

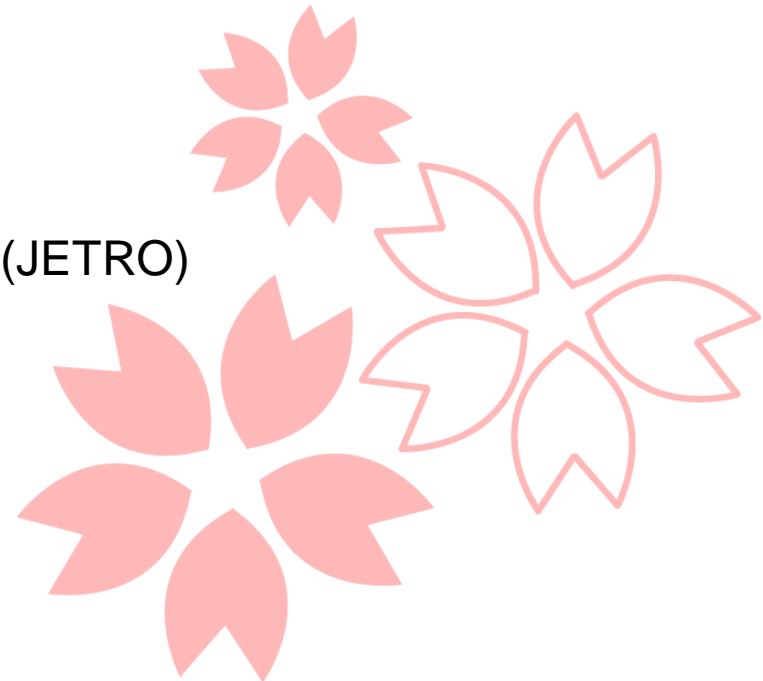
Invest Japan Symposium 2007

Creating Value through Innovation

October 24th, 2007

Tadashi IZAWA

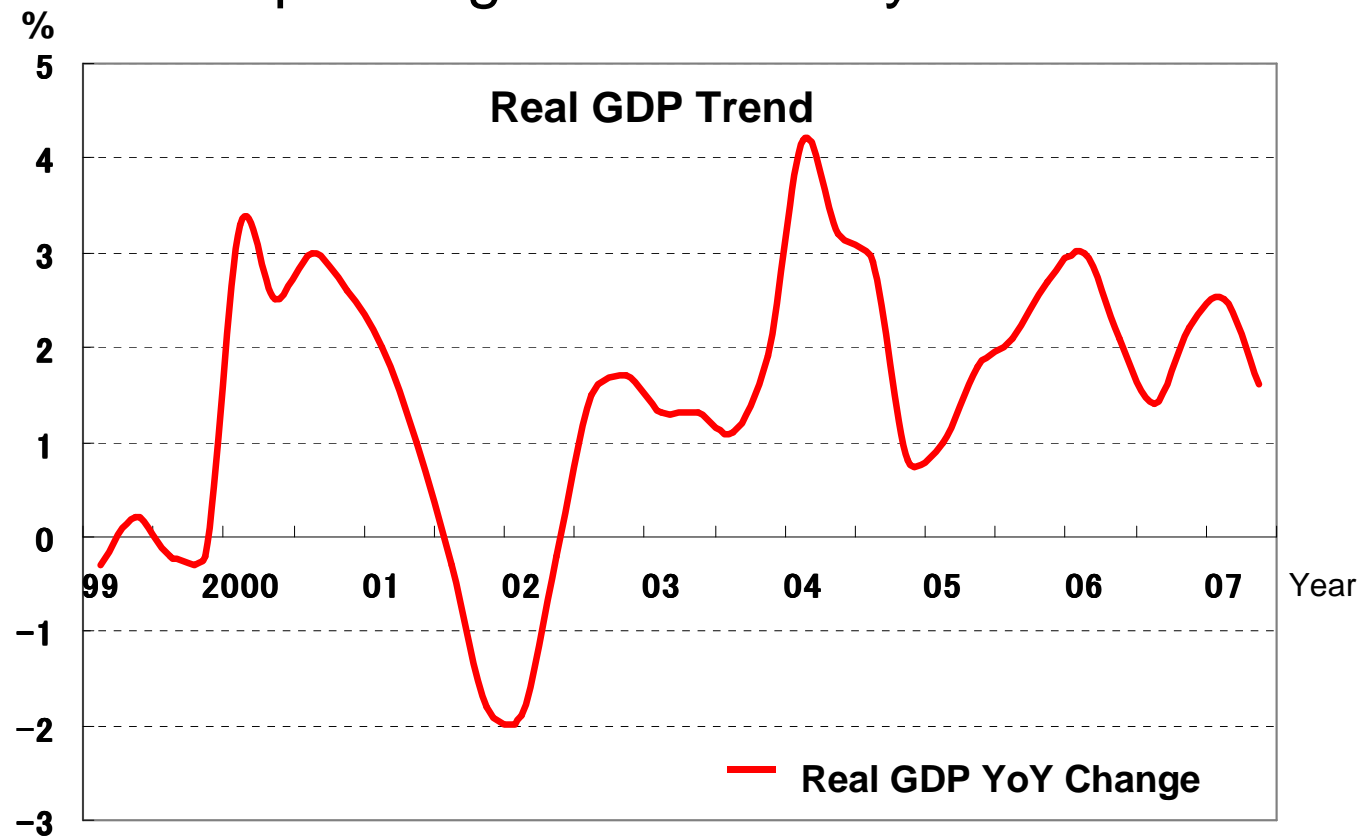
President, Japan External Trade Organization (JETRO)



