Vinh Phuc Province, Vietnam

Socialist Republic of Vietnam
Preparatory Study
for
Rental Factory Project for Japanese SMEs in Ba Thien 2 Industrial Park (PPP Infrastructure Project)

Final Report

March 2015

Japan International Cooperation Agency (JICA)

Daishinto Inc.
Itochu Logistics Corp.
InterAct Inc.
A.D. Works Corporation
Pacific Consultants Co., Ltd.

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Abbreviations

Abbreviation	English	Japanese
AIM	Alternative Investment Market	ロンドン証券取引所に設けられた新興企業向け市場
ASEAN	Assosiation of South-East Asian Nations	東南アジア諸国連合
ADSL	Asymmetric Digital Subscriber Line	非対称デジタル加入者線
Ba Thien 2	Ba Thien 2 Industrial Park	第2バ・ティエン工業団地
BCC	Buisiness Co-operation Contract	事業協力契約
BOO	Build-Own-Operate	建設・所有・運営方式
BOT	Build-Operate-Transfer	建設・運営・譲渡方式
BT	Build-Transfer	建設・譲渡方式
BTO	Build-Transfer-Operate	建設・譲渡・運営方式
CIT	Corporate Income Tax	法人所得税
CPI	Customer Price Index	消費者物価指数
DONRE	Department of Natural Resources and Environment	ヴィン・フック省天然資源環境局
DSCR	Debt Service Coverage Ratio	デット・サービス・カバレッジ・レシオ
EIA	Environmental Impact Assessment	環境影響評価
EIRR	Economic Internal Rate of Return	経済的内部収益率
E-IRR	Equity-Internal Rate of Return	Equity IRR
EPE	Export Processing Enterprise	輸出加工企業
EXIM Bank	Vietnam Export Import Bank	ベトナム輸出入銀行
FDI	Foregin Direct Investment	外国直接投資
FIA	Foreign Investment Agency	「ベ」国計画投資省外国投資庁
FOB	Free on Board	FOB 業務
FS	Feasibility Study	事業化検討調査
GDP	Gross Domestic Product	国内総生産
IP	Industrial Park	工業団地
IPA Vinh Phuc	Vinh Phuc Investment Promotion Agency	ヴィン・フック省投資促進支援委員会
IPC	Investment Promotion Center	外国投資庁投資促進センター
IRR	Internal Rate of Return	内部収益率
IT	Information Technology	情報技術
IZMB	Industrial Zone Management Board	工業団地管理委員会
JBIC	Japan Bank for International Cooperation	株式会社国際協力銀行
JETRO	Japan External Trade Organization	独立行政法人日本貿易振興機構
JICA	Japan International Cooperation Agency	独立行政法人国際協力機構
JPY	Japanese Yen	日本円

Abbreviation	English	Japanese
LLCR	Loan Life Coverage Ratio	ローン・ライフ・カバレッジ・レシオ
Long An IP	Long An Industrial Services and Residential	ロンアン工業団地
MMI	Mercalli Intensity Scale	改正メルカリ震度階級
MONRE	Ministry of Natural Resources and Environment of the Socialist Republic of Vietnam	「ベ」国天然資源環境省
MPI	Ministry of Planning and Investment	「ベ」国計画投資省
NAV	Net Asset Value	総試資産総額
NGO	Non-Govermantal Organizations	非政府組織
NPV	Net Present Value	現在価値
ODA	Official Development Assistance	政府開発援助
PC	Personal Computer	パーソナルコンピュータ
P-IRR	Project-Internal Rate of Return	Project IRR
PPP	Private Public Partnership	官民連携
PSIF	Priavate Sector Investment Finance	海外投融資
SPC	Special Purpose Company	特別目的会社
SMEs	Small and Medium-sized Enterprises	中小企業
USD	United States of America dollar	米ドル
VAT	Value-added Tax	付加価値税
VEA	Vietnam Environment Administration	ベトナム環境総局
Vietcombank	Joint Stock Commercial Bank for Foreign Trade of Vietnam	ベトナム外商銀行
VietinBank	Vietnam Joint Stock Commercial Bank for Insdusry and Trade	ベトナム商工銀行
Vina CPK	Vona CPK Limited Company	Vina CPK 株式会社
Vinh Phuc PC	Vinh Phuc People’s committee	ヴィン・フック省人民委員会
VMI	Vendor Managed Inventory	ベンダー・マネージト・インベントリー方式
VND	Vietnamise Dong	ベトナムドン
VNI	Vietnam Infrastructure Limited	ベトナム・インフラストラクチャー・リミテッド
VNL	VinaLand Limited	ビナランド・リミテッド
VOF	VinaCapital Vietnam Opportunity Fund Limited	ビナキャピタル・ベトナム・オポチュニティ・ファンド・リミテッド
WHO	World Health Organization	世界保健機関
WTO	World Trade Organization	世界貿易機構

Chapter 1 Introduction

1.1 Basic Policies for Project Implementation

In Vietnam, supporting industries such as machinery manufacturing, electronics and telecommunication, automobile parts assembly, spinning and sewing, leather and footwear and high-technology are still under-developed. Therefore, the local procurement ratio by Japanese companies located in Vietnam is as low as 32.2% in 2013 and they depend much of raw materials on imports from overseas. The development of supporting industries by increasing local procurement ratio is essential to improve cost competitiveness.

Under this circumstance, the Vietnamese government sets a national objective, that is, "creating a foundation for the country to basically become a modernity-oriented industrial nation by 2020", in Socio-economic Development Plan for the 2011-2015 period. It also commits to rapid development of supporting industries for economic development in the Decision No. 34/2007/QD-BCN on the approval of support industry development plan through 2010 and vision to 2020 and the Decision No. 12/2011/QD-TTCP on development policies for a number of support industries, which is detailed regulations of the master plan.

The development of supporting industries is one of the important items dealt continuously under the Japan-Vietnam Joint Initiative. In the 4th phase, whose evaluation was conducted in December 2012, 1) investment invitation policies in terms of taxation, cost and funds and 2) formulation of the guideline and direction for the development of industrial parks for supporting industries were set out as action plans for foreign investment invitation, based on the recognition that inviting investment from overseas, mainly from Japanese companies supporting the industries, is as important as fostering domestic companies. With these action plans, the guideline on the development of industrial parks for supporting industries was promulgated but development for small-scale industrial parks for SMEs is not progressing despite of a number of SMEs in supporting industries, as they are not as profitable as general industrial parks for larger companies. While some Japanese automakers and other companies have expanded into Vinh Phuc Province, a suburb of the capital Hanoi, there are not enough SME rental factories for industry-related SMEs to move into. This and other issues point to an urgent need for development of industrial parks for SMEs.

Foreign companies and especially foreign SMEs have some difficulties in acquiring approvals and licenses when beginning operation. As such, it is important that support for licensing and administrative procedures accompany development of industrial parks for SMEs.

1.2 Purpose of the Study

The purpose of this Study is as follows;

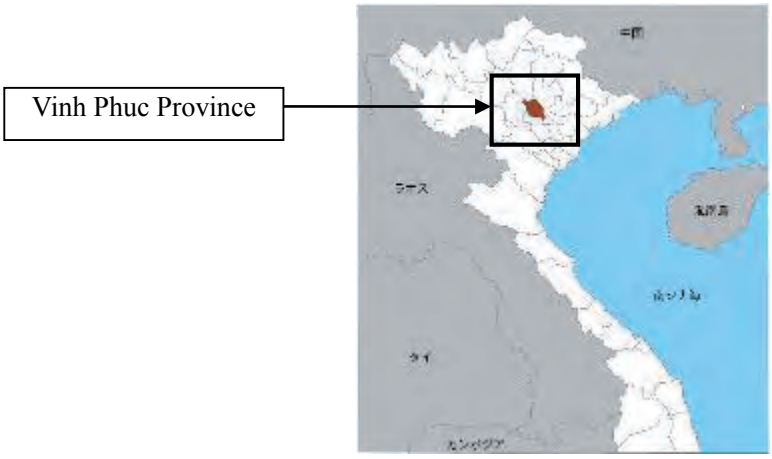
1) To examine the feasibility of private investment in the Project by confirmation of private investment environment, demand forecasting, consideration of the scope of project, financial analysis, risk analysis, verification and implementation of environmental and social consideration, preparation of a draft government support plan and market sounding.
2) To prepare a draft term sheet of principal conditions of loan agreement, and a draft term sheet of government guarantee as necessary.

1.3 Study Area

The target site for rental factories for Japanese SMEs is located in Ba Thien 2 Industrial Park, one of the industrial parks in Vinh Phuc Province, Northern Vietnam.

The Industrial Park has good access to major transportation infrastructure; 50 km from Hanoi, 6 km from Asian Highway (Noi Bai- Lao Cai Highway) and 25 km from Noi Bai International Airport. The distance from Hai Phong Port is 160 km and that from Cai Lan deep seaport in Quang Ninh Province is 170km.

Country:	Socialist Republic of Vietnam
Area:	Vinh Phuc Province, Binh Xuyen District
Target Site:	Within Ba Thien 2 Industrial Park



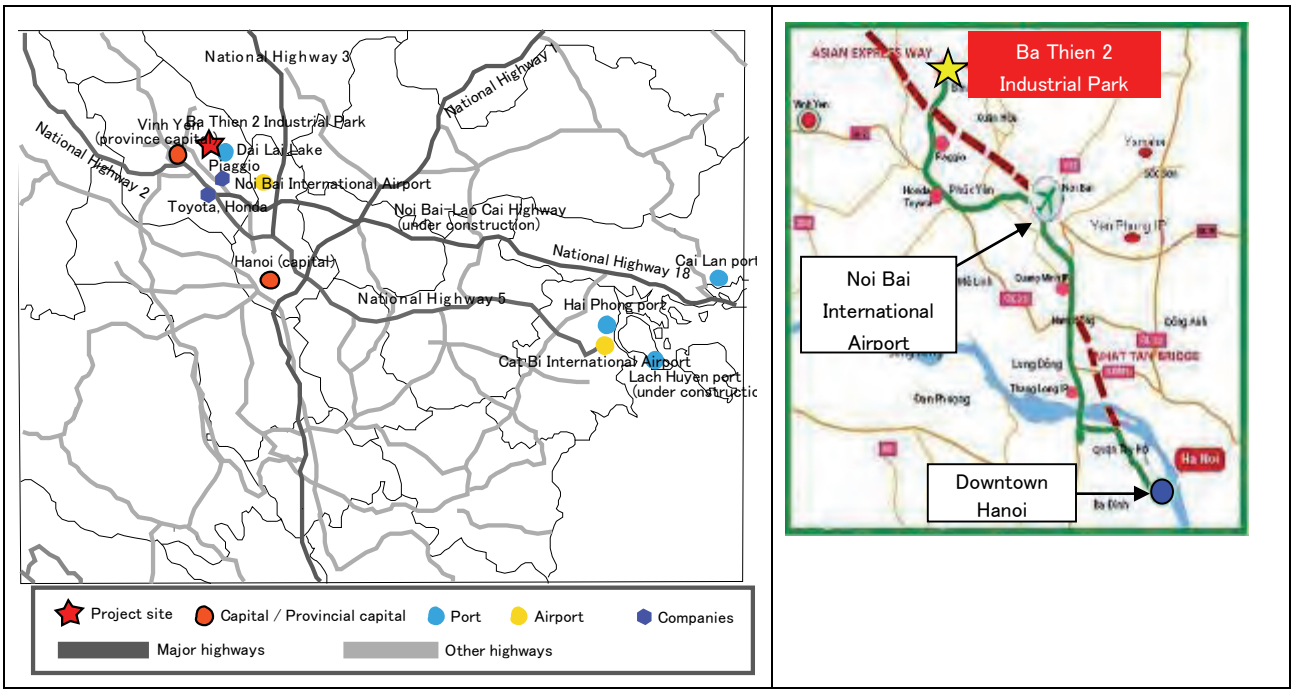


Figure 1-1: Study Country and Area Location Map

1.4 Project Overview

1.4.1 Project Site

The Project site is the Phase 2 area (48ha) of the Industrial Park. Land development, roads (RC pavement), water supply and wastewater main piping and other infrastructure in the Industrial Park are almost complete. Firm ground and non-flood prone area at 19 meters above sea level also give favorable conditions.

To date, factories have already been built by three companies in the whole Industrial Park, namely, Nippon Paint Co., Ltd. and a South Korean company in the Phase 2 area and Suzukaku Co., Ltd in the Phase 1.

Figure 1-2: Ba Thien 2 Industrial Park Project Site

1.4.2 Overview of Considered Infrastructure Project

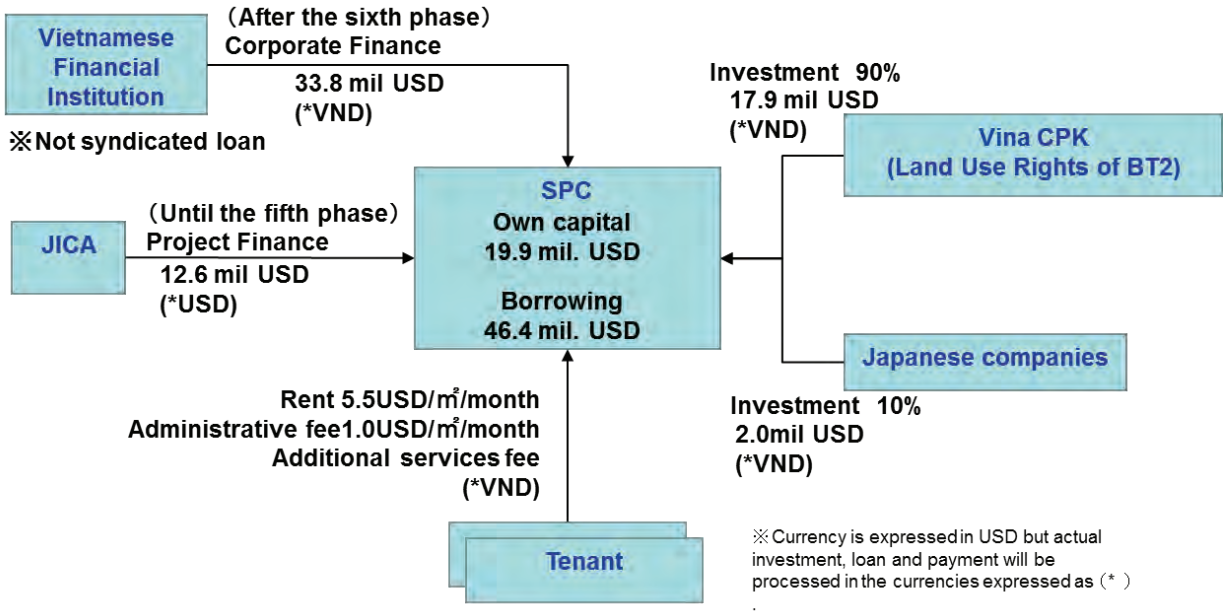
Design, construction maintenance and operation are planned for rental factories for Japanese SMEs in the Project Site. The provision of following services for tenant SMEs are considered in order to support them: expansion assistance services including investment certificate acquisition, operational assistance services, meal services, vehicle services, IT services, logistics services, insurance services, logistics financing services, and housing services including serviced apartments.

