JAPANESE INVESTMENT IN AUSTRALIA

A trusted partnership – celebrating the 60th anniversary of the 1957 Australia – Japan Agreement on Commerce
About this report:
This report is based on research conducted by Manuel Panagiotopoulos, Managing Director of Australian and Japanese Economic Intelligence, in conjunction with the Australian Trade and Investment Commission (Austrade). Over 45 Japanese firms and subsidiaries operating in Australia were interviewed as part of the research, many of which are featured in this report. Austrade would like to thank Mr Panagiotopoulos and the numerous people interviewed who gave up their time and provided valuable insight.

Austrade would also like to acknowledge the support we have received from the Embassy of Japan, the Japan External Trade Organisation (JETRO), Australia Japan Business Co-operation Committee (AJBCC), Japan Chambers of Commerce and Industry in Australia (JCCI), the Australian Department of Foreign Affairs and Trade (DFAT), Department of Industry, Innovation and Science (DIIS), and all State and Territory governments of Australia.

For further articles, case studies and information on Japanese investment in Australia visit www.austrade.gov.au/japaneseinvestment
FOREWORD

Australia and Japan’s strong and dynamic economic partnership has been underpinned by a shared commitment to liberalising trade, and common approaches to global challenges. Our shared history is characterised by leadership and vision, to the mutual benefit of both our nations. The role each nation has played in the growth of the other is well understood. Japan’s rapid industrialisation in the post-war years was assisted by the decision to open trade with Australia. For Australia, a big country with a small population and a critical need to attract capital to reach our full potential, Japan’s reliability as an economic partner has played an important role in our own post-war economic transformation.

The signing of the landmark Australia–Japan Agreement on Commerce in 1957 signalled the Menzies Government’s recognition that Australia’s prosperity was tied to the future of the region. Both our nations were determined to look to the future rather than be constrained by the past. The Agreement became the cornerstone of the strong bilateral partnership between the two countries. Japan, now the third largest economy in the world and our third largest two-way trading partner, has been crucial to Australia’s sustained economic growth and development over the past 60 years.

Many of Australia’s largest export industries – including iron ore, coal and liquefied natural gas – were founded through Japanese investment and, in return, exports of these natural resources have helped fuel modern Japan’s industrial might. Waves of Japanese tourists during the 1980s underpinned development of Australia’s premium tourism industry, while the liberalisation of financial markets attracted Japanese financial institutions to Australia.

In recent decades, Japanese investment has diversified significantly: our financial services, infrastructure, information and communications technology, manufacturing, agribusiness, and tourism industries now all benefit from Japanese investment. Opportunities in Australia’s research and development, medical technologies, and services sectors are also attracting great interest from Japan. Business partnerships between Australian and Japanese companies in these areas provide a platform for expansion to Asia and beyond.

Australia and Japan have strong foundations on which to build an even more prosperous future. Our relationship continues to grow from strength to strength, particularly in the wake of the Japan-Australia Economic Partnership Agreement (JAEPA). Today, Japan is Australia’s second largest export and investment partner, and Australia remains at the core of Japan’s energy security policy.

I thank the Japanese Government for their contribution in delivering this important report and look forward to the future opportunities generated by the continued confidence and trust in each other’s economies.

The Hon Steven Ciobo MP
Australian Minister for Trade, Tourism and Investment
‘Japan has been one of Australia’s largest trade and investment partners for more than 60 years – a testament to the strong ties that bind our two countries together. This report shows what can be achieved through trust, friendship and mutually beneficial cooperation, and will serve as a catalyst for taking the Australia-Japan economic relationship forward into the future.’

The Hon Richard Court AC
Ambassador of Australia to Japan

‘Japan’s investment in Australia has underpinned the development of both our economies. New industries have been created in Australia, while Japan has been able to rely on the stable and long-term supply of Australia’s natural resources for many decades. The investment decisions highlighted in this report have given our companies the confidence to partner in innovative new businesses around the globe.’

HE Sumio Kusaka
Ambassador of Japan to Australia
From the 1960s, Japanese investment pioneered Australia’s mining and resources sector to a global market. It helped open up vast tracts of regional Australia – the Pilbara region in Western Australia, the Bowen Basin in Queensland, and the Hunter Valley in New South Wales – creating thriving regional townships and centres.

Liberalisation of Japanese financial markets and the rapid appreciation of the yen in the 1980s saw the beginning of globalisation strategies for Japanese firms, and Japanese foreign direct investment (FDI) grew rapidly. It also expanded Japanese investment beyond resources and energy into manufacturing and technology, agribusiness, food and beverage, and financial services and tourism.

More than a hundred of Japan’s top companies have established operations in Australia. Through these companies and others, there are now more than 400 subsidiaries of Japanese companies operating in Australia.1 These Japanese companies hold combined assets of A$119 billion and employ more than 58,000 people in Australia.2

Japan was Australia’s largest export market for over 40 years to 2009 primarily due to resources and energy exports. It is now Australia’s second largest export market, worth more than A$38 billion in 2016. These results have been encouraged by JAEPA, which has boosted exports of premium Australian food and beverage to Japan.