Japan's Business Climate

Continued Economic Growth

The Japanese economy has been continuously expanding since January 2002.



New Corporate Laws to Stimulate Business Activities

Enacted in May 2006

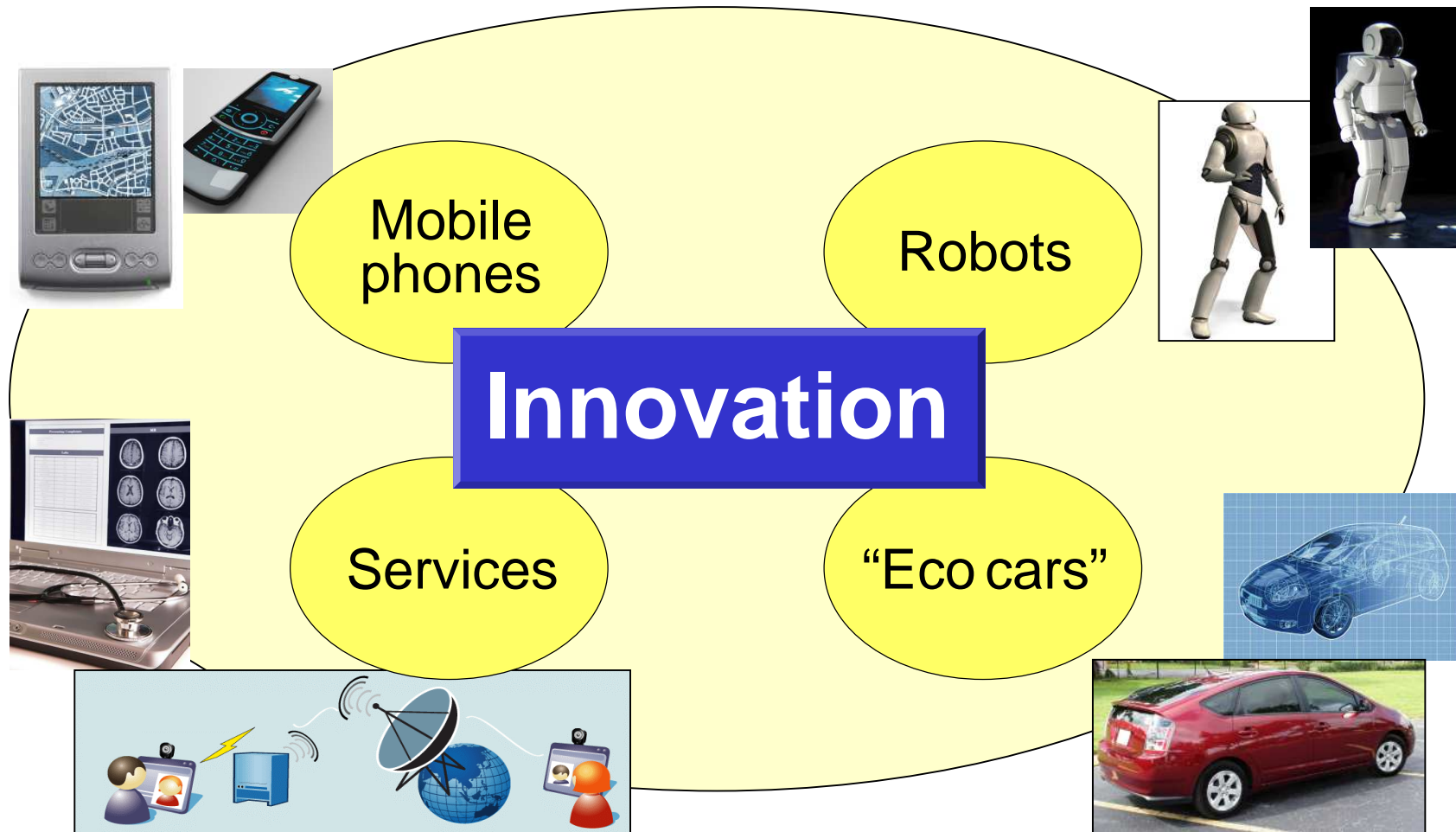
- Liberalization of corporate establishment
- New corporate entities
- Stricter corporate governance with expanded framework