Apartment-type of 360-540 ㎡ par lot, two-in-one type of approximately 1,000 ㎡ and stand-alone type of 2,000 ㎡ and over are planned based on the demand forecasting and the market survey as the Project mainly targets at SMEs.

1.4.3 Considered Project Planning

(1) Project Scheme

Vina CPK, a partner company of the Project and the Japanese companies comprising the consortium jointly invest in and establish an SPC which implements the rental factory project for Japanese SMEs. The SPC procures construction cost by capital and loan. Investment ratio is 90% for Vina CPK and 10% for the Japanese companies comprising the consortium. The first five years of loans will come directly from JICA PSIF and Vietnamese financial institutions will provide corporate financing from the sixth year on. SPC will implement the rental factory project by revenue from rent, administrative fees and additional services fees paid from tenants.



(Prepared by the study team)

Figure 1-3: Project Scheme

(2) Operational Plan

The services SPC provides to tenant companies are divided into two types: basic services and additional services. Basic services are those for rental factory maintenance and operation, and expansion assistance. SPC will collect fees from rent and administrative fees by tenant companies. Additional services are operational assistance services, meals, vehicles, IT, logistics, insurances, housing, introduction of candidate companies for tie-ups, and business matching, etc. Tenant companies will pay fees for each

service separately from rent and administrative fees to companies providing additional services, and SPC will collect comission fees from those companies.

Table 1-1: Manner of Providing Services

	Basic services		Additional services
What tenant companies pay	Rent, administrative fees	Rent, administrative fees	Individual fees (different for each service)
Target services	-Rental factory maintenance and operation -Common facility maintenance and operation	-Expansion assistance *If the building permit services, fire permit services and EIA assistance of individual companies differ from one another, they will be charged separately.	- Operational assistance -Introduction to possible tie-up partner companies, business matching support -Meals, vehicles, IT, logistics, insurance -Assistance with securing a workforce -Serviced apartments next to industrial parks
System for providing services	A. Provided directly to tenant companies by SPC	B. Subcontracted to specialized companies by SPC and provided to tenant companies by those specialized companies	C. Provided to tenants by companies providing additional services SPC introduced to tenants.

(Prepared by the study team)

The table below shows the proposed division of roles between member companies and additional companies for the Project. When "SPC" appears in the rightmost column, it means that SPC itself is to provide services. For more details about each service, see Chapter 9 and Chapter 11.

Table 1-2: Proposed Division of Member Company Roles

Item	Details	Type	Proposed division of roles (companies to provide services)
Factory operation	・Operation of rental factories and common facilities	●	SPC
Factory construction	・Construction of rental factories and common facilities	●	Japanese construction companies
Maintenance	・Maintenance of rental factories and common facilities	●	SPC, specialized companies
Expansion assistance	・Overseas expansion consulting services	●	SPC, Operation Company V
	・Investment development permission acquisition services	●	SPC, Operation Company V
	・Moving preparation assistance services	●	SPC, Operation Company V
	・Building permit and fire permit acquisition services	●	Specialized companies
	・EIA assistance services	●	Specialized companies
Operational assistance	・Employment, legal, accounting	○	Specialized companies
	・Environmental matters	○	Specialized companies
	・Assistance with securing a workforce	○	Partner companies (Japanese language schools)
	・Introduction to possible tie-up partner companies	○	SPC or partner companies
	・Business matching support	○	SPC or partner companies
Meals	・Meal services	○	Galaxy Shidax (Shidax)
Vehicles	・Personal cars for company presidents and other executives	○	Galaxy Shidax (Shidax)
	・Personal cars for permanent employees	○	Galaxy Shidax (Shidax)
	・Shuttle buses for local staff members	○	Galaxy Shidax (Shidax)
	・Buses and passenger cars for business travelers and inspection groups	○	Galaxy Shidax (Shidax)
IT	・IT consulting groups	○	Partner companies (IT vendors)
	・IT maintenance and operation services	○	Partner companies (IT vendors)
	・Network quality control services	○	Partner companies (IT vendors)
	・IT environment creation services	○	Partner companies (IT vendors)
	・IT equipment rental services	○	Partner companies (IT vendors)
	・Software sales and cloud services	○	Partner companies (IT vendors)
Logistics	・Factory facilities, machinery and equipment shipping, installation and setup	○	Itochu Logistics
	・Material procurement and shipping	○	Itochu Logistics
	・Product shipping	○	Itochu Logistics
	・Rental warehouses (storage services)	○	Itochu Logistics
	・Personal moving for permanent employees	○	Itochu Logistics
	・Logistics financing	○	Export management companies
Insurance	・Comprehensive packages suited to tenants	○	Willis Group
	・Individual insurance (including introductions)	○	Willis Group
Housing	・Serviced apartments next to industrial parks	○	ADW

●: Basic service, ○: Additional service

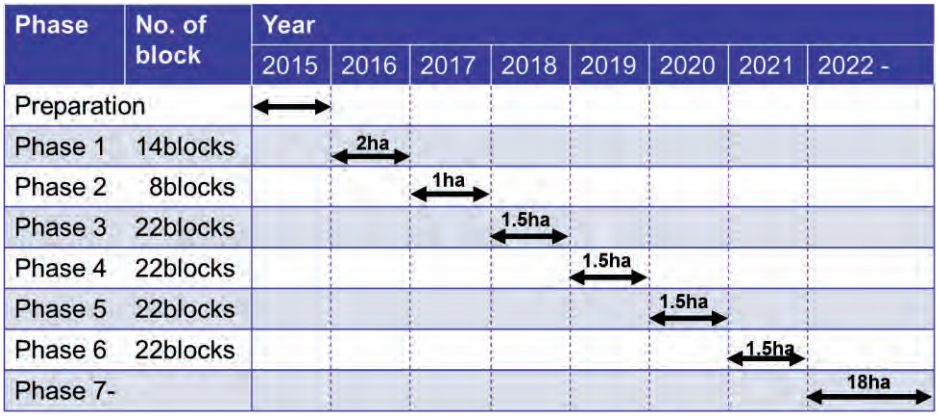
(Prepared by the study team)

(3) Project Implementation Schedule

SPC is scheduled to be established in 2015. Once established, SPC will acquire permits and approval required to construct and operate rental factories for Japanese SMEs, and will begin construction of Phase 1 in 2016. Operation of Phase 1 will start in January 2017 and will be complete in 2052.

From 2016 to 2021, a total of 9.0 ha of land will be developed: 2.0 ha in Phase 1; 1.0 ha in Phase 2; and 1.5 ha in each of Phases 3 through 6. Phase 7 and onward involve phased development based on demand and intent to occupy rental factories in Phases 1 through 6. Thus, the content will be determined in light of factors such as deliberations with Vina CPK and progress to that point. However, as of now, plans call for the development of approximately 18 ha of the land in 2022 and onward.

Table 1-3: Proposed Number of Blocks to be Developed



(Prepared by the study team)

Table 1-4: Development Schedule and Development Area

Phase	Construction	Inauguration of business	Land area	Building area
Phase 1	2016	January 2017	20,000 ㎡	10,438 ㎡ (of which the administrative building: 500m²)
Phase 2	2017	January 2018	11,820 ㎡	6,182 ㎡
Phase 3	2018	January 2019	15,410 ㎡	8,060 ㎡
Phase 4	2019	January 2020	15,410 ㎡	8,060 ㎡
Phase 5	2020	January 2021	15,410 ㎡	8,060 ㎡
Phase 6	2021	January 2022	15,410 ㎡	8,060 ㎡
Phase 7	2022	January 2023	184,850 ㎡	89,861 ㎡ (of which the administration building: 500m²)
		Total area	278,310 ㎡	138,721 ㎡ (of which the administration building: 1,000m²)

(4) Expected Demand

The target number of companies the Project should attract per year has been set at 10. Assumed industries are Japanese manufacturing and processing industries (industries related to motorbikes and four-wheeled vehicles, industries related to electronic and electrical machines, etc.). For more details, see Chapter 6.

Table 1-5: Expected Demand (target number of tenant companies)

Type	Mindset and Approach	Perspective Demand
Macroeconomic demand forecast	Expected demand in reference to the number of investment programs of Japanese companies in Vietnam	Approx. 5 tenants/year *Increase projected
	Expected demand in reference to the target investment amount set by Vinh Phuc Province	Approx. 15-16 tenants/year
Microeconomic demand forecast	Expected demand based on future partnerships with other organizations supporting overseas business expansion of SMEs	Approx. 9-11 tenants/year
(Reference)	Occupancy statistics from similar rental factories (Kizuna Rental Factories)	Average of approx. 15 cases/year
	Vinh Phuc Province investment environment improvement expert opinions	10 cases/year is appropriate
Target number of tenant companies under the Project		**Approx. 10 tenants/year**

(Prepared by the Study Team)

(5) Estimated Total Cost of the Project

The entire construction cost of the Project is 13.1 million USD for acquiring land use right, 50.6 million USD for construction and 2.5 million USD for start-up and 66.2 million USD in total. Operating expenditure is estimated at 238.7 million USD in total and operating income at 1,036.6 million USD in total. For more details, see Chapter 14.

Table 1-6: Estimated Total Cost of the Project

Item		Total during the entire project（million USD）
Entire construction cost 66.2million USD （approx. 7.8 billion JPY）	Cost for acquiring land use right	13.1
	Construction cost	50.6
	Start-up cost	2.5
Operating expenditure 238.7million USD （approx. 28.1 billion JPY）	Operation, maintenance and general administrative cost	89.8
	Repair, updating and demolition costs	130.0
	Cost of administrative office	3.6
	Marketing cost	11.9
	Intermediate fees	3.5
Operating income 1,036.6million USD （approx. 122.2 billion JPY）	Revenue from rents	932.1
	Revenue from additional service fees	104.5

*1USD=117.9JPY（Tokyo Market USD/JPY Spot As of 17 hours/End of January 2015, the Bank of Japan）

(Prepared by the Study Team)

(6) Financing Plan

The construction cost of 66.2 million USD will be procured 30% by capital and 70% by loans. Investment ratio will be 90% for Vina CPK and 10% for the Japanese companies comprising the consortium. The first five years of loans will come directly from JICA PSIF and Vietnamese financial institutions will provide corporate financing from the sixth year on. For more details, see Chapter 14.

Table 1-7: Estimated Total Cost of the Project

Item		Procurement amount	Grounds, etc.
Own capital	Investment	USD 19.9million (approx. 2.3 billion JPY)	・30% of the total construction cost ・90% by Vina CPK and 10% by Japanese side
Borrowing	JICA PSIF	USD 12.6million (approx. 1.5 billion JPY)	・First five years, 70% of the entire construction cost ・Project financing
	Vietnamese Financial Institutions	USD 33.8million (approx. 4 billion JPY)	・From sixth year on, 70% of the entire construction cost ・Corporate financing

*1USD=117.9JPY（Tokyo Market USD/JPY Spot As of 17 hours/End of January 2015, the Bank of Japan）

(Prepared by the Study Team)

As a result from financial analysis based on estimated total project cost and procurement plan discussed above, P-IRR is 18.88%, E-IRR is 23.36%, average DSCR during the project term is 3.670 and LLCR is 2.397. Thus, the rental factory has the potential to be a profitable project.

1.4.4 Project Innovation Potential

(1) Partnering with Local Authorities in Japanese Company Expansion Assistance Projects

Although no municipalities have invested or otherwise involved themselves in assisting rental factories in Vietnam, if such a thing were to happen, projects would be driven by a triumvirate of JICA, the local authorities and the SPC operating the rental factories. This would be a groundbreaking achievement and would serve as a model for projects assisting Japanese companies expanding into ASEAN member nations.

The following are benefits SMEs in the region receive through assistance from provinces:

- Risks and other problems during the initial expansion stage are significantly lessened
- Expectations rise for ease of obtaining loans from banks and other financial institutions (assuming a prior partnership with banks)
- It becomes possible to conduct a “local brand” of operation and business.

The following are benefits local authorities receive by directly involving themselves with these projects:

- Local authorities can demonstrate their spirit of innovation (it is very significant that this is achieved through association with a JICA project)
- It becomes possible to clarify many different types of assistance for SMEs in the region
- It makes the region more attractive for other companies looking to expand (and prevents headquarters from relocating to other provinces).

(2) Exclusive Operation of Rental Factories in Northwestern Vietnam

Although there are 28 rental factories in Northern Vietnam, there are only five examples of locations exclusively providing rental factory services. This is likely because only operating rental factories is not profitable. Some interviewees indicated that they only provided rental factory services to increase the added value of industrial parks, and that they envisioned operating industrial parks concurrently as rental factories once tenant companies rented for a certain period of time and moved toward purchasing land. However, exclusively operating rental factories would be a major step toward meeting the precise needs of Japanese SMEs.