For decades, Japan has been one of Australia’s top investors. Japanese companies reinvest a greater proportion of their earnings back into Australia than companies from most other major economies – clear evidence of their long-term commitment to Australia. In 2016, Japanese reinvested earnings in Australia totalled A$3.9 billion, representing 4.3 per cent of the total stock of Japanese FDI in Australia, as compared to 0.9 per cent by United Kingdom (UK) investors, 1.0 per cent by United States (US) investors and 3.3 per cent by German investors.3 The inclusion of specific investment provisions in JAEPA is an indication of how important Japanese investment is to Australia.

Sources
1 Organisation for Economic Co-operation and Development (OECD), Outward Activity of Multinationals by Country of Location, 2013. OECD’s figure provides an update to the 2000-01 data from the ABS on the economic activity of Japanese-owned business in Australia, which reported that there were a total of 347 Japanese companies operating in Australia in 2000-01, employing 41,900 people in Australia (ABS Cat. No. 5429.0).

2 IBIS World, Top 2,000 Australian companies by total asset, 2016. According to IBIS World, there are 97 Japanese companies in Australia’s top 2,000 companies with assets in excess of A$118.7 billion, employing 58,128 Australians. These figures provide an update to the 2000-01 data from the ABS on the economic activity of Japanese-owned business in Australia, which reported that there were a total of 347 Japanese companies operating in Australia in 2000-01, employing 41,900 people in Australia (ABS Cat. No. 5429.0).


5 Australian Government Department of Foreign Affairs and Trade (DFAT), Australia’s direction of goods & services trade – financial year (from 1986-87 to present).

General trading houses (sōgō shōsha) are large global organisations that have shaped the direction and flow of Japanese trade, notably in commodities. They trace their origins back to 17th century Japan and their roots in Australia back more than 100 years.

From the late 1950s, Japanese trading houses embarked on a program of international expansion. The signing of the 1957 Commerce Agreement made Australia one of their first destinations.

By 1961, many trading houses had established a presence in Australia and focused their early operations on wool, iron ore and coal exports. Their impact, markedly in the resources sector, helped transform Australia’s economy.

In recent times, global volatility has caused the trading houses to adapt their business models to focus on greater diversification, profitability and divestment of non-performing assets.

Australia continues to offer strong opportunities that complement evolving business conditions in Japan. The trading houses now have a stronger focus on agribusiness, reflecting reforms in the agricultural sector in Japan, and a much wider business bandwidth in Private-Public Partnership (PPP) projects, renewables, leasing, and new and innovative technology.

Initially driven by a desire to establish distribution networks, and then to source essential materials for Japan’s industrialisation, today’s investments by sōgō shōsha are driving innovation and research that is being taken to the world, such as in clean coal and hydrogen.

‘Australia is the most important country for Mitsui & Co. and our Australian business models in mining and energy are used in Mitsui operations around the world.’

Yukio Takebe, Chairman and CEO, Mitsui & Co. (Australia)
With investments in Australia totalling A$37 billion, the sōgō shōsha now have over 100 subsidiary companies in Australia and employ tens of thousands of Australians. Mitsui & Co. estimates the joint ventures in which it participates employ over 20,000 staff.

‘Together we have invested and created jobs around the world. Our partnership with Japan is closer and stronger than ever. We look forward to partnering with Japan for decades to come.’

Andrew Mackenzie, CEO, BHP Billiton
Speech on the 50th anniversary of BHP’s first coal sale to Japanese steel mills, together with BHP’s partners, Mitsubishi Development, ITOCHU Corporation, JFE and Mitsui & Co., June 2017

Japanese trading houses in Australia

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<th>DIRECT AND INDIRECT EMPLOYEES</th>
<th>20,000+</th>
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<tr>
<td>INVESTED SINCE 1890</td>
<td>A$37bn</td>
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<td>OF AUSTRALIA’S ANNUAL EXPORTS TO JAPAN FOR 2015–16</td>
<td>20.2%</td>
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For many decades, Japanese companies and general trading houses and their joint ventures in Australia, have been among the largest exporters of Australian resources, energy, grains, beef and other products and services to Japan, other fast-growing economies in Asia, and beyond.

Japanese companies’ export activities also open a vital pathway for Australian products and services to join global value chains (GVCs), and drive investment and R&D to Australia.

The assets and capabilities of Australian and Japanese partners are combined in GVCs, bringing exciting new opportunities for both parties.

**Forging global prospects for Australian innovation**

**Hitachi**

Hitachi is an innovator in everything from heavy engineering to data analysis. The company regularly trials new projects and innovations in Australia and transfers successes to other markets around the world.

In March 2017, Hitachi crowned its 60-year history with the A$689 million purchase of Bradken, a leading Australia-based engineering manufacturer. ‘This is a major investment in the complementary field of manufacturing, with products that we can market through the Hitachi network’, says Hitoshi Ishihara, former Managing Director of Hitachi Australia. ‘There is a natural fit between Hitachi Construction Machinery and Bradken’s mining and earthmoving and rail equipment, which we can leverage across our global value chain.’

