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## Japan’s commitment to Vietnam strengthens the country’s ability to attract global investment

Vietnam’s unprec- edented economic growth has captured the world’s attention. Foreign direct investment (FDI) reached \$19.1 billion in 2018 — a 9.1 percent increase compared with the previous year.

With a stable political landscape, gross domestic product growth of 6.8 percent and strong export figures, investor confidence in the Southeast Asian country is stronger than ever.

With \$8.6 billion worth of FDI approvals in Vietnam last year, Japan is the largest investor in the country. Bilateral relationships between the two countries are also at an all-time high.

“The relationship has rapidly strengthened due to three main reasons,” said Japanese Ambassador to Vietnam Kunio Umeda.

“The first is that the importance of Vietnam has been increasing for Japan in terms of security. Both Japan and Vietnam share fundamental maritime principles that are important in the South China Sea, one of the most important searoutes for Japan. The second reason is that Vietnam is



Kunio Umeda, Japanese Ambassador to Vietnam

helping to ease Japan’s very serious labor shortage; more than any other country. Currently, around 300,000 Vietnamese people live and work in Japan. The number of Vietnamese ‘technical trainees’ is the largest among foreign workers and the number of Vietnamese students is the second largest after China. The third reason is that more and more Japanese companies are investing in and establishing bases in Vietnam,

with over 3,200 Japanese companies having established bases in Vietnam.”

According to the Japan External Trade Organization (JETRO), over half of the Japanese enterprises highly appreciate Vietnam’s market scale and growth potential, stable political and social situation, and low labor costs.

“Until five or six years ago, the main purpose of Japanese investments in Vietnam was to establish export bases for manufacturing companies,” said Umeda.

“Since then, the objective of investments has been changing. Recently, the main objective of investments is to meet Vietnam’s increasing domestic demand, which is rapidly expanding.”

Hironobu Kitagawa, chief representative of JETRO Hanoi, shares this notion.

“Generally, there is an image that Vietnam is a country in which the manufacturing industry invests. However, in recent years Japanese companies have advanced to Vietnam’s tertiary and service industries,” said Kitagawa.

“When comparing the

number of new licenses in 2017 by industry, the percentage for the manufacturing industry is 24 percent, whereas the proportion for tertiary industries is 67 percent. In terms of the scale of companies, 90 percent of new investment projects are from small to medium-sized firms (less than \$5 million). The situation has changed from ‘Vietnam is a major investment destination for the manufacturing industry,’ which was how the country was viewed in the past.”



Hironobu Kitagawa, Chief Representative of JETRO Hanoi

The Vietnamese population’s purchasing power is increasing and middle-income household spending is on the rise. Within the tertiary sector, retail, health care, education and real estate are key areas in which Japanese companies are investing. As with many developing economies, one of the challenges foreign investors are facing in Vietnam is the rising cost of labor.

“Through the introduction of automation combined with the right education and technical training, as well as the development of rural areas, manufacturers can continue to prosper in Vietnam,” said Koji Takimoto, chief representative of JETRO Ho Chi Minh City.

“The Vietnamese workforce is still very young and they are willing to learn new skills. In the next decade or so, with the help of Japanese investment, I believe Vietnam has the potential to compete with the more developed countries in Southeast Asia,” Takimoto added. ♦

www.vn.emb-japan.go.jp  
www.jetro.go.jp/vietnam

## Toyota: The most valuable automotive brand in Vietnam

In Vietnam, the last two decades have seen car sales steadily increase along with the country’s economic growth. While still a relatively small market compared to its Southeast Asian neighbors, Vietnam is the fastest growing automotive market in the region.

“I first came to Vietnam in 1996 to establish our Vietnamese factory and sales network,” said Toru Kinoshita, president of Toyota Motor Vietnam Co. Ltd. (TMV).

“I worked here again in the late ‘90s for a few years and when I returned in 2017, I was immediately struck by how much the country had developed and progressed.”

As one of the first automotive joint ventures in Vietnam, TMV enjoys a 24 percent market share and has become the most valuable automotive brand in the Vietnamese market. The auto giant assembles 50,000 units a year and total sales have already exceeded 500,000 units. Among the domestic products, Vios, the core strategic model, has consistently been the best-selling model in the market for cumulative years.

“For more than 20 years since its establishment,

“Toyota Vietnam will continue our commitment to foster local production, going along with the development of the country on its journey toward motorization.”

TORU KINOSHITA  
President  
Toyota Motor Vietnam Co. Ltd.



