

BusinessWeek**SPECIAL ADVERTISING SECTIONS**

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Japan's not ready to rest in peace

AN ECONOMY PRIMED FOR FOREIGN INVESTMENT

Despite reports to the contrary, Japan's economy is still very much alive. For the past 10 years, economists have been predicting the demise of Japan's economic power, but every year Japan forges ahead, thanks to several constants, including: 1) It is the second largest economy in the world, 2) Stable growth, 3) A sophisticated, high-tech infrastructure, and 4) A lively influx of foreign capital.

Consider the facts. Japan's gross domestic product can be counted on for 2% annual growth (for the last five years and running), and Japan's GDP accounts for 10% of the world's economy. It is widely accepted that Japan is a technology-focused country, but in addition, Japan's infrastructure is ranked among best in the world in terms of business sophistication (based on research by the World Economic Forum).

Those factors make Japan an attractive market for foreign investors, and, in fact, direct foreign investment to Japan has increased every year since 1998. Last year, foreign investment grew by ¥2.3 trillion (approximately U.S.\$21.3 billion), the largest annual increase in five years.

Three areas that are currently attracting the most attention from investors, both foreign and domestic, are biotechnology, information and communications technology (ICT) and the automobile industry.

Thanks to deregulation of the industry, featuring a major overhaul of Japan's pharmaceutical laws to welcome foreign competition, Japan's biotechnology market is expanding while the whole industry is enjoying vigorous growth. And thanks to the aging of the population in Japan and other countries around the world, the market is likely to enjoy steady growth for years to come.

One major foreign player in the industry is Johnson & Johnson, one of the world's best-known names in healthcare. Johnson & Johnson has a multifaceted operation in Japan, employing more than 2,500 people and spanning consumer products, pharmaceuticals and healthcare supplies. Johnson & Johnson is also a respected local partner, thanks to relationships with Japanese companies, including a longstanding partnership with Shiseido, Japan's leading cosmetics firm. The two companies are now jointly developing hair and skin care products.

Japan has even become a global R&D center for Johnson & Johnson, as several products originally developed in Japan for the Japanese market, have been exported overseas, including the Waterblock Band-Aid bandages, design to keep cuts and abrasions dry, and the Powerbrush, a battery operated toothbrush.

Japan's massive ICT industry includes six market segments: mobile phone services, IC cards and radio frequency ID technology (RFID), visual communications, online marketing, games, and public services. Today, ICT is the country's largest industry in terms of market scale with a value of 120 trillion yen (based on 2005 research). And Japan features some of the world's fastest broadband connection speeds and the highest internet penetration rates as well as the world's most advanced integrated mobile communication and IC payment services.

Such a lively technology environment made Japan an ideal testing ground for U.S. communications giant, Cisco Systems, which opened a new R&D center in Tokyo in 2005 and employs more than 1000 people in Japan. Their Tokyo team is focused on routing, multicasting, wireless technology and Internet Protocol Next-Generation Networks (IP NGN).

In 2006, at the invitation of one of Japan's largest communications companies, NTT, Cisco was invited to participate in a field trial for a commercial, next-generation network service that is likely to be essential to the advanced information networks of the future.

Japan's automobile industry, led by the world's largest automaker Toyota, has always been the shining star of the country's industrial complex. And opportunities abound for foreign companies who are willing to adapt to Japan's unique market structure.

Bosch, a global powerhouse in automotive goods and building technologies has actually been selling electrical automotive equipment to Japanese companies since 1911. Bosch's Japanese subsidiary was founded in 1985, and today the company employs 9,000 people and develops, imports and sells fuel-injection systems, transmission components, security systems and a full range of automotive components to customers in Japan and overseas.

These are only a few examples of the thousands of foreign companies finding success, forging partnerships and developing new products and technologies in the world's No. 2 economy. In biotechnology, ICT and many other industries, it's clear that Japan is committed to opening up markets, encouraging R&D and providing an ideal environment for foreign investment.