Hitachi Australia is also an agribusiness pioneer. Trials of satellite-based driverless tractors in Mackay, Queensland and Jerilderie, New South Wales could potentially enable farmers to plough fields and harvest crops from the comfort of their office, cutting fuel consumption and boosting productivity and safety.

**Bringing Australian craft beer to Asia**

**Kirin**

When Japan’s Kirin purchased brewer Lion Nathan in 1998, few people anticipated the craft-beer revolution about to sweep Australia. Eight years later, and Kirin’s A$8 billion-plus investment is powering that revolution, helping niche beer brands to grow and supporting a new wave of Australian exports.

In early 2017, Kirin began promoting the Fremantle-based Little Creatures beer brand in China. With a micro-brewery in Hong Kong and a pop-up bar in Shanghai, Kirin has partnered with local distributor DXCEL to sell Little Creatures into the world’s largest beer market. Little Creatures is now sold in 15 countries outside Australia and New Zealand, including five Asian nations.
Building new prospects for Australian contractors in Asia

Kajima Corporation

Japanese construction giant, Kajima Corporation, is set to create a new Australian tier-one contractor, with the forthcoming merger of Victorian builders, Icon and Cockram. Having purchased majority stakes in both companies, Kajima will help create a new entity with the balance sheet, borrowing capacity and intellectual property to take on complex, full-spectrum contracts.

The investment boosts the prospects for Australian contractors aiming to turn home-grown expertise into overseas opportunities. Kajima and Icon-Cockram currently work across the Asia-Pacific region, but with different clients. The deal delivers the contacts, capital and expertise that will help Australian companies leverage niche capabilities in premium residential buildings and social infrastructure projects in China and the US.

‘Kajima’s investment provides us with the financial resources and technical expertise to enable us to grow our existing specialist market in social infrastructure in Australia,’ says Malcolm Batten, Managing Director, Cockram. ‘It will allow us to expand our international business in the Asia-Pacific region and the US, where demand is growing.’
INVESTING IN INNOVATION, RESEARCH AND DEVELOPMENT

Japan is an innovation powerhouse, spending 3.5 per cent of its gross domestic product (GDP) on R&D, third only to Israel (4.25 per cent of GDP) and South Korea (4.23 per cent of GDP).9

Japanese firms, including Fujitsu, Hitachi, Mitsubishi Electric and NEC, are global leaders in innovation. Japanese firms are also major employers of Australian engineers, scientists and ICT specialists, and their presence in Australia facilitates the transfer of technology and skills that benefits both countries.

Australia continues to be an important testing ground for Japanese manufacturers and electronics companies, and benefits from early and large-scale R&D investment. Companies such as Fujitsu and NEC are establishing major R&D centres to take advantage of Australia’s innovative talent and expertise. These investments acknowledge Australia as a country of early adopters and the ideal place to try out new, innovative technology and digital services that can be launched into other global markets.

Australia’s world-class research institutions and universities have also attracted Japanese firms, leading to a number of successful research collaborations, especially in health and medtech. One example is the collaboration between Takeda Pharmaceutical Co. Limited and Australia’s Monash University to research gastrointestinal disorders and devise new therapies. Other examples include Teijin’s cooperation with The Healthy Grain to produce new superfoods, Fujifilm’s work in regenerative medicine, and I'rom Group Co.’s investment in Adelaide-based CMAX Clinical Research.

Japan’s ageing population has propelled its Government’s efforts to advance regenerative medicine. It is looking globally to commercialise the best medtech, leading it to Australia which excels in stem cell research and regenerative medicine products. In 2015, Japan and Australia signed an industry Memorandum of Understanding (MoU) to jointly enhance collaboration in this sector.

Japan and Australia’s shared interest in defence and security is also leading to increased cooperation in defence technology and R&D.

9OECD. Main Science and Technology Indicators Database.
A history of R&D investment

NEC

NEC established operations in Australia in 1969 with five employees. Today, the Australian subsidiary employs 1,800 people and is NEC’s third largest country business after Japan and the US.

Over the last 50 years, NEC Australia has combined organic growth, acquisition, partnerships and R&D investment to become a leader in the Australian ICT industry. The company purchased the technology solutions business arm of Australian ICT company CSG Technology Solutions, one of the largest ICT acquisitions in Australia. Over the past 15 years, NEC Australia has invested more than A$200 million in R&D. It has also established an innovation centre in Melbourne and a Global Security Intel Centre in Adelaide.

NEC Australia has also recognised the potential of Australia’s regional centres, opening a corporate office at the University of Wollongong’s Innovation Campus to support customers across Australia. The office will create 180 new ICT jobs in regional New South Wales.

R&D igniting Australian exports of solar products

Rinnai Australia

Since opening its first sales office in Melbourne in 1971, Nagoya-based heating-appliance maker, Rinnai, has expanded into local manufacturing and R&D. In 2017, a new 67,000 square-metre manufacturing and R&D facility in Braeside, Melbourne, will make Rinnai Australia a global centre for R&D in solar-powered, water-heating products.