Enacted in May 2007

- Streamlined restructuring International triangular mergers

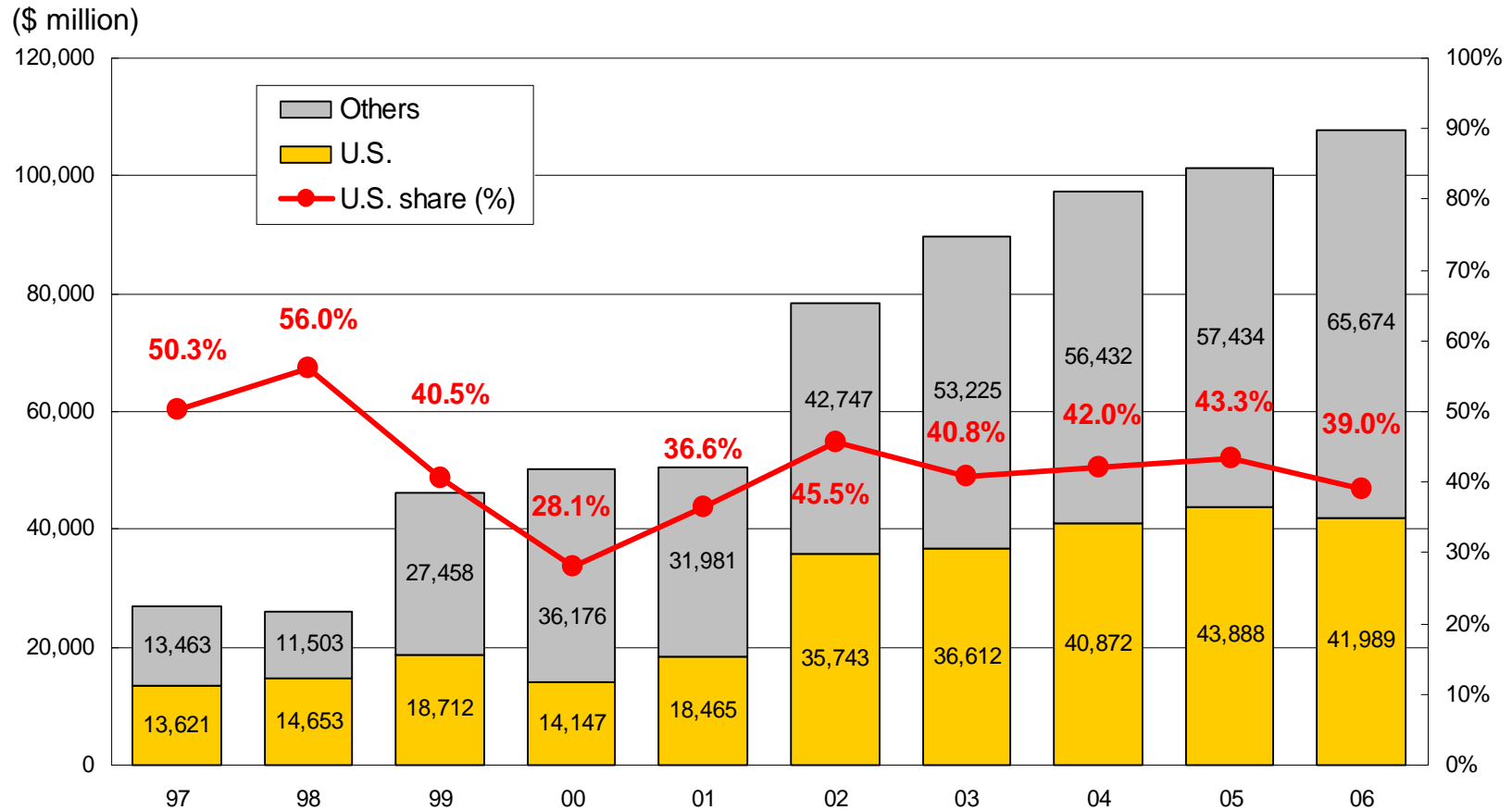
Innovation in Japan

