / Watches / Fragrances	
BVLGARI	Opened its large-scale store in Ginza in 2007. Features a Bridal Salon and VIP room, the first Bulgari restaurant and bar in Japan and an open terrace lounge on the top floor.
Cartier	Opened its renewed Ginza store in 2007, with gold-colored exterior walls. Established its first ever online shop in 2008, targeting Japan.
CHANEL	Opened its first restaurant in the world in Ginza in 2004. Opened roof terrace restaurant "Le Jardin De Tweed" on the top floor in 2006.
Swarovski	Opened its first ever flagship store in Ginza in 2008. The store design, created in collaboration with Japanese product designer Tokujin Yoshioka, will be adopted for all main Swarovski global stores in the future. The first store to offer Swarovski's full product line.
Bags / Accessories	
GUCCI	Opened the company's first "Gucci Building" (i.e., occupied exclusively by Gucci) in Ginza in 2006. Includes a cafe and gallery. Has begun offering the world's first special ordering for handbags.
HERMÈS	Opened its renewed "Maison Hermès" in Ginza in 2006. The first Hermès store in the world to include a cafe. Introduced the "Yohji" bag designed in collaboration with Japanese designer Yohji Yamamoto in 2008. Opened an online boutique in 2008.
PRADA	Opened one of the largest Prada boutiques in Japan in Ginza, and the "Epicenter Store" in Minami-Aoyama, its largest flagship store in Japan, in 2003.
Men's Fashion	
ARMANI	Opened its flagship "Armani/Ginza Tower" in Ginza in 2007. The store, which also houses the Japan head office, includes a restaurant with a food/clothing/housing theme and its first ever esthetics salon.
dunhill	Opened its new concept store "HOME" in Ginza in 2007, prior to launching the stores in its base market in London. The theme is "space for the adult male." Also houses a bar, lounge and barber shop. The interior design was created by Japanese product designer Tatsuya Matsui.

Source: Newspaper reports, etc.

28



Case Study:
IKEA JAPAN

Establishment: 2002
Country: Sweden

The IKEA Group was founded in 1943 and is now one of the largest home furnishing retailers in the world with approx. 250 stores in 74 countries.

IKEA prides itself on the ability to propose home furnishings capable of coordinating living space with specific lifestyles, while supplying furniture interiors geared to present mixes of superb design and function at truly reasonable prices. The products and services they offered has been welcomed by Japanese consumers with its simple, natural and healthy tastes.

IKEA established IKEA Japan K.K. in 2002 and opened its first store in Funabashi, Chiba in 2006. Currently IKEA operates 5 successful stores in Kanto and Kansai region and plans to continue its expansion over the years to come as well.

“JAPANESE CUSTOMERS ARE VERY WELL EDUCATED, SO THEY UNDERSTAND THE DIFFERENCE BETWEEN A PRODUCT THAT’S HIGH-PERFORMANCE AND LOW-COST RATHER THAN THE OPPOSITE.”

– Lars Petersson, President and CEO, IKEA Japan

29


ICT Market Overview

IT Industry Competitiveness Index			R&D environment	
Rank		Overall index score	Rank	
1	US	77.4	1	Japan
2	Japan	72.7	2	Korea
3	Korea	67.2	3	Taiwan
4	UK	67.1	4	US
5	Australia	66.5	5	Sweden
6	Taiwan	65.8	6	Finland
7	Sweden	65.4	7	Germany
8	Denmark	64.9	8	Denmark
9	Canada	64.6	9	Israel
10	Switzerland	63.5	10	Netherlands

Note: The IT industry competitiveness index is organized into six distinct categories, which include overall business environment, IT infrastructure, human capital, legal environment, R&D environment and support for IT industry development.

Source: "IT Industry Competitiveness Index, 2007," The Economist Intelligence Unit

30



Case Study Nihon Tandberg K.K.

In July 2002, Tandberg AS, a Norwegian provider of videoconferencing systems headquartered in Oslo and New York, opened its first Japan branch office in Tokyo. In January 2007, the firm made a new start, establishing a Japan subsidiary, Nihon Tandberg K.K.

In response to strong growth in sales in the Kansai region (around Osaka), which now accounts for nearly 30% of its Japan sales, the firm opened a second base in Osaka in June 2007 to widen its customer base and enhance its service capabilities in the region.

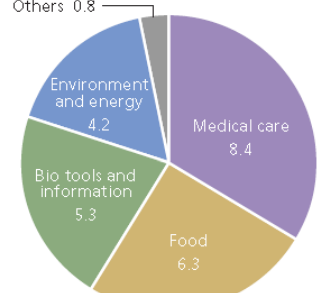
Picture: [TANDBERG Centric 1700 MXP]
Executive control center designed for offices, the 1700 MXP features a superior HD camera and a widescreen LCD. This fully integrated system operates both as a video conferencing system and PC display, enabling seamless and real-time face-to-face collaboration at the desktop.