Rinnai Australia expects exports to reach A$50 million per year, and the Braeside site will add 160 jobs to Rinnai Australia’s 550-strong workforce. The facility draws on design expertise and product innovation from Rinnai Australia, and production-engineering technologies from the parent company in Japan (Rinnai Japan).

‘The high skills-base and expertise of Australia’s labour force, Rinnai Japan’s in-house engineering capability, Rinnai’s strong international export channels, and the long-term view for a suppressed A$FX (foreign exchange) – were key points supporting the Australian investment decision,’ says Greg Ellis, Managing Director, Rinnai Australia. ‘These are truly exciting times for Rinnai, our channel partners and the Australian market as we increase our ability to deliver new and exciting products through local expertise and manufacturing capability.’
Japanese investment in Australian resources and energy projects has helped create entire communities, support tens of thousands of employees, inspire new technology and generate billions of dollars in export income for Australia.

Japanese long-term purchase agreements, such as those from major trading houses, steel mills and Japanese power companies, were – and continue to be – critical to the success of major Australian resources projects. These agreements gave confidence to international and Australian corporations in backing global-scale resources and infrastructure projects, which have been the foundation of Australia’s 26 years of uninterrupted annual economic growth.

Australian commodities account for the largest share of supplies to Japanese steel mills and power utilities.

**LNG**

Japanese companies have played a significant role in two notable LNG projects in Australia: the Ichthys LNG project (see over) and the North West Shelf (NWS) LNG project. The NWS LNG project was formed under long-term purchase contracts, with one-sixth investment jointly by Mitsui & Co. and Mitsubishi. The NWS has been exporting LNG to North Asia since 1989, and paved the way for a whole new industry in Australia.

**Coal**

In its first resources investment in Australia in 1963, Mitsui & Co. partnered with Thiess and Peabody to develop and invest in the Moura coal mine in Central Queensland – Australia’s first export coal mine.

‘Mitsui & Co. fully funded exploration work, invited partners to form the joint venture, then marketed the coal to Japan,’ says Yukio Takebe, Chairman and CEO of Mitsui & Co. (Australia). Five decades later the project operates under the name Dawson, with Mitsui & Co. still involved. Over the past 10 years, Mitsui & Co. has invested over A$15 billion in Australia.

**Iron ore – Pilbara region, Western Australia**

In August 2016, Rio Tinto celebrated the 50th anniversary of its first iron ore shipment to Japan. That first contract, completed in just 19 months during 1965–66, involved the construction of nearly 300 kilometres of rail track, the construction of 16 bridges, excavating 1.6 million cubic metres of rock and the construction of a new port. Today, Rio Tinto exports around 130 million tonnes of iron ore to Japan annually. One of its customers is Nippon Steel and Sumitomo Metal Corporation (NSSMC).

‘Since 1966, Nippon Steel executives have championed the partnership between Australia’s resources sector and the Japanese steel industry. Their commitment recognises that Australia, as the largest supplier of coal and iron ore to Japan, contributes to Japan’s economic security.’

*Masahiko Suenaga, Managing Director, NSSMC Australia*
INPEX Corporation

INPEX Corporation is Japan's largest oil and gas exploration and production company and has had a presence in Australia for 30 years.

Its US$34 billion Ichthys LNG project represents the single biggest investment by a Japanese company into Australia and the largest ever overseas investment by a Japanese company.

The project, one of the largest resources projects in Australia's history, has captured the imagination of the global oil and gas industry. It is part of the wave of foreign investment driving Australia to become the world's leading exporter of LNG.

Located about 220 kilometres off the coast of Western Australia, the Ichthys field is estimated to contain more than 12 trillion cubic feet of gas and 500 million tonnes of condensate. This represents the largest discovery of hydrocarbon liquids in Australia in nearly 50 years.

The project makes a vital contribution to economic development in northern Australia. During the construction phase alone, more than 1,000 Northern Territory businesses and over 11,000 Darwin locals have secured work.

According to independent analysis by ACIL ALLEN, the project is forecast to generate A$195 billion in exports for Australia, A$73 billion in taxation revenue for Australian governments and will create 1,800 full time jobs per annum over 40 years (on average).

Eurus Energy

For Eurus Energy, greater certainty provided by the Large-scale Renewable Energy Target (LRET) is generating optimism about the future of the renewable energy sector.

Eurus Energy believes Australia's natural advantages in geography and climate mean renewables have a good future in this market.

Eurus Energy entered the Australian market on a large scale in May 2012 by purchasing 100 per cent of the Hallett 5 Wind Farm in South Australia from AGL. It then partnered with Windlab, an Australia-headquartered firm to establish the 19.8MW Coonooer Bridge Wind Farm in Victoria. The innovative Coonooer project ownership, initiated by Windlab, involves partnering with the local farming community.