New Economic Growth through “Innovation”



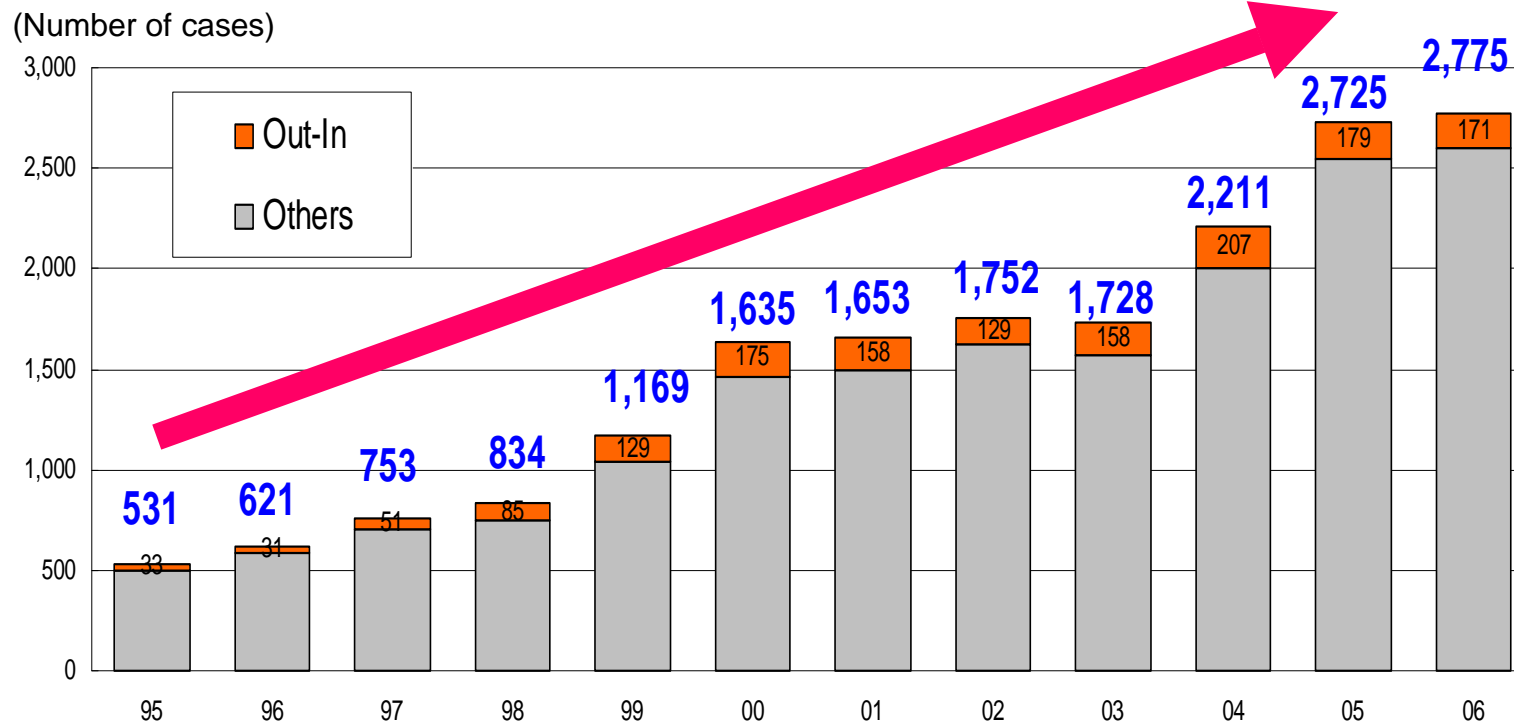
Foreign Direct Investment (FDI) in Japan