The five locations that exclusively provide rental factory services are all located in Northeastern Vietnam (east of Hanoi), and there are no exclusive rental factories, and no Japanese-only factories in particular, in Northwestern Vietnam, which includes developmentally lagging Vinh Phuc Province; there is still little awareness of rental factories in and around the region. The region shows potential for investment to continue into the future with improved transportation accessibility and a burgeoning workforce among other factors, but it is difficult to project its future prospects and there is some risk to implementing a project based purely on private-sector business.

In light of the above, it would be extremely bold and innovative to use JICA PSIF, which are public funds, to implement an exclusive rental factory project in Vinh Phuc Province, which is developing more slowly than Northeast Vietnam. The Project would also encourage Japanese companies to expand into the region and make a significant contribution to the social and economic development of a developing region.

1.4.5 Project Risks

Primary risks relevant to the implementation of the Project and methods for hedging risks are discussed below. For more details, see Chapter 12.

Table 1-8: Project Risk and Methods for Hedging Risks

No.	Risk	Countermeasures[1]	Method of Hedging
1	Sponsor risk	Avoid Reduce	・Obtain and analyze supplementary materials, etc. related to the financial condition of Vina CAPITAL and Vina CPK and the actual operation of the industrial park to assess the sponsors' qualifications as partners. ・Thoroughly study and analyze relevant information about CPK Vinh Phuc Joint Stock Company, which has a minor stake in Vina CPK, to assess whether or not sponsor risk exists.
2	Investor/project approval system risk	Reduce	・Hold discussions with Vinh Phuc Province to clarify the procedures for obtaining investment certificates;

[1] Countermeasures to take against risks are separated into four categories: Avoid, Reduce, Maintain and Shift.

No.	Risk	Countermeasures[1]	Method of Hedging
			applying for building, fire and environmental permits; and other approval regarding the implementation of the Project, and appeal for support for streamlined approval acquisition. ・Appeal to shorten the time required for procedures. ・Hold discussions with Vinh Phuc Province to clarify incentives applicable to the Project, and appeal for those incentives to be granted without fail.
3	Foreign remittance risk	Reduce	・Appeal to Vinh Phuc Province and the government of Vietnam for the softening or elimination of regulations.
4	Funding risk	Reduce Avoid	・Use the JICA investment and loan system, to procure funding at low interest rates. ・Reduce funding risk with corporate financing on the strength of the creditworthiness of partner company Vina CAPITAL.
5	Market (macroeconomic) risk	Reduce	・Make an effort to gather information about factors such as the market environments surrounding Asian nations and industrial trends related to the ASEAN economic integration in 2015 in order to recognize signs of market risk as soon as possible.
6	Operational (commercial) risk	Reduce	・Make an effort to gather information about factors such political and economic situations and industrial trends in Asian nations in order to recognize signs of risk as soon as possible.
7	Social situation risk	Reduce	・The Project site was assessed as stable and secure, but events such as anti-China demonstrations could erode that stability and security. The demonstrations are calming down, but observe trends in Vietnam, China and other Asian nations in order to recognize signs of worsening situation as soon as possible.
8	Technical/completion risk	Reduce	・Appropriately supervising and monitoring construction companies prevents risks from materializing. ・Project costs are estimated after obtaining quotes from multiple companies, including both Japanese and local construction companies. However, reviewing project costs and observing trends in

No.	Risk	Countermeasures[1]	Method of Hedging
			markets related to construction as the Project is being implemented prevents risks from materializing.
9	Environmental risk	Reduce	・Make an effort to promptly and continuously gather information about the risks of air pollution and epidemics in order to recognize signs of risk occurring or spreading as soon as possible. ・Observe environmental laws and regulations in order to prevent environmental risks from materializing.
10	Relevant infrastructure and utility risk	Reduce	・Install emergency household power generators on the grounds of the Project site to mitigate the risk of power outages and water supply interruptions due to widespread power outages. ・Draft plans to continue the Project during water supply interruptions, power outages and other emergencies.
11	Risk of accidents/disasters	Shift	・Enroll in various insurance plans (construction, fire, automobile, accident, liability, workers' compensation, etc.) in an effort to shift damage from accidents and disasters.

(Prepared by the study team)

1.4.6 Points to Consider Regarding the Environmental and Social Considerations

Rental factories for Japanese small and medium enterprises will be developed within Ba Thien 2 Industrial Park which is outlined in the industrial park development plan of Vinh Phuc Province. The Environmental Impact Assessment (EIA) for the development of Ba Thien 2 industrial park has already obtained approval, and measures to mitigate potential environmental impacts have been planned and implemented.

Land acquisition and preparation of the Project Site has already completed, and since there were no resident subject to resettlement, irreversible impacts were not assumed. Environmental and social impacts are generally contained within Ba Thien 2 Industrial Park, and is believed it can be dealt with regular measures.

Tenant companies will be required to prepare a separate EIA report according to their industrial sector.

1.5 Study Implementation Structure

A list of study team members is shown below.

Table 1-9: Study Team Member List

Name	Assignment	Institution
KIYOMI YUJI	Project management	Daishinto Inc.
YASHIMA YUICHIRO	Deputy project management/ Project concept, facility development and operation plan	InterAct Inc.
NAITO SEIJI	Deputy project management/ Project plan, risk analysis and economic and financial analysis	Pacific Consultants Co., Ltd.
MURAMATSU KAZUYA	Project concept (1), economic and financial analysis (1)	Pacific Consultants Co., Ltd.
TAKAO KENICHI	Project concept (2)	Daishinto Inc. (Additional Company)
YOSHIKAWA HIROSHI	Case study and market research (1)	Itochu Logistics Corp. (Additional Company)
SAITO SHIGERU	Case study and market research (2)	Daishinto Inc. (Additional Company)
NAKAMURA KOICHIRO	Case study and market research (3)	Itochu Logistics Corp.
MATSUZUKI SAYAKA	Case study and market research (4)	Pacific Consultants Co., Ltd.
KANNAMI YASUO	Demand forecast (1)	Pacific Consultants Co., Ltd.
ENDO SHINTARO	Demand forecast (2)	Daishinto Inc. (Additional Company)
AKIOKA ICHIRO	Facility development and maintenance plan (1)	Pacific Consultants Co., Ltd.
KATO HISAAKI	Facility development and maintenance plan (2)	Pacific Consultants Co., Ltd.
TANIGUCHI TOKUJI	Facility development and maintenance plan (3)	Pacific Consultants Co., Ltd.
SUZUKI TAKEYUKI	Facility development and maintenance plan (4)	Pacific Consultants Co., Ltd.
WATANABE HIROKI	Operation plan (1)	Daishinto Inc.
KANEKO KOJI	Operation plan (2)	A.D. Works Corporation
KURE YOSHIHIRO	Operation plan (3)	Itochu Logistics Corp.
SATO AKIHIRO	Operation plan (4)	InterAct Inc.
HIROSE AKIHIDE	Operation plan (5)	Itochu Logistics Corp. (Additional Company)
YAGI AKIRA	Operation plan (6)	A.D. Works Corporation
KIUCHI KEISUKE	Operation plan (7)	Daishinto Inc. (Additional Company)
NOBUI YU	Operation plan (8)	Daishinto Inc. (Additional Company)
SHIRAISHI TAKAO	Operation plan (9)	Itochu Logistics Corp. (Additional Company)
KOSHIDAKA NATSUKI	Operation plan (10)	A.D. Works Corporation
HASHIZUME ATSUKI	Operation plan (11)	A.D. Works Corporation
SANEMATSU YUJI	Operation plan (cost estimation)	Daishinto Inc. (Additional Company)
MATSUNO SHIGEMASA	Risk analysis (1)	Itochu Logistics Corp.
TSUCHIYA YUJI	Risk analysis (2)	Itochu Logistics Corp. (Additional Company)
SIBAZAKI KOICHIRO	Environmental and social consideration	Pacific Consultants Co., Ltd.
YOSHIKAWA YASUYO	Relevant legislation	Pacific Consultants Co., Ltd.
MUTO SHIRO	Relevant legislation	Pacific Consultants Co., Ltd. (Additional Company)

Name	Assignment	Institution
IWASAWA MAKOTO	Economic and financial analysis (2)	Daishinto Inc. (Additional Company)
ESUMI HIDEKI	Economic and financial analysis (3)	Itochu Logistics Corp. (Additional Company)
KAWASE HIDENORI	Financing plan	Daishinto Inc. (Additional Company)

1.6 Study Schedule

This study began in November 2013 and was planned to be complete by the end of March 2015.

Chapter 2 Confirmation of Necessity and Background for this Project

2.1 Socioeconomic Status of Vietnam

The Vietnamese government is currently focusing on upgrading economic infrastructure and developing SMEs and supporting industries in preparation for ASEAN economic integration in 2015 (2018 for some countries) and the removal of tariffs in the region in 2018, with a view to be a modern industrialized country by 2020. This section draws upon existing data to present recent and projected socioeconomic status in Vietnam, review strategic objectives for Vinh Phuc Province and verify the necessity of the Project.

2.1.1 Socioeconomic Status of Vietnam

Vietnam has continued to integrate with market economies and the international economy in recent years. In 2013, its GDP growth rate was 5.4%, and approved foreign direct investment (FDI) became 21.6 billion USD, 54.5% up from the previous year. Vietnam faces the challenges of macroeconomic stabilization and creating a better investment environment. The Vietnamese economy has focused on food product manufacture, light industries and other labor-intensive industries, but its workforce may depart for other countries once the ASEAN economic integration happens in 2015. In light of this, Vietnam's Socio-Economic Development Strategy 2011–2020 provides the following three priority initiatives for making Vietnam a modern industrialized country by 2020.

■ Human resources development, in particular improving and reforming skills in modern industries
- Focus on developing engineers, private sector workers and civil servants as industrialization progresses. Consider technical training for 1 million people in both urban and rural areas.

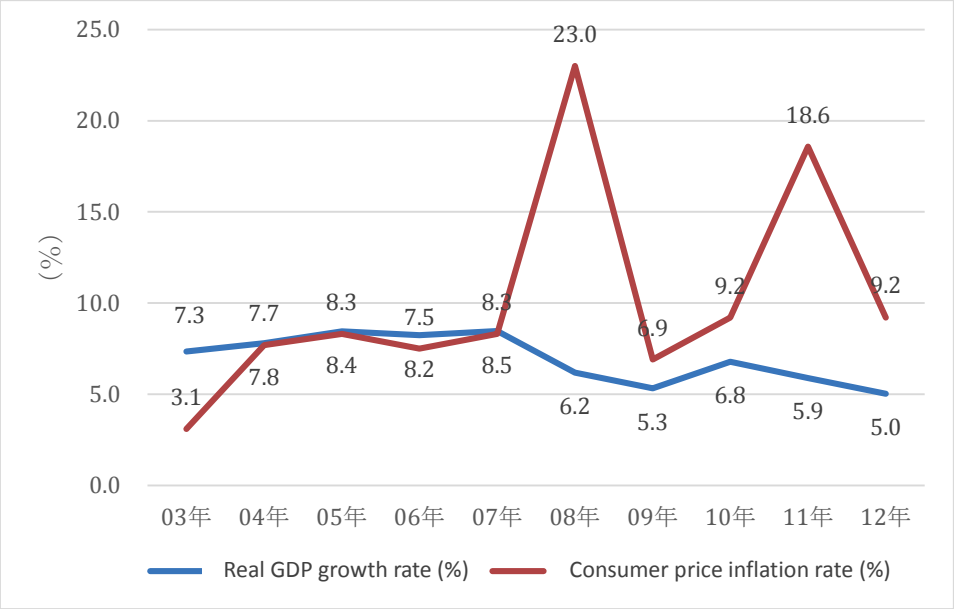
■ Market system reform
- Strive for improvement of regulation of the socialist market economy as in that of an ancient regime, macroeconomic stability and optimized resource mobilization. In particular, create industrial parks and clusters that solidify the foundation of industrialization.

■ Social infrastructure development
- Continue urban infrastructure development and raise major ports and airport facilities to international standards to drive industrialization. Also continue social infrastructure development in rural areas, fully considering the environment.

(Source: Poverty Profile Vietnam 2012)

Figure 2-1: Priority Initiatives in Socio-Economic Development Strategy 2011indus

In 2012, the real economic growth rate was 5.0% and consumer price growth rate was 9.2%. According to the General Statistics Office of Vietnam, consumer price growth rate in 2013 was 6.6%, the lowest in the past decades.



(Source: Basic economic index, December 12, 2012, JETRO)

Figure 2-2: Trend of Economic Index in Vietnam

2.1.2 Socioeconomic Status in Vinh Phuc Province

Vinh Phuc Province is located in Northern Vietnam. It is part of the metropolitan area surrounding Hanoi, the capital of Vietnam, and has been designated a critical economic region of Northern Vietnam. With railroads and national highways that connect to China as well as its proximity to Noi Bai International Airport, Vinh Phuc Province is an important part of Vietnam's transportation network.

As of 2012, the population of Vinh Phuc Province was approximately 1.02 million and the average age was as young as 28. Its workforce numbered 700,000 and the average annual salaries were 739USD as of 2010. As shown on the table below, there are 53 vocational schools in Vinh Phuc Province, including five high-ranking vocational colleges, two middle-ranking vocational colleges, 29 vocational training centers and seven combination educational-vocational training centers. Together they turn out over 50,000 graduates per year.

The industrial sector accounted for 53.4% of the economy in 2012, and the attraction of foreign investment continues to drive the industrialization of the province. To help the industrial sector contribute to meeting the target annual average GDP growth of 14% to 15% between 2011 and 2020 set forth in the Master Plan on Socio-Economic Development of Vinh Phuc Province through 2020, the government is promoting high-tech industries like electronics and telecommunications as well as motorcycle and motor vehicle assembly and parts manufacturing.

Table 2-1: Vocational Schools in Vinh Phuc Province

Type of Vocational School	Number of Schools
Total number of vocational schools	53
High-ranking vocational colleges	5
Medium-ranking vocational colleges	2
Junior colleges and vocational colleges with vocational training programs	10
Vocational training centers	※29
Educational-vocational training centers	7

*Three of the 29 centers plan to merge, leaving a future total of 26 centers.