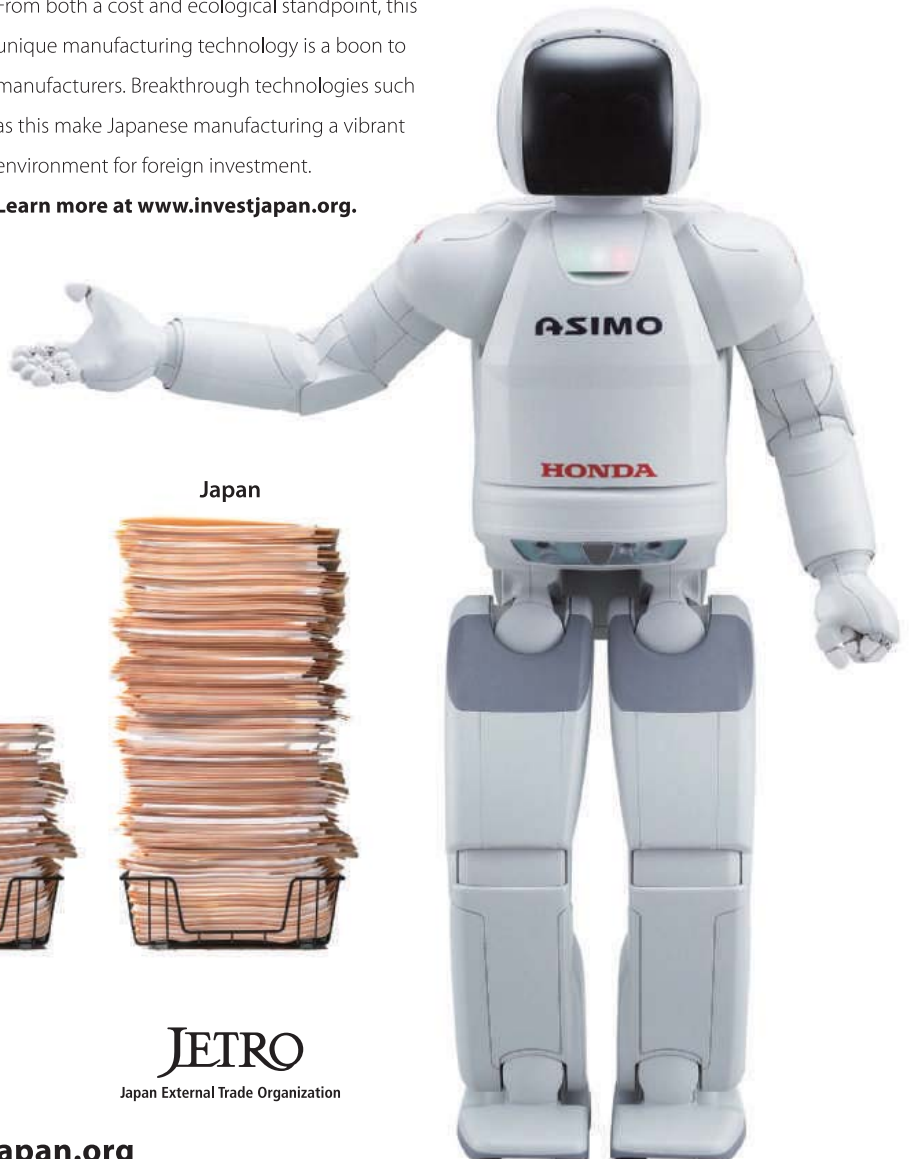
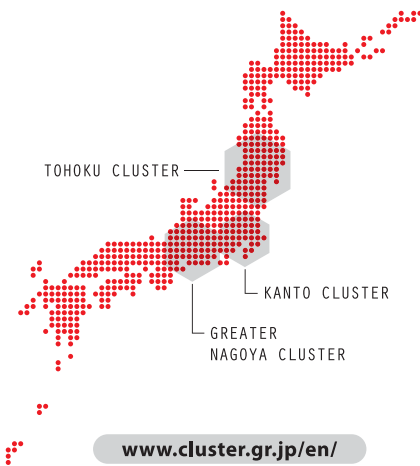
Japan's Manufacturing Industries to Foreign Investment:

“Think Original”

For centuries, Japan has been renowned as a country of original craftsmen. The precision and innovation required to produce immaculate goods that are both unique and serve a valuable market need is captured in one word: *monozukuri*. Today the dynamism of Japanese *monozukuri* is revealed in the fact that Japan consistently leads the world by a large margin in the number of patent applications. The Japanese government encourages growth and investment in manufacturing through policy initiatives that support the development of industry clusters countrywide. These clusters are the breeding grounds for breakthrough technologies. For example, industria, a company at the Region Industry Revitalization Project in the Kanto Region, developed a method based on the principle of centrifugal

separation and precipitation to retrieve scrap metal generated by machine tools. From both a cost and ecological standpoint, this unique manufacturing technology is a boon to manufacturers. Breakthrough technologies such as this make Japanese manufacturing a vibrant environment for foreign investment.

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Patent filing comparison (manufacturing technology and related)

Source: Japan Patent Office