Japan's FDI Stock Continues to Increase



Source: Ministry of Finance and Bank of Japan: "Regional Direct Investment Position and Regional Portfolio Investment Position"

M&A Deals on the Rise



Examples of M&A (Out-In)

2003	Merck	Banyu Pharmaceutical
2004	Colony Capital	Fukuoka Daiei Real Estate
2005	AIU, others	Royal Sun Alliance
2006	Volvo	Nissan Diesel

Sources: RECOF, THOMSON

Investment in Japan Yields High Returns for US Firms

U.S. Foreign Direct Investment Yields by Country and Industry (Averages from 2001 to 2005)

	Japan	Canada	France	Germany	Italy	U.K.	General averages
All industries Total	13%	10%	7%	7%	9%	5%	10%
Total manufacturing	15%	10%	7%	7%	8%	7%	10%
Foods	14%	17%	10%	0%	17%	15%	14%
Chemicals	14%	12%	18%	11%	11%	6%	12%
Primary and fabricated metals	1%	6%	3%	14%	-1%	3%	8%
Machinery	9%	13%	13%	4%	10%	9%	11%
Computers and electronic products	10%	11%	-5%	5%	7%	7%	9%
Electrical equipment; appliances and components	19%	12%	3%	0%	6%	3%	8%
Transportation equipment	15%	5%	2%	6%	0%	-5%	5%
Wholesale Trade	11%	10%	23%	23%	11%	10%	17%
Information	22%	3%	1%	2%	31%	1%	11%
Depository Institutions	-24%	17%	6%	5%	-16%	2%	4%
Finance (except depository institutions) and insurance	13%	8%	6%	8%	9%	2%	6%
Professional; scientific and technical services	19%	4%	9%	9%	5%	8%	10%

Source: U.S. Department of Commerce

Note: The yield is calculated by dividing the direct investment income by the direct investment position at the end of the previous year. The global averages include data from countries other than those listed above. The shaded fields indicate the countries offering the highest yield in each applicable industry.

Why Japan?

- The Emerging Mass Affluent -

Views from Foreign-affiliated Companies in Japan

“The U.S. has twice the population of Japan but its luxury goods market size is half of Japan’s (defined as high end fashion, accessories and gifts).”

— Tableware maker —

“Everything is always changing in Japan. The customer wants new things all the time.”

— Fashion accessories retailer —

Luxury Hotels

The world's top hotels continue to target Japan

Opened	Hotel Name	City	Headquarters
2002	Four Seasons	Tokyo	Ontario, Canada
2003	Grand Hyatt	Tokyo	Illinois, U.S.
2005	Conrad	Tokyo	California, U.S.
2005	Mandarin Oriental	Tokyo	Bermuda
2007	The Ritz-Carlton	Tokyo	Maryland, U.S.
2007	The Peninsula	Tokyo	Hong Kong
2008 (planned)	Amanresorts	Kyoto	Singapore
2010 (planned)	St. Regis	Osaka	New York
2011 (planned)	Jumeirah International	Tokyo	Dubai, UAE

Source: Nikkei newspaper article, September 1, 2007, Toyo Keizai magazine article, September 15, 2007



JETRO's Online Magazine "Invest Japan"
"Japan an Attractive Market for Foreign-capital Hotels"
 URL: <http://www.investjapan.org>

Private Banking Services

Roughly 6.5 million “mass affluent” consumers reside in the Tokyo and Kansai metropolitan areas, according to HSBC.

Year	Bank Name	Business activity	Headquarters
2005	Standard Chartered	Opened new branch in Tokyo	London
2006	UBS	Opened new branch in Osaka	Switzerland
2007	UBS	Increased personnel 2.5 fold to 350 people	Switzerland
2007	Société Générale	Deposit assets double to nearly 400 billion yen in two years.	Paris
2007	Citigroup	Announced plans to double number of retail outlets in coming years	New York
2008 (planned)	HSBC	Launches private banking service	London

Source: Nikkei Kinyu newspaper article, April 11, 2007 and September 7, 2007

Why Japan?