Eurus Energy has built on the success of this project by working with the same partner to deliver the first stage of the ground-breaking Kennedy Energy Park project in northern Queensland.
Australia fuels Japan

In 2016 Australia supplied:

- 65% of Japan’s coal imports, worth AU$13.2bn
- 54% of Japan’s iron ore imports, worth AU$15.4bn
- 28% of Japan’s LNG worth AU$11.4bn

Japan is the largest export market for Australian natural gas and coal, accounting for nearly two-thirds (by value) of Australia’s LNG exports, and 46 per cent of thermal coal.

Resources and energy investment from Japanese trading houses

1. Cape Flattery Silica Mine
2. NCA Coal Project
3. Hail Creek Coal Mine
4. Clermont Coal Mine
5. Yamala Coal Mine (Under Exploration)
6. Oaky Creek Coal Mine
7. Lake Vermont Coal Mine
8. Jellinbah East Coal Mine
9. Minerva Coal Mine
10. Roleston Coal Mine
11. Wandoan Coal Mine
12. Mawules Creek Coal Mine
13. Port Waratah Coal Port
14. Marubeni Power
15. Moolarben Coal Mine
16. Northparkes Copper and Gold Mines
17. Cumnock Coal Mine
18. Loy Yang B Power Station
19. Casino Gas Field
20. Petro Diamond Australia
21. Port Bonython Fuels
22. Mt. Weld
23. Southdown Iron Ore Mine
24. Bluewaters Power Station
25. Worsley Alumina Refinery
26. Kwinana Power Station
27. Shark Bay Salt Mine
28. Jimblebar Iron Ore Mine
30. Roy Hill Iron Ore Mine
31. North West Shelf Project
32. Dampier Salt Mine
33. Robe River Iron Ore Mine
34. Mt. Goldsworthy Iron Ore Mine
35. Enfield Oil Field
36. Browse LNG Project
37. Ichthys LNG Project

Legend
- Coal
- Power
- Silica
- Diamond
- Fuel
- Wind
- Gas
- Salts
- Iron Ore
- Alumina
- Copper & Gold

Japanese Investment in Australia
Manufacturing plant to boost fresh food exports

Oji Fibre Solutions

Japan-owned pulp and paper company, Oji Fibre Solutions (OjIFS) is introducing new manufacturing technology that will open fresh prospects for food exporters in New South Wales, Queensland and the Northern Territory.

A new A$72 million factory in Yatala, on the Gold Coast, will enable OjIFS to produce food packaging that is tailored to the climatic conditions of specific markets. The packaging technology developed in Japan, together with quality paper from New Zealand, will help Australian producers ensure that goods despatched to high-end consumers in Asia arrive in pristine condition.

OjIFS’s Tokyo-based parent company, Oji Holdings, is the world’s fifth-largest pulp and paper company. Its investment in the Australian packaging industry dates from 2014.

The company’s new state-of-the-art facility in Yatala will operate to a 5/6 Green Star environmental rating, and consume less water and electricity than comparable packaging plants, and increase recycling of construction materials.

The early history of Japanese manufacturing in Australia in the 1960s and 1970s was dominated by automotive companies such as Toyota, with Toyota AMI in Victoria. This was followed by Mitsubishi Motors in South Australia in 1981. These companies brought Japanese quality control, management techniques and manufacturing innovations that have had a lasting impact on broader manufacturing in Australia.

Japanese consumer electronic firms commenced operations in Australia in the late 1960s and early 1970s with companies such as Mitsubishi Electric manufacturing televisions and mobiles.

The transfer of Japanese technology and expertise, allowed the diffusion of knowledge to the wider Australian industry base, in particular to suppliers and subcontractors. These electronic companies have more recently established newer and larger facilities to service Australian businesses in data management and IT.

Initially focussed on the distribution of electronics, Japanese electronics firms now lead the way in digital technologies, cyber security and the application of technology for social infrastructure.

As manufacturing industries continue to transform globally, Japanese companies such as Sony, Fujitsu and Hitachi are also diversifying, with large established facilities across Australia in a range of sectors. Mitsubishi Corporation, for example, is part of the infrastructure consortium in Canberra’s light rail project.

‘For over 60 years, Mitsubishi Corporation has successfully invested in Australia, our largest investment destination outside Japan. Our activities here are diverse: from major resources projects to agribusiness, manufacturing to infrastructure. Mitsubishi is proud of its Australian activities and looks forward to continuing its prosperous future here.’

Noriyuki Tsubonuma, Managing Director and Chief Executive Officer, Mitsubishi Australia Limited
Shaping electronics and promoting Australian talent

Sony in Australia

Sony Australia has been a major presence in Australia for more than 40 years. The company has kept generations of Australians entertained with consumer electronics such as the iconic Sony Walkman and the PlayStation console, as well as home theatre and audio systems.

The music and production arm of Sony is a major supporter of the Australian music and television industries. Sony Music has put local artists such as Guy Sebastian and The Veronicas on the global stage.

Sony Pictures Television’s purchase of Playmaker Media enabled the Australian TV production company to take its locally produced programs to a worldwide audience.