31

Biotechnology Market Overview

Projected size for Japan's biotechnology market in 2010

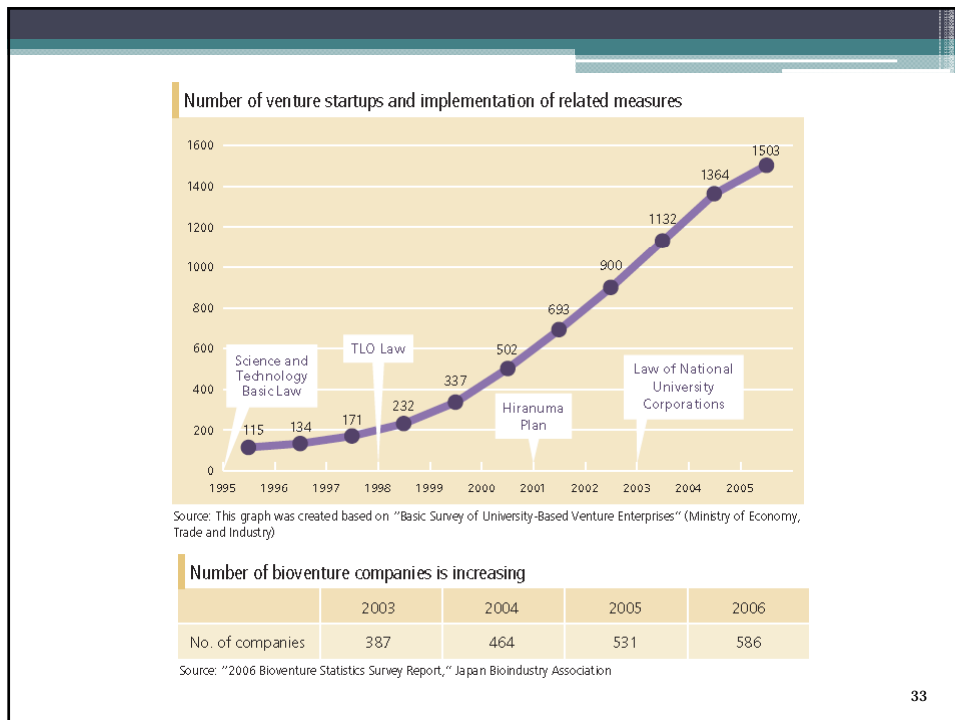
(Unit: trillion yen)



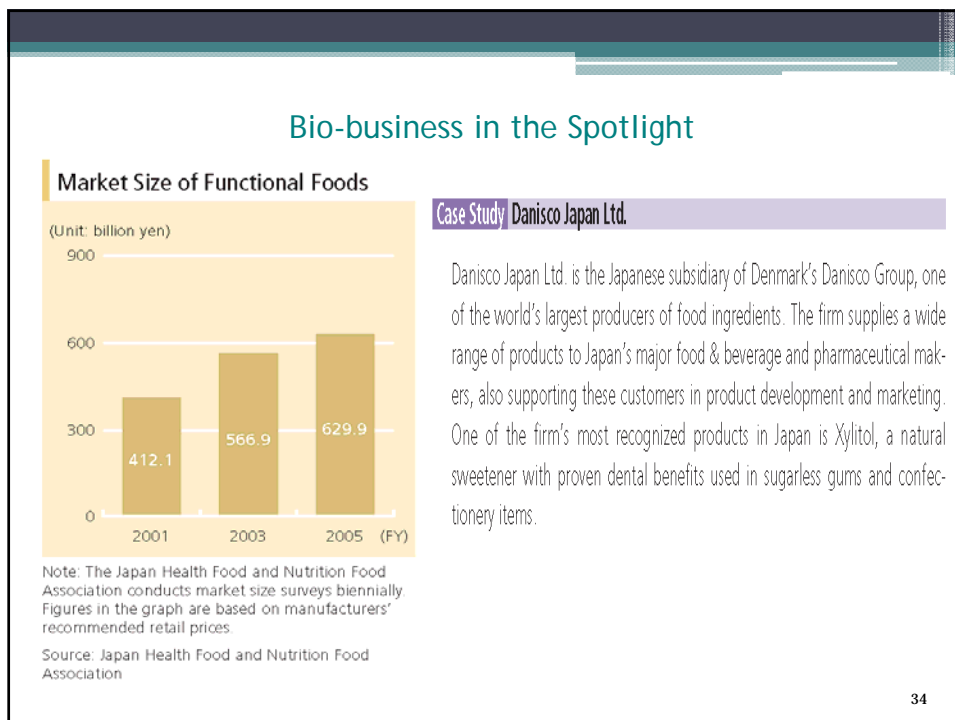
Sector	Value (trillion yen)
Medical care	8.4
Food	6.3
Bio tools and information	5.3
Environment and energy	4.2
Others	0.8

Source: "Biotechnology Strategy Guidelines" (December, 2002; Biotechnology Strategy Council)

32



33



34