**- World's Center for Technological Innovation
and Product Development -**

Views from Foreign-affiliated Companies in Japan

“If the products can serve the Japanese market, then we believe they would prove themselves robust enough to handle any other market in the world.

*Japan has been an innovator in broadband services. **Building an R&D center in Japan is a continuation of our stated strategy of allocating research and development resources where there is talent and market opportunity.**”*

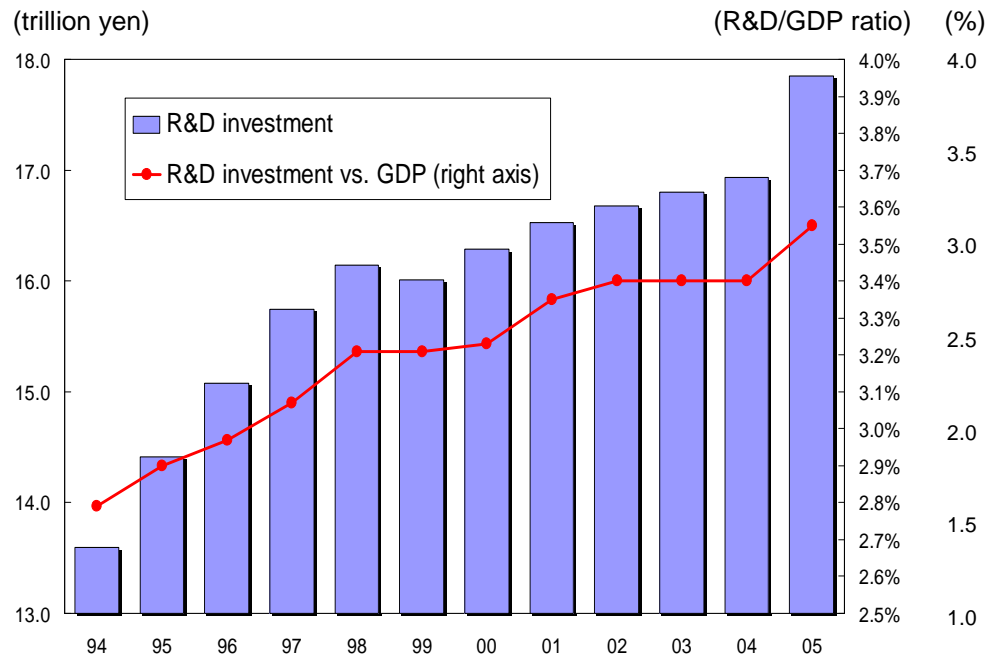
— IT Service Provider —

*“**Japanese firms are not concerned about the fame of a company or its brands.** They are genuinely interested in seeing a sample, making it easy to get right down to business.*