(Prepared by the study team)

The government of Vinh Phuc Province is preparing a system to encourage investment by supporting investment from instructors, streamlining administrative procedures and establishing affiliated organizations for land acquisition and compensation. The geographical advantages and investor support policy described previously make Vinh Phuc Province an attractive target for foreign investors. According to field surveys, 141 FDI projects from 13 countries have poured a total of 2.7 billion USD into Vinh Phuc Province. Japan is responsible for 700 million USD by 21 projects, and corporations such as Toyota, Honda and Nippon Paint have expanded into the province.

Table 2-2: Number of FDI in Vinh Phuc Province

Year	Number of FDI	Amount (million USD)
2008	18	154.3
2009	N/A	N/A
2010	10	253.5
2011	6	40.3
2012	6	143.1

※FDI in 2009 is not published.

（Source : Website of the General Statistics Office of Vietnam）

2.2 Current Industry Trends and Challenges, and Government Plans

2.2.1 Current Status and Challenges of Industrial Park Projects in Vietnam

The Vietnamese government plans to triple the total area of industrial parks in Vietnam to 20,000 ha by 2020 in pursuit of modern industrialization. According to the Ministry of Planning and Investment (MPI), 180 of the 283 sites approved throughout Vietnam to become industrial parks were in operation as of 2012. However, that means over 100 industrial parks have not opened, despite being approved. This is likely due to factors such as the time required for developers to acquire land, the lack of prospects for funding and the high demand risk after opening. Nonetheless, their development and operation should proceed before any new industrial parks since no new industrial parks are being approved at this time.

According to data compiled by JETRO Hanoi, 85 of the 102 industrial parks in Northern Vietnam were in operation as of December 2012. 21 of those industrial parks have begun rental factory operations to address the rising demand for rental factories.

Rental factories at some industrial parks have low occupancy rates, and this is likely due to factors such as the lack of sufficient marketing, Japanese nationals to function as key people, advantages to the locations, small-scale rental factories, tax breaks and services related to relocating and operating there. Few Japanese companies in rental factories, especially in those managed by local Vietnamese companies, speaks to how important it is for Japanese SMEs with little experience expanding into foreign countries to have Japanese language support for licensing and legal and labor issues that arise before and after expanding into Vietnam.

Table 2-3: Industrial Parks and Rental Factories in Northern Vietnam

Province	Number of Industrial Parks (number in operation)	Number of Industrial Parks with Rental Factories (number of rental factories 1,000 m^2 or smaller)
Hoa Binh Province	6（3）	1(1)
Yen Bai Province	2（2）	0
Quang Ninh Province	5（4）	0
Thai Nguyen Province	5（5）	0
Bac Giang Province	4（3）	2(0)
Phu Tho Province	3（3）	0
Ha Noi City	12（11）	2(2)
Hai Phong City	7（7）	2(0)
Vinh Phuc Province	6（6）	2(2)
Bac Ninh Province	12（11）	4(1)
Thai Binh Province	7（6）	1(0)
Nam Dinh Province	3（3）	0
Hai Duong Province	9（8）	2(1)
Ha Nam Province	5（4）	3(3)
Hung Yen Province	10（5）	2(2)
Ninh Binh Province	6（5）	0
Son La Province, Dien Bien Province, Lai Chau Province, Cao Bang Province, Tuyen Quang Province, Ha Giang Province, Bac Kan Province, Lao Cai Province, Lang Son Province	0	0
Total	102（85）	21(12)

*Note that 20 industrial parks have been approved in Vinh Phuc Province (see Table 2-2).

(Reference: Northern and Central Vietnam Industrial Park Data, July 2013, JETRO Hanoi)

(Reference: List of Rental Factories in Northern and Central Vietnam, December 2012, JETRO Hanoi)

(Prepared by the study team based on field studies)

2.2.2 Current Status and Challenges for Supporting Industries and SME Development (Including the Rental Factory Project) in Vietnam

In Vietnam, local industries are underdeveloped and supporting industries have not fully matured. This causes many Japanese companies in Vietnam to import all raw materials and export all products, which keeps Vietnam from acquiring technology. In supporting industries, the Vietnamese government has encouraged automobile manufacturers to procure more materials locally, and proactively attracts foreign parts manufacturers to expand into Vietnam by allowing their full ownership of capital as an exception. However, Vietnamese parts manufacturers have yet to develop, and Vietnam's automobile industry is stuck importing raw materials and parts and assembling them in plants with cheap labor.

Northern Vietnam has seen an increased presence of major Japanese corporations in recent years, but its supporting industries are still not as developed as those of Southern Vietnam.

2.2.3 Vietnamese Government Plan and Policy for Industrial Park Development

In Vietnam's Socio-Economic Development Strategy 2011–2020, the Vietnamese government pledged to continue the development of industrial parks, encourage the development of industries by creating large-scale, highly effective multi-industry zones, complete the construction of high-tech parks and continue building multiple research institutions for technological innovation. Common Investment Law, Article 28, Paragraph 2 designates industrial parks as the regions where investment is encouraged, and it actively encourages the development of industrial parks through incentives for investors and for corporations that have expanded into them. There are also many cases where industrial parks enjoy priority electricity and water services.

2.2.4 Vinh Phuc Province Plan for Industrial Park Development (Vinh Phuc Province Industrial Park Development Master Plan)

Currently six industrial parks are in operation in Vinh Phuc Province. Industrial parks are mainly located in the central part of the province at least 10 meters above the surfaces of rivers and 13 meters above sea level to minimize the risks of flooding and landslides. This makes it possible to operate precision instruments in the industrial parks. They are also located near trunk roads and highways with no weight limits, facilitating access by large trucks.

In the Master Plan on Socio-Economic Development of Vinh Phuc Province through 2020, Vinh Phuc Province aims to develop a total of 6,000 ha in 20 industrial parks by 2020 and develop automobile, motorcycle and other machine industries, a high-tech electronics industry, construction material and supply industries and light industries as well as an agricultural produce processing industry and other traditional industries as prime industries.

The table below shows the currently approved industrial parks in Vinh Phuc Province.

Table 2-4: List of Industrial Parks in Vinh Phuc Province

No.	Name of Industrial Parks	Operating status
1	Kim Hoa Industrial Park	Y
2	Binh Xuyen Industrial Park	Y
3	Binh Xuyen 2 Industrial Park	Y
4	Ba Thien Industrial Park	Y
5	Ba Thien 2 Industrial Park	Y
6	Khai Quang Industrial Park	Y
7	Phuc Yen Industrial Park	N
8	Nam Binh Xuyen Industrial Park	N
9	Son Loi Industrial Park	N
10	Chan Hung Industrial Park	N
11	Tam Duong 1 Industrial Park	N
12	Lap Thach 2 Industrial Park	N
13	Hoi Hop Industrial Park	N
14	Tam Duong 2 Industrial Park	N
15	Lap Thach 1 Industrial Park	N
16	Song Lo 1 Industrial Park	N
17	Song Lo 2 Industrial Park	N
18	Thai Hoa–Lien Son–Lien Hoa Industrial Park	N
19	Vinh Tuong Industrial Park	N
20	Vinh Thinh Industrial Park	N

The table below shows information for the industrial parks in Vinh Phuc Province for which the number of laborers and a detailed breakdown of them was obtainable. The required number of full-time employees is fully satisfied; there is no shortage of laborers.

Table 2-5: Detailed Breakdown of Laborers Working at Each Industrial Park

Industrial Park Name	Kim Hoa Industrial Park	Binh Xuyen Industrial Park	Ba Thien Industrial Park	Khai Quang Industrial Park
Total number of laborers	8,700	7,413	652	29,979
(Schools attended)				
University graduates	N/A	1,246	116	2,825
Junior college graduates	N/A	450	46	1,709
Technical school graduates	N/A	2,036	108	9,170
Primary level	N/A	3,681	382	16,275
(Gender Ratio)				
Male	N/A	2,905	158	8,706
Female	N/A	4,508	494	21,273
(Origin)				
Vinh Phuc Province	N/A	5,731	594	26,053
Outside Vinh Phuc Province	N/A	1,682	58	3,926

(Prepared by the study team)

The table below shows the commuting distances and times of laborers working in industrial parks in Vinh Phuc Province. The average commuting distance is less than five kilometers, and motorcycles are the main mode of transportation.

Table 2-6: Commuting Distances and Times for Laborers Working at Each Industrial Park

Industrial Park Location	Longest Commute	Shortest Commute
Vinh Phuc Province	30 km, about 40 minutes	0.2 km, about 5 minutes
Outside Vinh Phuc Province	70km, about 120 minutes	40 km, about 50 minutes

(Prepared by the study team)

Below is a summary for each industrial park.

Table 2-7: Kim Hoa Industrial Park

No. 1 Kim Hoa Industrial Park		
Operator	Urban and industrial zone development investment cooperation (IDICO)	
Location	Phuc Yen City	
Environs	Along National Route 2 Noi Bai International Airport: 10 km Central Hanoi: 35 km Cai Lan deep seaport: 152 km Phuc Yen Station: 1 km Near the Hanoi–Lao Cai–Kunming railroad	
Registered capital	290,427,000 USD	
Paid capital	203,760,000 USD	
Land area	50 ha (Industrial park land: 45 ha)	
Registered investments	1	
Investments in progress	1	
Infrastructure development status	110/35/22-kV transformer station (80-MVA output), developed road network, water purification plant (20,000 m^3/day supply capacity), water supply and drainage system, wastewater treatment system, financial services, customs procedures, etc.	
Types of investments	Automobile and motorcycle parts manufacture and assembly	
Number of workers (as of July 2014)	8,700	

Table 2-8: Binh Xuyen Industrial Park

No. 2 Binh Xuyen Industrial Park		
Operator	An Thinh Vinh Phuc Construction Investment Co., Ltd.	
Established	2004	
Location	Binh Xuyen District	
Environs	Along National Route 2 Noi Bai International Airport: 18 km Central Hanoi: 45 km Cai Lan deep seaport: 160 km Railway station on the line from Hanoi to Lao Cai to Kunming: 2 km	
Registered capital	179,200,000 USD	
Paid capital	114,530,000 USD	
Land area	271 ha	
Industrial park area	186 ha	
Registered investments	38	
Investments in progress	35	
Infrastructure development status	110/35/22-kV transformer station (126-MW output), developed road network, Dao Duc water purification plant (20,000 m^3/day supply capacity), separate treatment systems for rainwater and wastewater, financial services, customs procedures, etc.	
Types of investments	Automobile and motorcycle parts manufacture and assembly, equipment manufacturing industry, electrical equipment, chemical products, new construction material manufacture	
Number of workers (as of July 2014)	7,413	

Table 2-9: Binh Xuyen 2 Industrial Park

No. 3 Binh Xuyen 2 Industrial Park		
Operator	Fuchuan Co., Ltd.	
Established		
Location	Binh Xuyen District	
Environs	Noi Bai–Lao Cai Highway: 2 km Noi Bai International Airport: 12 km Central Hanoi: 50 km Cai Lan deep seaport: 165 km Railway station: 4 km	
Registered capital	318,000,000 USD	
Land area	485 ha	
Industrial park area	302.6 ha	
Registered investments	3	
Infrastructure development status	110/35/22-kV transformer station (126-MW output), developed road network, Son Lo Water Purification Plant (100,000 m^3/day supply capacity), separate treatment systems for rainwater and wastewater, financial services, customs procedures, etc.	
Investment attraction areas	Mobile phone manufacture, electronic parts, LCD screens, electroacoustic equipment, semiconductor and high-tech electronic parts manufacture, software product production, digital data, software services, IT research, IT-related personnel education, electrical equipment manufacture, investment in research and development, supporting industries for the electrical and telecommunication industries	
Number of workers (as of July 2014)	N/A	

Table 2-10: Ba Thien Industrial Park

No. 4 Ba Thien Industrial Park		
Operator	Compal Vietnam Infrastructure Management and Development Ltd.	
Established	2007	
Location	Binh Xuyen District	
Environs	Noi Bai–Lao Cai Highway: 2 km Noi Bai International Airport: 12 km Central Hanoi: 51 km Cai Lan deep seaport: 168 km	
Registered capital	677,300,000 USD	
Paid capital	43,300,000 USD	
Land area	327 ha	
Industrial park area	226 ha	
Registered investments	12	
Investments in progress	1	
Infrastructure development status	110/35/22-kV transformer station (126-MW output), developed road network, Phuc Yen Water Purification Plant (20,000 m^3/day supply capacity), separate treatment systems for rainwater and wastewater, financial services, customs procedures, etc.	
Investment attraction areas	Computers, IT equipment, Internet equipment, IT precision instrument and product manufacture, electronic part and LCD screen manufacture, semiconductor and high-tech electrical part manufacture, software product production, digital data, software services, IT research, IT-related personnel education, electrical equipment manufacture, investment in research and development, supporting industries for the electronic and telecommunication industries	
Number of workers (as of July 2014)	652	

*As of May 2014, some land-use rights have been returned to Vinh Phuc Province.