Sony is also diversifying: in 2016, Sony Life, one of Japan’s largest financial services companies, invested A$145 million in Australian life insurance company Clearview.
Japanese banks and other financial institutions entered Australia in the 1980s and 1990s in the wake of financial market liberalisation, mainly to support the activities of Japanese corporates. More recently, these institutions have expanded operations to service and grow their Australian client base, including investment in large resources, infrastructure and IT projects.

Recent acquisitions in Australia include last year’s A$350 million investment by the Nomura Research Institute in Australian IT business solutions provider ASG Group.

Japanese life insurance companies have also made major acquisitions in the Australian life insurance sector, providing their Australian clients with access to a global network and additional capital support for their Australian operations. The investments by Japanese life insurance companies in Australia are among their largest globally, reflecting long-term confidence in Australia and its financial governance.

Securities and insurance firms have underpinned Japanese portfolio investment into Australian government bonds and share markets.

For Sumitomo Mitsui Banking Corporation (SMBC), Australia represents a mature and vibrant market with considerable forward potential. Australia is SMBC group’s highest country exposure in the Asia and Oceania region outside Japan at US$24.4 billion, according to Tom Tanaka, SMBC’s General Manager and Country Head in Australia.

‘Australia is the second largest market for SMBC after the US, making up 8.1 per cent of SMBC’s total loan portfolio outside Japan,’ said Tom. SMBC has a strong track record in supporting some of Australia’s largest and best known projects as a mandated lead arranger and financier. These projects include the Ichthys LNG venture and the Roy Hill Iron Ore developments in the Pilbara.

By the end of 2016, SMBC had about 200 employees in Australia and according to the Thomson Reuters 2016 League Table, is the eighth largest banking group in Australia with a book value of major syndicated loans of around A$2.8 billion.

SMBC is building its large-scale financing projects by introducing Australian companies to its global and integrated group network. The company has a particular focus on Asia, with a long-term vision to become a truly Asia-centric financial institution.
The expansion of the Japanese inbound tourist market in Australia during the 1980s helped build Australia’s tourism industry. Japanese investors brought a greater risk appetite for new development and played a critical role in the development of high-end hotels and resorts, principally in Sydney, Cairns, and on Queensland’s Gold Coast.

The slowdown in the Japanese economy in the early 1990s was followed by a decline in tourism numbers a decade later, and a retreat by Japanese infrastructure and tourism investors. By then, Japanese investment in tourist accommodation and leisure attractions had helped shape the premium end of Australian leisure facilities, making Australia a more attractive destination for travellers from all countries.

In 2016, international visitors from Asia showed the fastest growth in spend, with Japan notching the largest percentage growth – up 29 per cent to A$1.7 billion.¹ Major airlines such as Qantas, Jetstar, JAL and ANA have opened new flight services to Japan from Australia in response to increased demand.

Japanese tourists are returning, and the developers are showing interest. Japanese companies such as Daikyo, Kajima and Obayashi, along with newer entrants such as Daisho, are building large-scale commercial and multi-use complexes in Australia. Daisho is investing in the new W Hotel in the heart of Melbourne’s shopping and entertainment district in Collins Street.

¹ Tourism Research Australia, International visitors in Australia, year ending December 2016. ‘Visitors’ refers to people aged 15 years or older.

### Trade agreement powers airline’s return to Australian skies

**All Nippon Airways (ANA)**

Powering a resurgence in air travel between Japan and Australia, premium airline ANA is clocking up 92 per cent load factors at its peak on its new Sydney-Tokyo Haneda flights. The route – ANA’s first into Australia for 16 years – is lifting passenger arrivals to decade highs.

The Boeing 787 Dreamliner flight delivers Australian passengers close to within 14 kilometres of downtown Tokyo.

In 2016, passenger arrivals from Japan to Australia increased 24 per cent to 382,000, while departures from Australia reached 358,000 — double the number recorded in 2012. ANA’s success is a testament to growing tourist traffic and increased business demand delivered under JAEPA. Since coming into force in January 2015, JAEPA has helped develop new opportunities and partnerships — in particular in the services industries.
Japanese companies have long recognised Australia’s expertise in agribusiness. Together with Australia’s reputation for clean, green and high-quality food and beverage, the sector continues to attract Japanese investment. Japanese investors have brought capital to Australia, as well as technical and marketing expertise from Japan, to create a basis for dramatic expansion of the sector.

From the 1980s, Japanese demand for Australian food and beverage drove investment interest, and higher quality standards began to be applied to Australian processing to meet the tight import specification standards of the Japanese market.

Japanese companies have renewed their interest in Australia with major investments by Kirin, Suntory and Asahi. New manufacturing facilities have also been established by Kagome, Australia’s largest tomato processor, Yakult (probiotic drinks) and Mitsubishi Chemical’s subsidiary, Kaiteki Fresh, which grows hydroponic leafy vegetables sold in Australia, Hong Kong and Singapore.

