

## **FOCUS: More Japanese firms relocating functions to Singapore**

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SINGAPORE, Aug. 9 -- A growing number of Japanese companies have moved some of their headquarters or key functions to Singapore, viewing the city-state as a strategic location to oversee a new wave of investment into Southeast Asia.

Panasonic Corp. and Mitsui Chemicals Inc. recently moved some key functions from Japan to Singapore, while Hoya Surgical Optics Inc. not only established its headquarters in Singapore, but its chief executive officer, Hiroshi Suzuki, also moved here to oversee the company's global operations.

With the rise of Asia, companies have "increasingly relocated their senior decision makers to Singapore, to enable nimble decision-making from the heart of Asia," Singapore's Economic Development Board said in an e-mail to Kyodo News.

"We have seen more companies undertaking their strategic functions out of Singapore, such as headquarters, strategic business development, research and development, supply chain control and talent development," the board said.

According to a survey by the Japan External Trade Organization, released earlier this year, 36 percent of 213 Japanese companies in Singapore, which responded to its survey, said they are involved in regional headquarters functions, while another 27 percent said they were considering moving more of their headquarters functions to Singapore.

Observers say the trend accelerated after the devastating earthquake and tsunami that hit Japan in March last year, which awakened Japanese companies to the need to diversify their operations to reduce future risks.

Toru Yoshikawa, associate professor of strategic management at Singapore Management University, says the trend reflects that Japanese companies are now turning their attention to the fast-growing markets in Southeast Asia, after China's red-hot economy began losing some of its steam.

"While the growth of the Chinese market is slowing, on the contrary some Asian countries such as Indonesia or Myanmar are growing, and Singapore is an ideal hub to enter these neighboring markets," Yoshikawa said.

JETRO President Hidehiro Yokoo said at a forum in Singapore recently that Japanese foreign direct investment into Southeast Asian countries has exceeded Japanese investment to China in recent years.

"We can see the new trend of Japanese FDI to ASEAN," he said, citing increased Japanese corporate interest in countries in regional emerging countries, more investment into the service industry, such as restaurants and retailing, and also into higher value-

added manufacturing industries and growing interest from small and medium-sized enterprises to look for opportunities outside Japan.

Yoshikawa said Singapore offers some advantages that may be lacking back home.

"Japanese companies want to globalize their operations by hiring staff of diverse cultural backgrounds, and while Japan may have highly competent engineers and managers, they don't have much experience operating in multi-cultural environments, so Singapore is an ideal location as they can hire English-speaking staff," Yoshikawa said.

Advantages often cited are Singapore's strategic geographical location, an efficient infrastructure such as Internet connectivity, and one of the world's busiest seaports.

Another factor is the government's pro-business policies, such as competitive taxes.

Singapore has been slashing its corporate tax rate in the past years, and at 17 percent, it is one of the lowest in Asia, and almost half of Japan's corporate tax rate of 30 percent.

It also has a flexible immigration policy that makes it easier for companies to recruit staff from all over the world, while a bilingual education policy has ensured a workforce that can speak not only English but also Chinese and other local languages.

Japan's small and medium-sized enterprises are also moving their headquarters from Japan to Singapore.

Shunsuke Sato, the chief executive officer of Satisfaction Guaranteed, a company that markets quality Japanese fashion brands online, decided to move SG's headquarters from Japan to Singapore in November last year because he finds the business environment here more vibrant and conducive for smaller companies like his.

Singapore is a more attractive base to reach out to the company's fans, who the company said are mostly in Asia.

Sato said he chose Singapore because he prefers to hire workers of different nationalities who would have a more in-depth knowledge of local markets.

There are also more business opportunities here as firms are less constrained by Japanese-style seniority-based decision making and are more open to offering partnerships or collaborations with smaller firms.

Panasonic has been relocating its global procurement and logistics headquarters from its head office in Osaka to Singapore this year, the first time that the company has shifted headquarters functions outside of Japan.

Masaaki Hieda, managing director of Panasonic System Communication Asia Pacific Singapore, which was established in Singapore in January this year, told Kyodo News that while key operations were largely confined to Japan, Panasonic now plans to do more test marketing and develop new models in Singapore.



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He said that he has been impressed by the faster speed of decision-making and vibrant business atmosphere in Singapore.

In May this year, Panasonic reported its largest-ever group net loss of 772.17 billion yen for the business year to March.

This condition could prompt the company accelerate its shift of focus to Asia.

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