Table 2-11: Ba Thien 2 Industrial Park

No. 5 Ba Thien 2 Industrial Park		
Operator	Vina CPK Company Co., Ltd	
Established	2009	
Location	Binh Xuyen District	
Environs	Noi Bai–Lao Cai Highway: 6 km Noi Bai International Airport: 20 km Central Hanoi: 45 km Cai Lan deep seaport: 170 km	
Registered capital	17,860,000 USD	
Land area	308 ha	
Industrial park area	212.4 ha	
Infrastructure development status	110/35/22-kV transformer station (126-MW output), developed road network, Son Lo Water Purification Plant (10,000 m^3/day supply capacity), separate treatment systems for rainwater and wastewater, financial services, customs procedures, etc.	
Investment attraction areas	Semiconductor and high-tech electronic part manufacture, LCD screens, computers, IT equipment, Internet equipment and IT precision instrument manufacture; software product production, biological products, IT-related personnel education; investment in research and development, high-tech research and development, new construction material and new energy production, supporting industries for the electrical and telecommunication industries	
Number of workers (as of July 2014)	N/A	

Table 2-12: Khai Quang Industrial Park

No. 6 Khai Quang Industrial Park		
Operator	Vinh Phuc Infrastructure Development Joint stock Company	
Location	Vinh Yen City	
Environs	Along National Route 2A Hanoi–Lao Cai railway station: 2 km Central Hanoi: 50 km Noi Bai International Airport: 25 km Cai Lan deep seaport: 170 km Railway station: 4 km	
Registered capital	350,200,000 USD	
Paid capital	256,140,000 USD	
Land area	197 ha	
Industrial park area	133 ha	
Registered investments	62	
Investments in progress	48	
Infrastructure development status	110/35/22-kV transformer station (126-MW output), developed road network, Vinh Yen Water Purification Plant (32,000 m^3/day supply capacity), separate treatment systems for rainwater and wastewater, financial services, customs procedures, etc.	
Investment attraction areas	Precision instrument and electrical products, electronic products, automobile and motorcycle equipment and parts production and manufacture, metal and nonmetal mold manufacture, supporting industries for automobile parts and automobile manufacture and assembly	
Number of workers (as of July 2014)	29,979	

Table 2-13: Phuc Yen Industrial Park

No. 7 Phuc Yen Industrial Park	
Location	Phuc Yen capital
Land area	145 ha
Investment attraction areas	Aviation industry facilities, precision instruments and optical equipment, medical equipment, electrical equipment, electrical products, supporting industries for automobile parts and automobile manufacture and assembly

Table 2-14: Nam Binh Xuyen Industrial Park

No. 8 Nam Binh Xuyen Industrial Park	
Location	Binh Xuyen District
Land area	304 ha
Investment attraction areas	Automobile and motorcycle parts manufacture, equipment manufacture, electrical equipment, precision instruments, new construction material manufacture, metal and nonmetal mold manufacture, supporting industries for automobile parts and automobile manufacture and assembly

Table 2-15: Son Loi Industrial Park

No. 9 Son Loi Industrial Park	
Location	Binh Xuyen District
Land area	300 ha
Investment attraction areas	Transportation machine and equipment manufacture, container manufacture and repair, equipment manufacture, electrical equipment, metal and nonmetal mold manufacture, large forklift manufacture, metalworking machinery manufacture, etc.

Table 2-16: Chan Hung Industrial Park

No. 10 Chan Hung Industrial Park	
Location	Chan Hung, Vinh Tuong District
Land area	131 ha
Investment attraction areas	Equipment manufacture, precision equipment, steel structures, engine manufacture, metal and nonmetal mold manufacture, forklifts

Table 2-17: Tam Duong 1 Industrial Park

No. 11 Tam Duong 1 Industrial Park	
Location	Tam Duong District
Land area	639 ha
Investment attraction areas	Precision instrument manufacture, electrical equipment, agriculture machinery manufacture, elevator and escalator manufacture, metal and nonmetal mold manufacture, automobile and motorcycle parts manufacture and assembly

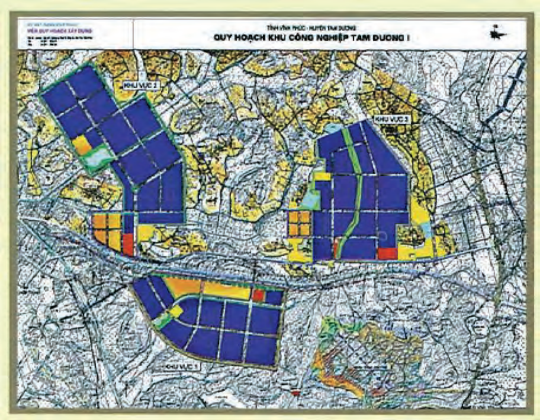


Table 2-18: Lap Thach 2 Industrial Park

No. 12 Lap Thach 2 Industrial Park	
Location	Lap Thach District
Land area	250 ha
Investment attraction areas	Construction materials, equipment manufacture, automobile parts, motorcycle parts, electronic products, major household appliances, construction industry machinery, food products, textile and sewn product manufacture, leather and footwear, medical equipment, medicine manufacture

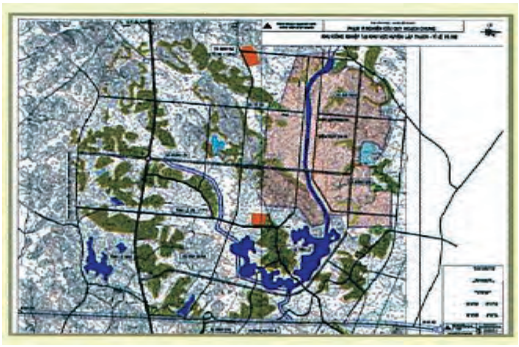


Table 2-19: Other Industrial Parks

No. 13 Hoi Hop Industrial Park	
Location	Hoi Hop, Vinh Yen City
Land area	150 ha
Investment attraction areas	Electronic parts manufacture, electronic boards, computer parts, computers and IT equipment manufacture
No. 14 Tam Duong 2 Industrial Park	
Location	Tam Duong District
Land area	750 ha
Investment attraction areas	Consumer goods manufacture, food product manufacture, construction materials, equipment manufacture, construction modules, medical equipment, medicine, supporting industries for automobile parts and automobile manufacture and assembly
No. 15 Lap Thach 1 Industrial Park	
Location	Lap Thach District
Land area	150 ha
Investment attraction areas	Consumer goods manufacture, food product manufacture, construction materials, equipment manufacture, construction modules, medical equipment, medicine
No. 16 Thai Hoa–Lien Son–Lien Hoa Industrial Park	
Location	Lap Thach District
Land area	600 ha
Investment attraction areas	Construction material manufacture, textile and sewn product manufacture, leather, food products and beverages, agricultural product processing, consumer goods
No. 17 Song Lo 1 Industrial Park	
Location	Son Lo District

Land area	200 ha
Investment attraction areas	Construction material manufacture, equipment manufacture, precision instruments, electrical equipment, consumer goods, textile and sewn product manufacture, automobile and motorcycle parts, electronic product and major household appliance manufacture, machinery and facilities for the construction, food product and textile industries, medical equipment, medicine, supporting industries for automobile parts and automobile manufacture and assembly
No. 18 Song Lo 2 Industrial Park	
Location	Son Lo District
Land area	180 ha
Investment attraction areas	Equipment manufacture, precision instruments, medical equipment, electrical equipment
No. 19 Vinh Tuong Industrial Park	
Location	Vinh Tuong District
Land area	200 ha
Investment attraction areas	Motorcycle and automobile parts manufacture, supporting industries, food products and beverages, agricultural food product manufacture, textile and sewn product manufacture, leather and consumer goods manufacture
No. 20 Vinh Thinh Industrial Park	
Location	Vinh Tuong District
Land area	270 ha
Investment attraction areas	High-tech product manufacture, construction materials, equipment manufacture, river transportation equipment, shipbuilding industry

2.3 Natural Conditions around the Project Area

According to the environmental impact assessment report for Ba Thien 2 Industrial Park and Vina CPK data, natural conditions around the industrial park are as follows.

2.3.1 Geography and Geology

Ba Thien 2 Industrial Park is located in an area with many ponds, swamps and rivers. The nearby May River collects rainwater and runoff from the industrial park. The western part of the property is hilly but has been progressively graded, and the eastern part is relatively flat. The property is 19 meters above sea level. The geological structure contains four layers and the ground is relatively firm, so there is no need to drive piles to build rental factories. Groundwater flows one to five meters beneath the surface, and there have been no reports of contamination.

2.3.2 Climate

The average temperature in the area around the industrial park between 2001 and 2010 was 24.3ºC. The rainy season lasts from May to October. There is no history of flooding or tornadoes, and no flood damage has occurred since the Dai Lai Reservoir was built upstream on the Mei River in 1999.

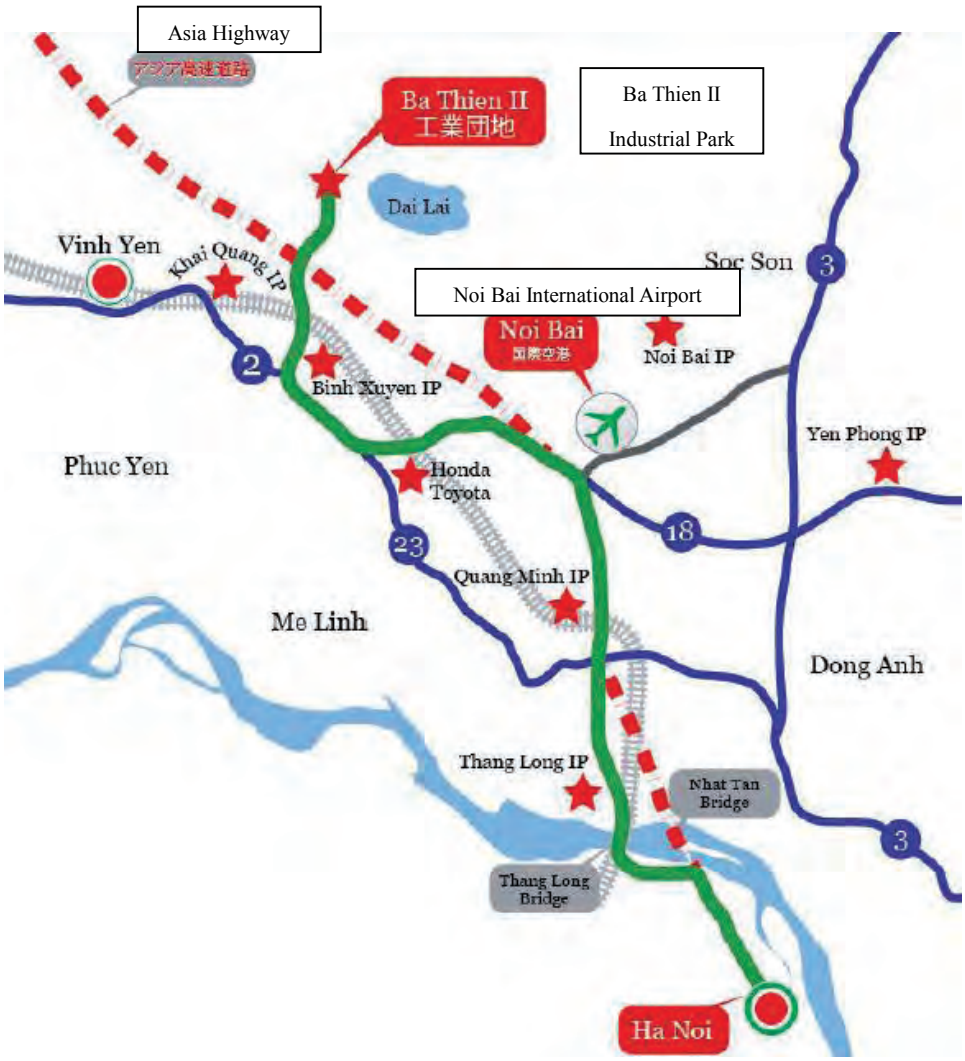
2.3.3 Natural Environment

The land for Ba Thien 2 Industrial Park had been used for farming before it was expropriated and there is still much farmland ecology around it in which birds, reptiles and insects make their homes. Plankton and farm-raised fish live in the May River. The environment around the industrial park is relatively good but not highly receptive, so it is crucial to treat waste materials and wastewater properly. That said, the socioeconomic and infrastructure development status of Vinh Phuc Province makes it appropriate to proceed with this industrial park project.

2.4 Status of Ongoing and Future Transportation Infrastructure Development

2.4.1 Transportation Infrastructure around Target Properties

The target area for this rental factory project is located 50 km from Central Hanoi and 10 km from Vinh Yen, the capital of Vinh Phuc Province. It offers good access to critical economic regions of Northern Vietnam, neighboring regions and to other countries from nearby Noi Bai International Airport.



(Source: Pamphlet for Ba Thien 2 Industrial Park)

Figure 2-3: Transportation Infrastructure Around Target Properties

Roads

- 6 km from the Asian Highway that connects Noi Bai to Lao Cai
- Near National Routes 2 (Noi Bai–Lao Cai–China) and 18 (connects to Cai Lan deep seaport)
- Near Hanoi Ring road No.4 and No.5
- Located on the Kunming–Hanoi–Hai Phong economic corridor

Railways

- Near the Hanoi–Vinh Phuc–Lao Cai–Kunming (China) railway
- 8 km from Huong Canh Station

Airports

- 20 km from Noi Bai International Airport
- 155 km from Cat Bi International Airport

Seaports

- 160 km from Hai Phong Port
- 180 km from Cai Lan deep seaport

2.4.2 Status of Infrastructure Development and Future Transportation Infrastructure Development Plans for Vinh Phuc Province and its Environs

(1) Roads

National Routes 2A, 2B, 2C and 23 run through Vinh Phuc Province. National Route 2A is an arterial highway that connects existing and planned industrial areas to each other as well as to neighboring provinces. National Route 2B is 25 km in length and connects to industrial parks in Tam Duong and Tam Dao Districts. National Route 2C is a critical 47.75-km highway that connects neighboring provinces, high-tech zones and industrial parks and Hanoi.

National Routes 2B and 2C will eventually connect directly to Hanoi Ring road No.5 through the Tam Dao Tunnel to bring their total length to 320 km through Vinh Yen City, Son Tay City and Hoa Lac City to help expand trade between Vinh Phuc Province and neighboring provinces.

The Noi Bai–Lao Cai Highway, which forms part of the eastern section of the Asian Highway, has opened in September 2014. The four-lane highway is 25.5 meters wide and travels through Vinh Phuc Province for 41 km.

The Nhat Tan Bridge that connects Hanoi to Noi Bai International Airport and roads connecting to the airport are being built and are scheduled for completion in 2015. The opening of these roads should improve accessibility to Northern Vietnam.

(2) Railways

A total of 35 km of railway passes through five stations in Vinh Phuc Province. This railway connects Hanoi to Wangnan in China through Lao Cai, and the Vietnamese government is working to make the stretch from Hanoi to Lao Cai into an express railway and to create an express route to Vinh Phuc Province, Hai Phong Port and Cai Lan deep seaport. Specifically, the government will create a Level 1 railway with a speed of 120 km/h and build a new 380-km double-track super express railway between Lao Cai, Hanoi and Hai Phong with a design speed of 200 km/h. The government aims to open these railways between 2015 and 2020.