TMV has reinforced our leading position in Vietnam’s automobile industry for multiple years in a row, not only in business, but also in social contributions as a good citizen of Vietnam,” said Kinoshita.

TMV’s commitment to the local manufacturing industry was tested last year when the government lifted tariffs on imported cars from Association of Southeast Asian Nation countries.

“Local automotive players were concerned with their ability to compete with imported vehicles,” said Kinoshita.

“To meet the growth of Vietnam market potentiality, Toyota Vietnam will continue our commitment to foster local production, going along with the development of the country on its journey toward motorization.”

With over 1,900 employees and more than 6,000 employees working in 56 dealers and outlets across the country, Toyota aims to consolidate its position as the automotive ‘king of the road’ and contribute to the development of the Vietnamese automobile industry.

“Through the support of the government and the administration’s policies to protect the local automotive industry, we have full confidence in Vietnam and the people here, whom we have come to appreciate so much.” ♦

www.toyota.com.vn  
www.toyotavn.com.vn



The 2018 Toyota Vios

## Vietnam’s first choice for MEP solutions

In just five years, JESCO Hoa Binh Engineering JSC (JHE), a joint venture between Vietnamese and Japanese companies, has achieved dramatic and rapid growth with annual sales reaching \$21.6 million in 2018, approximately eight times the sales made in 2013 (\$2.6 million), a year prior to the JHE joint venture.

JHE was established in 2014 between Vietnam’s leading general contractor Hoa Binh Construction Co. and JESCO Asia JSC, a subsidiary of Japan’s JESCO Holdings Inc.

Toshiyuki Mitsumoto, general director of JHE, believes the dedication and unity of his team of over 200 employees has been central to the success of the company.

“The key to success is to understand the human re-

“The most important link between Jesco Asia and Hoa Binh Vietnam is our human relationship. Jesco Hoa Binh is on the way reaching new heights and approaching to enormous projects by Vietnamese teamwork.”

TOSHIYUKI MITSUMOTO  
General Director  
JESCO Hoa Binh Engineering



lationships with the Vietnamese people, building strong teamwork where all our employees can unite to achieve a common goal,” said Mitsumoto.

“Last year we participated

in numerous corporate social responsibility initiatives, including donating blood to the Vietnam Red Cross and providing uniforms and stationery to schools educating children

from low-income households,” said Mitsumoto. “These activities bring our company closer together and enable us to give back to the communities in which we work.”

Over the course of the next five years, Mitsumoto plans to increase JHE’s business. Vietnam’s real estate and construction industries show no sign of slowing down and the company also sees opportunities in neighboring Southeast Asian markets.

“We focus on building trust and developing relationships with our customers and have collaborated with leading private developers in Vietnam such as Nam Long (Flora Mizuki Park), NovaLand (Sunrise City View), Gamuda Land (Celadon City) and Tien Phat (Ascent Lakeside) in addition to working on

public sector projects. Last year we were awarded the prestigious High Quality Construction prize from the Ministry of Construction,” said Mitsumoto.

“We have achieved success by delivering the best quality service that is also safe and on time. Rather than aiming to become the number one mechanical, electrical and plumbing services company in Vietnam, we intend to become the best company we can be by working closely with our trusted clients and continuing to contribute to the development of Vietnam,” Mitsumoto concluded. ♦



www.jescohoabinh.com

## Vietnam Consulting Group: Cultivating exciting new partnerships

As one of the first management consulting groups established in Vietnam, Vietnam Consulting Group (VCG) celebrates twenty years next year.

Founder and CEO Doan Huu Duc believes the success of VCG is based on strong Japanese partnerships. The company has been developing businesses with Japan for more than a decade. First starting with payment services, VCG then began working within the retail and communication spaces by collaborating with multinationals such as JCB, Takashimaya, Sojitz, Ministop, Brainwork and Fuji TV to name a few.

In March 2019, VCG reached a major landmark with their fintech division, Bankmart, having signed an agreement with GRAB, a SoftBank investment, on all mobile payments. The milestone agreement makes VCG the exclusive outsourcing partner of GrabPay to acquire millions of merchants for the Southeast Asian ride-hailing giant. This new partnership follows decades of VCG’s success in credit card merchandising services for Vietcombank, the No. 1 credit card acquiring bank in Vietnam.