JAPEA has also boosted Australia’s attractiveness as an investment destination. The agreement has helped grow demand for premium Australian products in Japan and has benefitted the food and beverage sector through reduced tariffs for exporters.

**Tasmanian agriculture**

Japan has a history of investing in Tasmania’s agriculture sector. AEON’s 1974 investment in Tasmanian beef cattle has provided Japanese consumers with quality beef for more than 40 years. More recent collaborations between Japanese companies and Australian farmers and firms, including those in Tasmania, look to premium counter-seasonal produce to supply Japan and other markets.

Today, Mitsui & Co. is working with farmers to create an enriched super onion with higher antioxidants, and agricultural cooperative, JA Biei, is partnering with Tasmanian farmers on trial projects to establish a horticultural production platform for exports.

**A regional partnership**

**Hakubaku**

Hakubaku is a family-owned provider of cereal-based food staples and is based in Yamanashi Prefecture, immediately northwest of Tokyo. The company has a long-standing relationship with Australia, having imported Australian wheat since the 1980s.

Hakubaku Japan (Hakubaku) opted to invest in Australia in the late 1980s after determining that organic Australian Rosella wheat was the best possible raw material for making high quality udon noodles.

In Hakubaku’s own words, the wheat ‘delivered the perfect taste, appearance and texture for the perfect udon noodle’.

In 1996, the business settled on a site at Ballarat northwest of Melbourne, Victoria. This location was close to the wheat farmers of south-eastern Australia that grew a high quality organic wheat product.

Hakubaku began operating the A$13 million factory in 1998. The factory has provided a springboard into lucrative exports into the US, Europe and Asian countries that appreciate high quality products made from organic Australian wheat.
INVESTING IN AUSTRALIANS AND COMMUNITIES

Whether through financial support or volunteering, Japanese companies and their employees connect to local Australian communities through globally integrated Corporate Social Responsibility (CSR) programs. Companies such as Sony, This Australian Life (TAL), Inpex and Mitsui & Co. contribute to Australian society through disaster support, education, environmental sustainability, and by helping ‘close the gap’ on quality of life, health outcomes and life expectancy for Aboriginal and Torres Strait Islander Australians.

Supporting Australian communities

This Australian Life (TAL)

TAL has a very active CSR program in Australia. In 2016 alone, the company donated to 21 different charities or community groups. TAL is now a national partner with the Royal Flying Doctor Service (RFDS), and is working with the RFDS to improve the profile of education around good health for Australians.

TAL is also supporting Jawun, a not-for-profit organisation, to increase the capacity of indigenous leaders, organisations and communities to achieve their own developmental goals by organising skilled secondees to work with the community.

In 2016, TAL piloted SpotChecker – a free program offering skin checks by professional medical staff to Australians at the beach. TAL conducted this program at Bondi Beach and Newcastle’s Bar Beach for 681 people over two weekends and close to 100 participants were referred for further checks. TAL plans to extend the trials in 2017 following these successes.

New Colombo Plan Scholarship Program

The Australian Government’s New Colombo Plan Scholarship Program provides Australian university students with the opportunity to undertake study in the Asia-Pacific region, and internships with participating organisations. Japan is one of the key markets under the program and a popular choice with students. More than 1,500 Australian university students have studied under the program since it commenced in 2014.

Corporate participants include Mitsui & Co., Mitsubishi Corporation, Sumitomo Mitsui Banking Corporation, the Central Japan Railway Co, Uniqlo, the Riken Brain Institute and The Japan Times, as well as major Australian companies with offices in Japan and the Australia-New Zealand Chamber of Commerce in Japan.

Mitsui Educational Foundation

Mitsui & Co. (Australia) established the Mitsui Educational Foundation (MEF) in 1971. To date, more than 350 Australian university students have participated in the Foundation’s annual study tour program. Some of Australia’s best known business and public-sector leaders are MEF alumni.

‘I learned to respect cultural differences and diversity. This has deepened my appreciation of different values and helped me in international business discussions.’

Cynthia Whelan, MEF alumni, Chairman of Foxtel, and Group Executive New Businesses, Telstra.
### Timeline of Japanese Investment in Australia

#### 2000 - 09

- 2003: Sumitomo Metal Mining acquired a minority stake in the Nickel 1 project in WA.
- 2004: Mitsubishi Corporation established a new branch office in Melbourne.
- 2005: Nippon Life Insurance acquired a minority stake in the Roy Hill Iron Ore Mine in WA.
- 2006: Nippon Life Insurance acquired a minority stake in the Great Western Port Bonython Fuels project in SA.

#### 2010 - Present

- 2011: Nippon Life Insurance acquired a minority stake in the Cape Flattery Silica Mines project in QLD.
- 2012: Nippon Life Insurance acquired a minority stake in the JUSCO (now AEON Group) project in VIC.
- 2013: Kajima Corporation established a new office in Melbourne.
- 2014: Shiseido established a new office in Sydney.
- 2015: Mitsubishi Corporation established a new office in Perth.
- 2016: JERA established a new office in Sydney.
- 2018: Kawasaki Heavy Industries established a new office in Sydney.