Once these railways are opened, container freight will be collected and logistics services and customs procedures will be performed at the planned 200-ha inland container terminal at Son Loi Industrial Park in Vinh Phuc Province.

(3) Airports

Noi Bai International Airport, adjacent to Vinh Phuc Province, is Vietnam's second-largest airport after Tan Son Nhat International Airport in Ho Chi Minh City, and it has flights to eight cities in Vietnam and approximately 30 foreign cities on 25 airlines. The airport served nearly 9.5 million travelers in 2010 and its current facilities cannot accommodate an increase, so a second passenger terminal for international flights is being built. Terminal 2 is scheduled for completion at the end of 2014 and, with expansion of Terminal 1 for domestic flights complete at the end of 2013, is expected to handle 29 landings during peak hour and 20 to 25 million passengers and 260,000 tons of cargo per year by 2020. After 2020, the airport

is expected to have a parking apron large enough for 44 aircraft and to handle 45 landings during peak hour and 50 million passengers and 500,000 tons of cargo per year.

(4) River and Sea Ports

The main rivers of Vinh Phuc Province are the Red River, the Lo River, the Ca Lo River and the Pho Day River. The Red River and Lo River are major rivers and have a total of three ports used to transport goods to the provinces of Northern Vietnam and the Red River Delta.

Vinh Phuc Province is landlocked, but work to widen roads within the province and improve railways connecting it to Hai Phong Port, the largest in Northern Vietnam, and Cai Lan Port is continuing and is expected to shorten the amount of time required to move goods from the province to those ports. The planned construction of Lach Huyen Port in the eastern part of Hai Phong City should make maritime shipping from Vinh Phuc even more convenient.

2.5 Necessity and Objectives for the Project

(1) Consistency with Vietnamese Industrial Policy

Supporting industries for machinery manufacture, electronics and IT, automobile parts assembly, textile and sewn product manufacture, leather and footwear and high-tech development work in Vietnam have not developed. Japanese corporations that have expanded into Vietnam reported a local procurement rate of just 32.2% for the 2013 fiscal year; they rely on imports for most of the raw materials for their products. The challenge is to improve cost competitiveness by develop supporting industries and increasing the local procurement rate.

In 2011, the Vietnamese government set forth national standards in Socio-economic Development Plan for the 2011-2015 period; “creating a foundation for the country to basically become a modernity-oriented industrial nation by 2020”. The government also established the master plan on the supporting industry through 2010 and vision to 2020 (Decision No. 34/2007/QD-BCN) and policies on development of a number of supporting industries (Decision No. 12/2011/QD-TTg), detailed regulations for that master plan to rapidly develop supporting industries in order to drive Vietnam’s economic development.

Development of supporting industries is a critical item continued to work on in the Japan-Vietnam Joint Initiative. The two sides assessed initiatives during Phase 4 in December 2012 and came to an understanding that, in addition to developing Vietnamese companies, it is also important to attract foreign companies (particularly Japanese companies) that will manage supporting industries. With that understanding, the two sides established an action plan calling for the implementation of tax, cost and financing incentives as well as leadership and formulation of guidelines for developing industrial parks for supporting industries in order to attract foreign companies to Vietnam. The announcement of such guidelines and other facets of this action plan are driving the development of the investment environment in Vietnam.

(2) Necessity for the Project in Vinh Phuc Province

Japanese automobile manufacturers and other Japanese companies are expanding into Vinh Phuc Province to some degree, but no industrial parks have been developed for relevant SMEs to expand into the province.

However, there is much potential such as an abundant workforce and improved geographical conditions, and groundwork for future development is laid. Development of industrial parks and support for that development are needed to realize the potential of that future development.

The expansion of the manufacturing industry is focused in Southern Vietnam, namely Ho Chi Minh City, but it must also contribute to the development of Northern Vietnam.

(3) Meeting the Needs of Japanese SMEs

Very few industrial parks accommodate the needs of SMEs. Among the reasons industrial parks with smaller divisions for SMEs have not been developed is that they are not as profitable as general industrial parks developed for major corporations.

Foreign companies and especially foreign SMEs have pointed out that the licensing and other procedures for operating factories are obstacles to expanding into Vietnam. Thus, the size of factories is not the only consideration when developing industrial parks for SMEs; support for procedures and other administrative matters is also critical.

(4) PPP Schemes for Profitability

As explained above, the Project to build, improve, maintain and operate rental factories for Japanese SMEs will meet the needs of Japanese SMEs. However, among the reasons industrial parks with smaller divisions for SMEs have not been developed is that they are not as profitable as general industrial parks developed for major corporations.

The purpose of the Project is to create an environment where SMEs can operate comfortably, hence the proposal to build and operate rental factories for Japanese SMEs.

The draft of the Project plan includes the use of PPP schemes to address the problem of profitability and mitigate its risks.

Chapter 3 Study of Relevant Vietnamese Legislation

3.1 Confirmed Project-related Legislation for Rental Factory Project Implementation

3.1.1 Relevant Legislation

Table 3-1: Relevant Legislation

Legislation	Issuing Institution	Description
Common Investment Law (Law No. 59/2005/QH11 on Investment)	National Assembly	A law concerning the methods, procedures and incentives of investment by Vietnamese and non-Vietnamese investors in Vietnam as well as investors who invest outside Vietnam and the rights, duties and investment procedures of those investors. Although special laws for specific investment fields take precedence, all investment activities in Vietnam must comply with the Common Investment Law.
Order for Enforcement of the Common Investment Law （Decree No.108/2006/ND-CP）		A government ordinance that sets forth detailed enforcement regulations for part of the text of the Common Investment Law. Includes Appendix A (List of Investment Incentive Fields), Appendix B (List of Investment Incentive Regions), Appendix C (List of Investment Fields with Conditions that Apply to Foreign Investment) and Appendix D (List of Prohibited Investment Fields)
Law on Enterprise (Law No. 60/2005/QH11)	National Assembly	A law concerning the establishment, management organizations and activities of limited liability companies, joint-stock companies, general partnership companies and private sector companies in all sectors of the economy.
Law on Corporate Income Tax (Law No.32/2013/QH13 on Corporate Income Tax)	National Assembly	Regulations on taxable persons, taxable and non-taxable income, standards and methods for calculating taxes, tax rates and tax incentives. The amended tax law was announced on June 19, 2013: corporate income tax will be revised to 20% as of January 1, 2016.
Order for Enforcement of the Law on Corporate Income Tax		A government ordinance that sets forth detailed enforcement regulations for the Law on Corporate Income Tax.
Foreign exchange control rules and regulations (Ordinance No. 28/2005/PL-UBTVQH11)	Standing Committee of the National Assembly	Enacted December 2005, put into effect June 1, 2006. Regulations on current transactions, capital transactions, the foreign exchange market, domestic exchange provident funds and exchanges and other services offered by financial institutions.

Legislation	Issuing Institution	Description
Detailed Enforcement Regulations for Foreign Exchange Control Rules and Regulations (Decree No. 160/2006/ND-CP)		Announced December 2006. Sets forth detailed regulations concerning foreign exchange control.
Decree on Foreign Currency Handling Regulations (Circular No. 32/2013/TT-NHNN)	State Bank of Vietnam	A decree regulating the handling and denomination of foreign currency in Vietnam with some exceptions, put into effect February 10, 2014.
Law on Land (Law No.45/2013/QH13)	National Assembly	A law concerning land-use rights and land leasing. The amended Law on Land was approved on November 29, 2013 and went into effect on July 1, 2014.
Customs Law (Law No.45/2005/QH11)	National Assembly	A law concerning the rates of export and import duties.
Labour Code (Law No.10/2012/QH13)	National Assembly	A law conserving employment contracts, employment procedures, employment hours, and wages and rewards. The amended Labour Code was put into effect on May 1, 2013; the Labour Code of 1994 and amendments from 2002, 2006 and 2007 were invalidated.

(Prepared by the study team)

3.1.2 Investment Fields

As real estate work, the Project is in an investment field with conditions set forth in the Common Investment Law and is not in an investment encouragement or special investment encouragement field.

Table 3-2: Investment Fields

	Conditions	Conditions that apply to foreign investment
Investment fields with conditions	1. Fields that affect national defense, security, safety or social security. 2. Finance and banking. 3. Fields that affect public health. 4. Culture, information, newspapers, publishing. 5. Recreational services. 6. Real estate management. 7. Survey, searching for and developing natural resources and ecological protection. 8. Development of education and training projects. 9. Other fields set forth in laws. (Common Investment Law, Article 29) *For foreign investors, includes investment fields according to the roadmap for implementing commitments in global treaties to which Vietnam has agreed. *Foreign investors can continue	1. Broadcasting and television. 2. Creating, publishing and distributing cultural productions. 3. Searching for and developing minerals. 4. Establishing long-distance communication and data transmission networks, and long-distance communication and Internet services. 5. Establishing a public postal network, providing postal and home delivery services. 6. Establishing and operating river ports, seaports and airports. 7. Transporting cargo and passengers on railways, airplanes, roads, sea routes and local canals. 8. Fishing. 9. Tobacco production. 10. **Real estate work.**

	Conditions	Conditions that apply to foreign investment
	investing in fields that were originally not investment fields with conditions that later become investment fields with conditions.	11. Work in the export, import and logistics fields. 12. Education and training. 13. Hospitals and medical offices. 14. Other investment fields in which the market is restricted for foreign investors according to global treaties Vietnam has signed. (Common Investment Law, Article 29, Order for Enforcement of the Common Investment Law, Appendix C)

(Prepared by the study team)

3.1.3 Investment Certificate Issuing Process

(1) Investment Certificate Issuing Institutions and Application Processing Institutions

The Project involves real estate work in Ba Thien 2 Industrial Park, so the investment certificate issuing institution is the Vinh Phuc People's Committee (Vinh Phuc PC) and the application processing institution is the Vinh Phuc PC Planning and Investment Office.

Table 3-3: Investment Certificate Issuing Institutions and Application Processing Institutions

Type	General Investment		Infrastructure Development Investment	
	Issuing Institution	Application Processing Institution	Issuing Institution	Application Processing Institution
Investments in industrial parks, export processing zones, high-tech zones or special economic zones	Management committee (if none, the Vinh Phuc PC)		Management committee (if none, the Vinh Phuc PC)	
Other investments	Vinh Phuc PC	Vinh Phuc PC Planning and Investment Office	Managing committee (if none, the Vinh Phuc PC)	Vinh Phuc PC Planning and Investment Office

(Source: Manual on Vietnamese Society and Establishing a Representative Office, 2012, JETRO)

(2) Registration and Screening

The total cost of the Project is expected to exceed 300 billion VND (approx. 1.5 billion JPY), and it also qualifies as real estate work, an investment field with conditions according to the Common Investment Law. Therefore, investment screening for the Project will be classified into required investments.

Table 3-4: Registration and Screening

Investment Field	Size of Investment		
	Less than 15 billion VND	15 billion VND or more but less than 300 billion VND	300 billion VND or more
Investment fields without conditions	Register investment	Register investment	Screen investment
Investment fields with conditions that apply to foreign investment	Screen investment	Screen investment	
Investments that require the prime minister's approval			
Investment fields with conditions			

(Source: Manual on Vietnamese Society and Establishing a Representative Office, 2012, JETRO)

(3) Investment Certificate Issuing Procedure

The total cost of the Project is expected to exceed 300 billion VND (approx. 1.5 billion JPY), and it also qualifies as real estate work, an investment field with conditions according to the Common Investment Law. Therefore, the following documents must be submitted for issuance of the investment certificate in accordance with Common Investment Law, Article 49, Paragraph 2 and Order for Enforcement of the Common Investment Law, Article 47.

- Application for investment certificate
- Documents confirming legal status of investors
- Reports concerning financial capacity of investors
- Economic and technical description containing the following: purpose of investment, location, desired land use, size of investment, investment amount, project schedule, technical measures and environmental measures
- Business cooperation contracts (BCC) (when investing through BCC)
- Project registration documents (when simultaneously registering the project), joint-venture contracts (when establishing a joint-venture company)
- Conditions for entering the market when investing in fields with conditions

(Prepared by the study team based on Vietnamese Investment Environment, August 2012, JBIC)

Figure 3-1: Application Documents for Investments over 300 Billion VND in Investment Fields with Conditions

(4) Procedure for Phased Development

The procedure for phased development can be either of the two below, but the authorities recommended the first.

1) Create investment plans for all phases and estimate the total investment amount based on each of those plans. In addition, apply for permission to invest the amount estimated after clarifying investment amounts and items for each phase.

2) Draft a Phase 1 investment proposal and an investment plan for later phases and apply first for

an investment certificate for Phase 1. Once the investment for Phase 1 is approved and implemented, apply for permission to invest in later phases after clarifying the increased investment amount and additional investment items when implementing later phases.

3.1.4 Amendments to the Law on Corporate Income Tax[2]

The amendment of part of the Law on Corporate Income Tax (Law 14/2008/QH12) and the amended law to supplement it (Law 32/2013/QH13) lowered the corporate income tax rate from 25% to 22% as of January 1, 2014, and will lower it further to 20% as of January 1, 2016. It was announced that the purpose of these amendments was to spur the recovery of the sluggish Vietnamese economy. The lower tax rate of 20% starting January 1, 2013 is only for corporations whose sales do not exceed 20 billion VND; corporations already enjoying tax incentives do not yet feel the impact of these amendments.

In addition, the target of the tax incentives has been changed from corporations themselves to benefits from projects. This means that reduced tax rates applied only to newly established corporations under the original Law on Corporate Income Tax are now applied to new projects, and that the range of eligibility for receiving the reduced rates has grown larger. However, the Project is a real property project and is not eligible under the amended Law on Corporate Income Tax, thus the reduced corporate income tax rates do not apply to it.