“There has never been a better time for Japanese enterprises to invest in



Doan Huu Duc, Founder and CEO of Vietnam Consulting Group

Vietnam,” said Duc. “The economic landscape has changed over the past decade and today provides more opportunities for Japanese investors and small- and mid-sized enterprises who are looking to capitalize on the dynamic local market, especially within the Mekong Delta’s agriculture and aquaculture industries.”

“Thanks to government initiatives, the Vietnamese private sector and SMEs are developing at an encouraging rate and becoming key factors in the country’s success. Our prime objective at VCG is to bring together these en-

terprises and those from Japan in order for them to collaborate and develop business together, especially in the food industry and food services sectors,” said Duc.

VCG has gone on to become the leading SME service provider in Vietnam. The company has supported thousands of local and international SMEs across the country since 2000 and also collaborates with organizations such as the International Finance Corporation, Asian Development Bank, and Deutsche Gesellschaft für Technische Zusammenarbeit.

VCG has also co-founded two Innovation Hubs, a co-working space and a center for startups. The first being the Saigon Innovation Hub (SIHUB) with support from HCM City People’s Committee. The second, Mekong Innovation hub (MEHUB), was co-founded last year in Can Tho, the Mekong’s capital city, together with the Vietnamese Chamber of Commerce and Industry and a Japanese partner, fueling the private sector development of the region. VCG are now designing the MIHUB center, which will be the first smart building within the Mekong region, coinciding with its 20th anniversary.

With the assistance of Japanese Official Development Assistance, the region’s recent infrastructure projects have sped up migration and urbanization into cities like Can Tho. This in turn, has fueled the booming real estate industry.

“We have collaborated with local authorities and Japanese businesses to optimize the urban design and development in these cities,” said Duc.

VCG collaborates with Japanese consulting firms and market leaders, organizing hundreds of training workshops and project-consulting events. The company works closely with chambers of commerce to bring Vietnamese and Japanese SMEs together at sporting events, trade fairs and business matching programs in Japan and Vietnam to promote bilateral trade.

In 2014, VCG brought Brainwork, one of their Japanese partners, to Can Tho, in order to connect with the local chamber of commerce. This led to the creation of Japan-Mekong Festival Week. “This year, we visited Hokkaido to promote the fourth Japan-Mekong Festival Week summit, which will be held in Can Tho this November,” said Duc. “Together with Brainwork and VCCI Cantho, we

hope to bring 300 Japanese visitors to the Mekong for our sport, racing and business matching events.”

Last year, the Japan-Mekong Festival was attended by more than 130 Japanese representatives. This year’s fourth Japan-Mekong Festival is expected to attract twice this number.

“The relationship between Japan and Vietnam have blossomed. The central and local government have recently confirmed that Japan must be the major international partner for the Mekong’s development for the coming decade, and Can Tho will be the entry point to the region’s development,” said Duc. “This is very encouraging for local SMEs and indeed the region’s agriculture industry. Our mission is to help nurture future partnerships and ensure Vietnamese enterprises grow together with their Japanese counterparts.” ♦



www.vietnamconsulting.com/en/



Hiroyuki Iwasa, General Director of Vina Kyoei Steel

together and we continue to base our business relationships on loyalty.”

Vina Kyoei Steel has also entered the Cambodian market in partnership with three major distributors. The company’s yearly sales volumes in Cambodia have increased drastically from 19,000 MT/year in 2015 to 167,000 MT/year last year.

“Our second steel rolling mill has enabled us to increase our sales volume from 440,000 MT/year in 2014 to 830,000 MT/year in 2018. Our objective for 2019 is to reach full capacity, a target that I am confident we will achieve.”

One of the reasons for Vina Kyoei Steel’s success is the company’s network of 20 distributors across the country.

“Our business is based on trust and we have built strong and long-lasting relationships with our distributors,” said Iwasa. “A number of distributors whom we supported in the early days have become some of the largest in the industry. We have grown

“The Cambodian market has incredible potential,” said Iwasa. “We are fortunate to have established strong partnerships that we will develop in a similar manner to those we enjoy in Vietnam.”

With the increasing number of high-rise buildings and apartments in urban areas, demand for steel products has grown in recent years. While developers and contractors prioritize cost over quality and value, Vina Kyoei Steel is looking to challenge this trend.

“We have an advantage within the private housing sector as customers and end users prioritize quality over cost,” said Iwasa.

“We produce high-quality products at an internationally recognized standard. Vietnamese developers and contractors, especially those working on high-end developments, continue to appreciate the high-quality products that we are able to deliver.” ♦



www.vinakyoesteel.com.vn