### Significant Investments

**Resources**

- **1933**: Mitsubishi established a new branch office in Australia.
- **1957**: Australia and Japan signed an Agreement on Commerce between the two countries.
- **1965**: Mitsubishi established a new branch office in Sydney.
- **1986**: Nippon Life Insurance established a new branch office in Sydney.
- **1995**: Tokyo Gas established a new branch office in Sydney.
- **2000**: Nippon Life Insurance established a new branch office in Sydney.
- **2005**: Kawasaki Heavy Industries established a new branch office in Sydney.
- **2010**: JERA established a new branch office in Sydney.

**Services**

- **1957**: Mitsubishi established a new branch office in Australia.
- **1965**: Nippon Life Insurance established a new branch office in Sydney.
- **1986**: Tokyo Gas established a new branch office in Sydney.
- **1995**: Kawasaki Heavy Industries established a new branch office in Sydney.
- **2000**: Nippon Life Insurance established a new branch office in Sydney.
- **2005**: Kawasaki Heavy Industries established a new branch office in Sydney.
- **2010**: JERA established a new branch office in Sydney.

**Financial**

- **1957**: Australia and Japan signed an Agreement on Commerce between the two countries.
- **1965**: Mitsubishi established a new branch office in Sydney.
- **1986**: Nippon Life Insurance established a new branch office in Sydney.
- **1995**: Tokyo Gas established a new branch office in Sydney.
- **2000**: Nippon Life Insurance established a new branch office in Sydney.
- **2005**: Kawasaki Heavy Industries established a new branch office in Sydney.
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**Legend**

- **Finance**
- **Infrastructure**
- **Resource**
- **Technology**
- **Other**

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**Japanese Investment in Australia**
Japanese investment in Australia is diversifying. Alongside the mainstay of minority equity stakes or joint ventures with quality Australian partners, outright acquisitions and majority ownership are growing. And in a world of unpredictable geopolitical tension, Japanese investors are attracted to Australia’s stable, transparent institutions, well-developed regulatory frameworks, openness to foreign investment and robust banking sector.

Japan’s large cash reserves, and the need for Japanese companies to invest outside Japan to grow, will set the path for continued Japanese investment in Australia.

Japan’s outward mergers and acquisitions around the world are increasing – by some 30 per cent to US$100 billion in 2016 alone.

Public-Private Partnerships (PPPs), notably in infrastructure and renewable energy, remain attractive for Japanese companies given Australia’s long and successful track record in these projects.

Japan’s focus on energy security means Australia’s resources and energy sectors will continue to appeal to Japanese companies both from an investment and reinvestment perspective. Joint research and collaboration on hydrogen fuel at a government and private sector level will open a new chapter in energy security.

In the services sector – which contributes around 70 per cent to the Australian economy – Japanese investment is continuing to rise. Australia’s reputation as an innovator, particularly in ICT solutions, agriculture, financial services, defence technology, health and mining, and oil and gas, is an attraction. Japanese interest in buying into Australian retail is strong, while the booming medtech market is a platform for Japanese pharmaceutical companies and Australian firms to work together and share expertise. The 2015 bilateral industry MoU on regenerative medicine is encouraging opportunities in this field.

Major Japanese food and beverage companies have pursued a long-term acquisition strategy in Australia over the past decade with some very large investments. Now, backed by Japanese capital and encouraged by the unmatched preferential access to the region’s food markets that Australia’s network of free trade agreements provides, their Australian subsidiaries are springboarding into Asia.

The increased focus on food security in Japan, coupled with Australia’s offering of premium, safe food, are important factors in agribusiness investments. The recent agribusiness cooperation agreements, signed between Japan and the Northern Territory and Queensland respectively, set a course for the future. Northern Australia’s potential for large-scale food production is of considerable interest to Japanese investors.

Australia has long been seen by Japan as an ideal testing ground for new technology, products and services prior to entry into other western markets. This is still the case: Japanese companies are partnering with Australian companies to acquire new technology and Japanese businesses are making acquisition and investment decisions that enable them to test and refine new technology.

Over 60 years ago, far-sighted Australian and Japanese investment partners showed confidence and vision about the possibilities for economic partnership between the two countries – and they succeeded. Japanese investors have proved to be long-term and trusted partners for Australian industry. Together, Australia and Japan continue to build on this deep economic relationship to drive their future prosperity.
ABOUT AUSTRADE

The Australian Trade and Investment Commission – Austrade – contributes to Australia’s economic prosperity by helping Australian businesses, education institutions, tourism operators, governments and citizens as they:

 › develop international markets
 › win productive foreign direct investment
 › promote international education
 › strengthen Australia’s tourism industry
 › seek consular and passport services.

Austrade helps companies around the world to identify and take up investment opportunities in Australia as well as to source Australian goods and services. Our assistance includes:

 › providing insight on Australian capabilities
 › identifying potential investment projects and strategic alliance partners
 › helping international companies identify and contact Australian suppliers.

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