As of January 1, 2013: 20% tax rate (only for corporations with sales of 20 billion VND or less)
As of January 1, 2014: 22% tax rate
As of January 1, 2016: 20% tax rate

3.1.5 Amendments to the Labour Code

The amended Labour Code (No. 10/2012/QH13) went into effect on May 1, 2013, and the original Labour Code (1994 Labour Code and amendments from 2002, 2006 and 2007) was invalidated. The amended Labour Code sets forth the minimum wages shown below.

Binh Xuyen District, Vinh Phuc Province is in Region 2

Table 3-5: Minimum Wage in Vietnam

Region	As of January 1, 2013	As of January 1, 2014	Vinh Phuc Province
Region 1	2.35 million VND	2.7 million VND	N/A
Region 2	2.1 million VND	2.4 million VND	Vinh Yen District Phuc Yen District Binh Xuyen District Yen Lac District
Region 3	1.8 million VND	2.1 million VND	Vinh Tuong District Tam Dao District Tam Duong District Son Lo District Yen Lac District
Region 4	1.65 million VND	1.9 million VND	N/A

(Prepared by the study team)

[2] Website of JETRO http://www.jetro.go.jp/world/asia/vn/biznews/52e0e23d57670

3.2 FDI Trends and Regulations

3.2.1 Regulations Concerning Establishment of Companies

(1) Company Forms

Common Investment Law, Article 21 stipulates that the following forms of establishment are possible when foreign corporations form companies in Vietnam.

- Establishing a wholly foreign-owned local corporation
- Establishing a local corporation through a joint venture with a Vietnamese company (public, private or individual)
- Business cooperation contract (BCC)
- Build-operate-transfer contract (BOT contract, BTO contract, BT contract)
- Establishing a branch or representative office
- Indirect investment through stock purchase, joint-venture or acquisition
- Other

Four company forms are possible when establishing a local corporation: single-member limited liability company, multi-member limited liability company, joint-stock company and general partnership company. Table as below shows each form's characteristic. Single-member limited liability companies and multi-member limited liability companies cannot issue stock. On one hand, joint-stock companies can issue stock and there are no restrictions on transfer of stock. However in practice, changing an investment certificate and acquiring a permission are required when stock is transferred to the third party. In case of multi-member limited liability companies, when each member transfers one's own share on the capital, the member has to offer the transfer of the share to other members. If other members do not take up the transfer, the member can transfer the share to the third party. Both limited liability companies and joint-stock companies can increase the capital; however, single-member limited liability companies cannot decrease the capital. No matter which company form, it is thought that holding more than 65% to 75% of shareholders enables control of general shareholders' meeting resolutions.

Table 3-6: Company Forms

Company form	Single-member limited liability company	Multi-member limited liability company	Joint-stock company	General partnership company
Number of people	One stakeholder	Two to 50 stakeholders	Three or more stakeholders (no upper limit)	Two or more general partners Can also include investors
Scope of responsibility	Within scope of legal capital	Within scope of investment	Within scope of investment	General partners: Personal assets Investors: Within scope of investment
Can issue stock?	No	No	Yes No restrictions on transfer of the share	
Can increase capital?	Yes	Yes	Yes	

Company form	Single-member limited liability company	Multi-member limited liability company	Joint-stock company	General partnership company
Can decrease capital?	No	Yes	Yes	
Legal status?	Yes	Yes	Yes	Yes (general partnership company)
General meeting name	Members' general meeting	Members' general meeting	Shareholders' general meeting	Members' general meeting
Conditions for general meetings	Attendance by at least 2/3 of members constitutes a general meeting.	Attendance by members whose legal capital equity totals at least 75% constitutes a general meeting.	Attendance by shareholders who hold at least 65% of voting shares constitutes a general meeting.	No conditions.
Conditions for general meeting resolutions	Agreement of a majority of attendees constitutes a resolution. *However, agreement of at least 75% in attendance is required to constitute resolutions to amend or add to articles of incorporation, restructure the company or transfer all or part of capital in corporate by laws.	Agreement of attendees whose equity totals at least 65% of the equity of all in attendance constitutes a resolution. *However, agreement of attendees whose equity totals at least 75% of the equity of all in attendance is required to constitute resolutions to sell 50% or more of total assets, amend or add to articles of incorporation, restructure or dissolve the company.	Agreement of shareholders whose equity totals at least 65% of the equity of all in attendance constitutes a resolution. *However, agreement of shareholders whose equity totals at least 75% of the equity of all in attendance is required to approve amendments or additions to types of shares or the numbers of each type of saleable share; restructuring or dissolution of the company; or the sale of 50% or more of total assets.	Approval of 2/3 of general partners. *However, approval of at least 75% of general partners is required to approve company development policies, amendments or additions to articles of incorporation; addition/ retirement/ expulsion of general partners; investment project decisions; decisions on credit and loan agreements involving 50% or more of charter capital; decisions to purchase or sell assets of greater value than the company's charter capital; decisions to approve annual financial reports, the amounts of all dividends, dividends to be paid to members, to dissolve the company.

(Prepared by the study team based on Manual on Vietnamese Society and Establishing a Representative Office, 2012, JETRO)

(2) Foreign Investment Restrictions

Vietnam joined WTO on January 11, 2007 and has liberated its market in 11 of 12 WTO service sectors and 110 of 115 sub-sectors. The "List of Specific Service-Related Pledges from the List of Most Favored Nation Exemptions in Part 2, Article 2" contains restrictions on investment from foreign corporations, and projects and service sectors into which investments are planned must conform to investment regulations in WTO pledges and Vietnamese regulations.

The table below shows responses from the authorities and various provisions on WTO pledges and restrictions on foreign investment in each service sector. It is necessary to reconfirm with the authorities once project schemes for providing these services as packages are specified in the future.

Table 3-7: WTO Pledges and Restrictions on Foreign Investment

1. WTO Pledges and Restrictions on Foreign Investment for Each Service Field		
Service Sector	WTO pledges	Observations
1. Licensing and procedure services	(WTO managing consultant services) ・Foreign investors will be able to establish all forms of company in Vietnam. ・There is a restriction that, if the company is a branch office, the branch manager must be a resident of Vietnam.	→No restrictions on foreign investment.
2. Food and beverage services	(WTO catering and beverage services) ・Foreign investors may provide hotel and restaurant services in Vietnam through joint-venture companies with majority foreign investment or through wholly foreign-owned companies. ・However, foreign investors should invest in construction, improve, repair and acquire hotels in Vietnam concurrently by 2015.	→No restrictions on foreign investment.
3. Vehicle services	(WTO road transportation services) ・Foreign investors may provide passenger transport services through joint-venture companies with up to 49% foreign investment. ・As of January 2010, three years after Vietnam joined WTO, foreign investors may provide cargo transport services through joint-venture companies with up to 51% foreign investment. ・Drivers for joint-venture companies must be Vietnamese citizens.	→ Up to 49% foreign investment in passenger transport services. →Must employ Vietnamese drivers.
4. IT services	・Without infrastructure: Foreign investment up to 51% of legal capital of joint-venture companies. ・With infrastructure: Foreign investment up to 49% of legal capital of joint-venture companies.	→ No restrictions are envisioned, but this needs to be reconfirmed during project implementation.

1. WTO Pledges and Restrictions on Foreign Investment for Each Service Field			
	5. Logistics and financial services	(WTO warehousing services, cargo transport agency services and other cargo transport broker services) ・ Restrictions on foreign investment are removed in January 2014, seven years after Vietnam joined WTO. (Decree 140/2007ND-CP dated September 5, 2007, specific regulations on commercial law concerning logistics management conditions and limitations on liability of logistics managers) ・Unloading goods: Foreign investment up to 50% ・Warehousing services: None from 2014 on ・Transportation agency services: None from 2014 on ・Other subsidiary services: None from 2014 on	→No restrictions on foreign investment in warehousing, cargo transport agency or other cargo transport broker services → 140/2007ND-CP restricts foreign investment in unloading goods to 50%. → Need to clarify the "logistics and financial services", and check if there are any restrictions or not with authorities.
	6. Insurance services	(WTO insurance and related services) ・Foreign investment service companies can provide the following cross-border services: insurance services, reinsurance services, international shipping insurance services, insurance and reinsurance broker services, risk assessment, estimation and advising services for foreign companies and foreign individuals in Vietnam. ・As of January 1, 2008, wholly foreign-owned companies can provide statutory insurance. ・As of January 2012, five years after Vietnam joined WTO, foreign investors can establish non-life branches in accordance with maintainability regulations.	→No restrictions on foreign investment in statutory insurance services. → Need to clarify the "comprehensive insurance services", and check if there are any restrictions or not with authorities.
	7. Business matching support services	・Not in the WTO pledge.	→ The authorities examine and approve investment permission based on local legislation.
	8. Provision of serviced rental housing	・Not in the WTO pledge.	→ The authorities examine and approve investment permission based on local legislation.

(Prepared by the study team)

(3) Capital Requirements

In principle, foreign companies are free to determine the amount of capital when they establish companies in Vietnam. However, some investment fields with conditions have requirements as shown on the table below. In real estate, legal capital of 6 billion VND (30 million JPY) is required.

Table 3-8: Investment Fields that Require Legal Capital

Industry/Field		Legal Capital	Underlying Decree
Real estate		6 billion VND	Decree No.153/2007/ND-CP
Employment agency services		300 million VND	Decree No.19/2005/ND-CP
Insurance	Non-life insurance	200 billion VND	Decree No.46/2007/ND-CP
	Life insurance	300 billion VND	
	Insurance broker	400 billion VND	
Communications	Via fixed-line network infrastructure without radio frequency	・For one province/central city level: 5 billion VND ・ For two to 30 provinces/central cities level: 30 billion VND ・For all of Vietnam: 100 billion VND	Decree No.25/2011/ND-CP
	Via fixed-line network infrastructure with radio frequency	・ For one to 30 provinces/central cities level: 100 billion VND ・For all of Vietnam: 300 billion VND	
	With terrestrial mobile communication network infrastructure	・ Using radio frequency channels: 20 billion VND ・Not using radio frequency (hypothetical): 300 billion VND ・Using radio frequency: 500 billion VND	

(Source: Investment Fields that Require Legal Capital, December 17, 2013, JETRO)

3.2.2 Foreign Currency Controls

(1) Restrictions on Cross-border Capital and Current Transactions

In principle, foreign currency controls in Vietnam are subject to Regulations on Foreign Exchange Controls. Article 4 of the regulations defines capital and current transactions and generally allows freedom with cross-border current transactions but is relatively strict in restricting capital transactions, requiring control through licensing or registration.[3]

Table 3-9: Restrictions on Cross-Border Capital and Current Transactions

Item	Capital transactions	Current transactions
Description	Transactions between residents and non-residents for the purpose of transferring capital	Transactions between residents and non-residents for purposes other than transferring capital
Form	・Direct investment ・Investment in marketable securities ・Implementing or repaying a foreign loan ・Lending or collecting a foreign loan ・ Other forms of investment according to Vietnamese legislation (Regulations on Foreign Exchange	・Payment and remittance for the import or export of goods or services ・Short-term commercial loans or bank loans ・Revenue from direct or indirect investment ・Remittance when a reduction in

[3] Vietnam Legal Handbook, September 2013, Chuokeizai-sha

Item	Capital transactions	Current transactions
	Controls, Article 4)	direct investment capital has been approved ・Remittance for interest on external debt and progressive payments ・ Unilateral remittance for consumption ・Other similar transactions (Regulations on Foreign Exchange Controls, Article 4)
Restrictions on cross-border transactions	Control through licensing or registration is required.	In general, freedom is allowed.

(Prepared by the study team based on Vietnam Legal Handbook, September 2013, Chuokeizai-sha and Nishimura & Asahi LPC's Doing Business in Vietnam)

(2) Financing Restrictions

It is possible to take out short-term and medium- or long-term loans within Vietnam during the period remaining for projects defined in investment permission. It is possible to take out loans in VND from domestic banks and loans in VND or foreign currency from foreign banks, but there are restrictions on the intended use of foreign currency loans from foreign banks.[4] Prior application to the State Bank of Vietnam is required for loans for intended uses other than those defined.

For short-term loans from outside Vietnam, required funds are limited to project fields defined in investment permission, but there is no upper limit on loan amounts and no need to register external debt. In contrast, the upper limit on the amounts of medium- and long-term loans from outside Vietnam is the difference between the total investment and total capital, and such loans must be registered accordingly with the State Bank of Vietnam as external debt.

Table 3-10: Financing Restrictions

Item	Borrowing within Vietnam	Borrowing from outside Vietnam
Short-term loans (12 months or shorter)	・ Within the period remaining for projects defined in investment permission. ・Prior application to the State Bank of Vietnam is required for loans in foreign currency for intended uses other than those defined.	・ Required funds are limited to project fields defined in investment permission. ・No upper limit to loan amounts. ・ External debt registration is not required.
Medium- and long-term loans (Longer than 12 months)	・ Within the period remaining for projects defined in investment permission. ・Prior application to the State Bank of Vietnam is required for loans in foreign currency for intended uses other than those defined.	・The upper limit of loan amounts is the difference between the total investment and total capital. ・Must be registered accordingly with the State Bank of Vietnam as external debt.

(Prepared by the study team based on Vietnamese Legal Handbook, September 2013, Chuokeizai-sha and Vietnamese Investment Environment, August 2012, JBIC)

[4] Loans from foreign banks are limited to payments for foreign imports and services, funds for investments from Vietnam to foreign countries, and funds for the early repayment of external debt. ("Vietnam Investment, Company Law, Tax Accounting and Labor" Kuno CPA Office, Consulting Firm Co., Ltd., Mamoru Kobayashi, October 2011)

(3) Restrictions on Overseas Remittance

Foreign companies are prohibited from making overseas remittances in VND but are allowed to make overseas remittances in foreign currency for the kinds of remittances shown in the figure below. Foreign companies are required to submit documents that prove actual demand to banks when making foreign remittances. It is worth noting that foreign companies can remit profits overseas but can only do so once per year after the close of their fiscal year, and only when they have no accumulative loss.[5]

Permissible foreign remittances

- Profit from acquisitions/dividends from projects
- Payments for technology and services granted
- Paying off principal or payments on interest of external debt
- Overseas remittance of profit gained from investment projects based on investment law, etc.
- Overseas remittance of cash and other assets legitimately held by investors
- Legitimate assets, etc. when corporate activities are finished or the corporation is dissolved.