— Software developer —

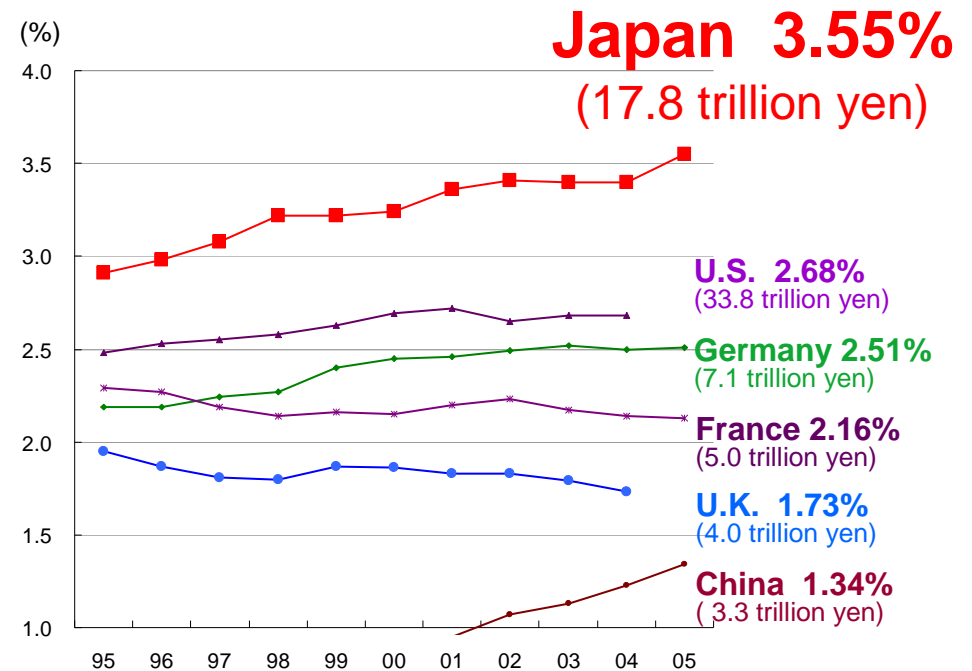
R&D Investment in Japan

Japan's R&D Investment



Source: Ministry of Education, Culture, Sports, Science and Technology: "White Paper on Science and Technology 2006"

R&D/GDP Ratio in Leading Industrialized Nations



Source: Ministry of Education, Culture, Sports, Science and Technology

Investment Plans of Major Electronics Firms (FY2007)

	Capital investment		R&D investment	
	billion yen	YoY Change (%)	billion yen	YoY Change (%)
Matsushita	470	23.7	580	0.3
Sony	440	6.3	550	1.1
Hitachi	580	10.9	430	4.2
Toshiba	573	-4.4	403	2.3
NEC	150	-15.5	340	1.6
Canon	470	23.8	360	16.8
Fujitsu	290	-5.0	260	2.3
Fuji Film	200	21.1	200	13.0
Sharp	295	3.8	203	6.9
Mitsubishi	120	2.9	151	14.1
Ricoh	90	4.9	128	11.3
Total	3,678	7.2	3,605	2.1

Source: Nikkei Sangyo newspaper article, May 28, 2007

Innovative Activities in Japan

Cisco Systems, Inc.

(December 2004 ~, Network)

Developing next generation routers and high-end OS “IOS XR” for IP NGN
with **Fujitsu**

eRide, Inc.

(April 2005 ~, Mobile)

Developing compact and high sensitivity GPS modules for mobile phones
with **Furuno Electric**

GeoVector Corporation

(February 2006 ~, Mobile)

Developing location specific wireless services for mobile phones
with **NEC Magnus Communications, Mapion and KDDI**

Texas Instruments, Inc.

(July 2006 ~, Mobile)

Developing a communications platform for mobile handsets for the 3rd generation (3G/3.5G) and beyond
with **NEC, NEC Electronics, Matsushita, and Panasonic Mobile.**

How can JETRO help your business?

JETRO's FDI Promotion Activities

Dissemination of information overseas

— Seminars, website, pamphlets

Business Partnership Events

Invest Japan Business Support Center (IBSC)

— Providing consulting services and temporary office space

Business Partnership Events

- **Invest Japan Invitation Program (Sep. 2007 - Feb. 2008)**
Business partnering events, seminars and industrial tours
- **JETRO BIOLINK FORUM - BioJapan (Sep. 2007)**
70 biotech clusters from 21 countries took part
- **JETRO BIZMATCH@CEATEC JAPAN 2007 (Oct. 2007)**
JETRO helped 37 companies from 12 countries set-up booths



JETRO IBSCs

Locations: Tokyo, Osaka, Yokohama, Nagoya, Fukuoka, Kobe

Consulting Services

- Market advice
- Laws and regulations
- National and local government incentives
- Cost simulation
- Incorporation procedures
- Employment and labor issues

Facilities

- Free temporary office spaces (Tokyo IBSC has 35 spaces)
- Well-stocked library
- Exhibition space and auditorium



- n Every Year, over **1,000** firms utilize JETRO's support & services
- n More than **100** actually set-up base in Japan



US Firms That Made Use of IBSC to Set-up Business in Japan

GeoVector Corporation



Headquarters: San Francisco, CA

Entered Japan: September 2005

Business: Provides mobile 3D search technology to identify a user's current location.

Pantone, Inc.

PANTONE®

Headquarters : Carlstadt, NJ

Entered Japan: April 2006

Business: Provides color formula guides for graphics, textiles, plastics and metals.

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