(Source: Vietnamese Investment Environment, August 2012, JBIC)

Figure 3-2: Approved Overseas Remittance

(4) Restrictions on Using Foreign Currency

According to the decree on restrictions on using foreign currency put into effect on February 10, 2014 (Circular No. 32/2013/TT-NHNN), service contracts in foreign currency previously allowed for export processing enterprises (EPEs) are no longer allowed (with some exceptions). The figure below shows the main exceptions where using foreign currency is allowed. EPEs can execute contracts in foreign currency only when purchasing products related to production activities.

Main Exceptions Where Using Foreign Currency is Allowed

- State agencies on international borders such as customs and border guards
- Financial institutions that use foreign currency
- Residents contributing capital funds for foreign investment
- Residents who import and export may use foreign currency to make payments and indicate prices in contracts.
- Businesses in Vietnam that do international shipping may use foreign currency to make estimates and indicate prices in contracts. Payments must be made in VND. Foreign currency may be used when a company pays service charges at ports, international airports, etc. on behalf of customers.
- EPEs may execute contracts and make payments in foreign currency when purchasing products from the Vietnamese market for manufacturing, production and assembly. In such cases, companies in Vietnam may accept estimates, contracts and payments in foreign currency when doing business with EPEs. They may also accept estimates, contracts and funding in foreign currency in contracts with other EPEs.
- Foreign laborers may enter employment agreements with wages indicated in foreign currency and may receive wages and bonuses in foreign currency.
- Residents may use foreign currency to indicate prices in estimates and contracts and make payments when selling merchandise or providing services to non-residents.

(Source: NAC Global Accounting Group Legislation Information Website (http://www.nacglobal.net))

Figure 3-3: Main Exceptions Where Using Foreign Currency is Allowed

[5] "Vietnam Investment, Company Law, Tax Accounting and Labor" Kuno CPA Office, Consulting Firm Co., Ltd., Mamoru Kobayashi, October 2011

3.2.3 Regulations on Real Estate

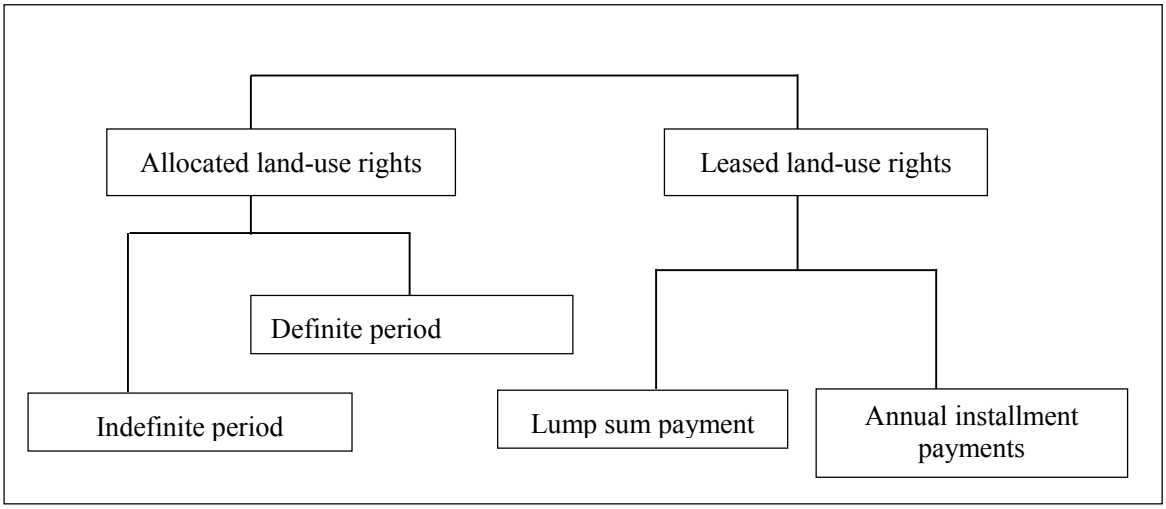
(1) Types of Land-use Rights

All land in Vietnam belongs to all Vietnamese citizens, and the government represents Vietnamese citizens in the integrated management of that land according to law. Therefore, people who use land receive land-use rights from the government and will use the land in accordance with the Law on Land.

There are two types of land-use rights for industrial and commercial purposes: allocated land-use rights and leased land-use rights. Allocated land-use rights carry definite or indefinite periods, and lease fees for leased land-use rights are paid in lump sum or in annual installment payments.

The original Law on Land identified a difference between the rights of foreign companies and the rights of Vietnamese companies related to land-use rights, but the amended Law on Land treats foreign and Vietnamese companies equally.[6]

In the Project, land use under leased land-use rights was assumed.



(Source: Vietnamese Legal Handbook p. 98, September 2013, Chuokeizai-sha)

Figure 3-4: Types of Land-Use Rights

(2) Land-use Rights Periods

The period for land-use rights is 50 years for both foreign and Vietnamese companies and was not changed in the amended Law on Land. In addition, it is possible to extend the period to 70 years for investment projects involving large investments and delayed capital recovery, and projects for investing in areas facing difficult and very difficult economic and social circumstances (projects for areas on the list of investment incentive areas).

The law stipulates that the government may consider allowing an extension of land-use rights that have expired when the land user wishes to continue using the land and when that use is consistent with land-use regulations, but the law does not guarantee that extensions will be granted[5].

[6] Updated Legal Information from Vietnam, November 2013, Nagashima, Ohno & Tsunematsu

The period for land-use rights for the Project is 50 years because the authorities have said it does not qualify as one of the exceptions described above.

(3) Attachment of Security Interests to Land-use Rights[7]

Under the original Law on Land, security interests for land-use rights could only be offered to financial institutions approved to implement projects in Vietnam; foreign companies were not allowed to attach security interests to real estate as secured parties. The amended Law on Land maintains the provisions of the original Law on Land concerning attachment of security interests to land-use rights and land assets.

(4) Paying Fees for Land-use Rights for Industrial Park Property[6]

The amended Law on Land stipulates that industrial park developers must acquire leased land-use rights. Lease fees can be paid in lump sum or in annual installment payments. If a lease is paid in lump sum and the lessee subleases that land, the sublease fee can be paid in lump sum or in annual installment payments, but if a lease is paid in annual installment payments, any sublease fees for that land must also be paid in annual installment payments.

(5) Real Estate Business Regulations

As explained previously, the Common Investment Law defines real estate work as an investment field with conditions, and investment certificates enabling real estate business cannot be acquired if certain conditions are not satisfied. However, the exact nature of those conditions is not clear, and in practice it appears that the authorities often impose a restriction of 49% foreign investment during the screening process for investment certificates on investment projects involving real estate development and management.[8]

It is confirmed that no such foreign investment restrictions will be imposed on the Project.

3.3 Confirmed Incentives Applicable to the Project

(1) General Incentives

The table below shows general incentives commonly available in Vietnam. Exemptions on corporate income taxes and extensions of land use rights will not be applied to the Project.

Table 3-11: Incentives for Investing in Vietnam

Item	Summary	Applicable conditions, targets, etc.
1) Corporate income tax incentives	・Favorable tax rates on profits paid as dividends from profits after paying corporate income taxes in accordance with the tax code. (Common Investment Law, Article 33, Paragraph 2)	・ Applicable to investment projects that qualify for investment incentive fields and regions (Common Investment Law, Article 33,

[7] Updated Legal Information from Vietnam, November 2013, Nagashima, Ohno & Tsunematsu
[8] Vietnamese Legal Handbook, September 2013, Chuokeizai-sha

Item	Summary	Applicable conditions, targets, etc.
		Paragraph 1) ・Not applicable to the Project.
2) Import tax exemption	・Exemption from import taxes on facilities, supplies, transportation machinery and other merchandise for implementing projects in Vietnam in accordance with import and export tax code. (Common Investment Law, Article 33, Paragraph 3)	・ Investment projects that qualify for investment incentive fields and regions (Common Investment Law, Article 33, Paragraph 1)
3) Income tax exemption	・Exemption from income taxes on revenue earned from transferring technology in accordance with the tax code. (Common Investment Law, Article 33, Paragraph 4)	・ Projects that qualify for investment incentives (Common Investment Law, Article 33, Paragraph 1)
4) Loss carryforward	・ Deduction from taxable income in the following year by allowing carryforward of loss into the following year in accordance with corporate tax code. ・Carryforward period is five years or less. (Common Investment Law, Article 34)	
5) Depreciation on fixed assets	・Shorter depreciation period for fixed assets. ・However, depreciation rate can be increased as much as 100% as set forth in the system for fixed asset depreciation. (Common Investment Law, Article 35)	・ Investment projects that qualify for investment incentive fields and regions ・Investment projects with track records
6) Land-use rights extension	・Extension of land-use rights from 50 years to 70 years. ・Extension of land-use rights after they expire. (Common Investment Law, Article 36) *Authorized state institutions may extend land-use rights even if they have expired.	・ Applicable to investment projects involving large investments and delayed capital recovery and projects for investing in areas facing difficult and very difficult economic and social circumstances (projects for areas on the list of investment incentive areas). ・Not applicable to the Project
7) Land-use fee exemptions	・Exemptions from land-use fees in accordance with the Law on Land and the tax code. (Common Investment Law, Article 36; Order for Enforcement of the Common Investment Law, Article 26)	・Applies to investors investing in investment incentive fields or regions and to investment situations where the government does not collect land-use fees from investors, or does collect land-use fees from investors and allots land to them. (Common Investment Law, Article 36; Order for Enforcement of the Common Investment Law, Article 26) ・The Project are exempt from paying land-use fees for 11 years following the completion of the project and launch of operations.

(Prepared by the study team based on the documents acquired during the site survey)

(2) Incentives in Vinh Phuc Province

The two investment incentives offered by Vinh Phuc Province that apply to the Project are 1) support for administrative procedures, and 2) support for securing workers. Specifically for the Project, authorities indicated that they could shorten the period for issuing investment permission to 15 days from 25 to 30 days. In addition, if a rental factory occupant qualifies as a supporting industry, 3) support for supporting industries is applied.

Table 3-12: Incentives in Vinh Phuc Province

Item	Summary	Applicable to the Project
1) Support for administrative procedures	・Shorten the period for issuing and screening investment certificates to 15 days from 25 to 30 days. ・Shorten the period for issuing investment certificates to 10 days from 15 days.	Yes.
2) Support for securing workers	・Labor supply ・Vocational training support of 400,000 VND per person.	Yes. *According to Decree No. 37/2011/NQ-HDND
3) Support for supporting industries	・Support for the expense of creating documents for acquiring or changing investment certificates (up to 200 million VND depending on the size of the company). ・Support for the expenses of advertising and promoting (up to 2 million VND). ・Full support for the expense of screening EIA reports. ・Full support for the expense of acquiring land-use rights. ・Full support for the expense of issuing, reissuing and extending work permits for foreigners. ・Full support for the expense of seal registration.	Applicable to supporting industries (manufacturing, mechanics, electronic/ communication/ high-tech, automobile manufacture and assembly, motorcycle manufacture and assembly), but not to the Project. *According to Decree No. 47/2012/QD-UBND
4) Support for infrastructure development	・Development of core infrastructure (roads, power, water supply, communications) to the walls. ・Applies to land lease fees at minimum.	Needs to be confirmed.
5) Support for industrial zone development	・Full support for the expense of screening EIA reports. ・Full support for the expense of preparing 1:500 scale industrial park plans. ・Full support for the expense of removing land mines from industrial park property. ・Technical support on industrial park property (waste disposal, wastewater treatment systems). -Smaller than 10 ha: Up to 5 billion VND -10–20 ha: Up to 7 billion VND -20–75 ha: Up to 10 billion VND ・Vocational training support of 700,000 VND per person.	Applicable to investors investing in industrial zones, but not to the Project.
6) Land transfer	・Transfer completely liberated land.	Investment encouragement projects (including

Item	Summary	Applicable to the Project
		educational training, vocational training, health, sports, environmental improvement) *Not applicable to the Project.
7) Support for dealing with trouble	・Support for dealing with problems and trouble that occurs during operations. ・Reply within five days of receiving opinions, problems and replies.	Needs to be confirmed.

(Prepared by the study team based IPA Vinh Phuc website and the documents acquired during the site survey)

3.4 Impacts on the Project and Preparation of Countermeasures

(1) Restrictions on Establishing Companies

In the Project, the capital is supposed to be increased/decreased according to the project phases. It is possible for multi-member limited liability companies to increase/decrease one's capital. Also, multi-member limited liability companies can freely stipulate the rights of investors, internal organizations, and transfer restrictions of the capitals on company articles. Moreover, currently most of the Japanese corporations have opted to form multi-member limited liability companies when establishing local corporations in Vietnam. Therefore, multi-member limited liability companies are thought to be the appropriate company form for the Project.

According to the Vietnamese Law on Enterprise, member resolutions for multi-member limited liability companies require the agreement of at least 65% of total investment equity of members in attendance at general meetings. Thus, an investment of at least 65% is key to controlling general meeting resolutions. However, the Project qualifies as real estate work, an investment field with conditions under the Common Investment Law, so the authorities may limit foreign investment for 49% or impose other restrictions when investment certificates are acquired. As a result of the confirmation to the authority, it turned out that there were no restrictions on foreign investment ratios. Thus, the study team and the local partner carried out negotiations on investment ratios.

(2) Foreign Currency Controls

The issuance of Circular No. 32/2013/TT-NHNN essentially means that service contracts in USD and other foreign currencies are no longer allowed, which in turn means that it is not possible to finance in USD through two-step loans via local banks as initially planned. Also, local banks considered that practically, there were no possibilities to finance through project finances. Based on this conditions, the team studied the financing plan.

(3) Incentives Applicable to the Project

After surveying documents and conducting interviews, it is clear that applicable incentives from Vinh Phuc Province are shortening the time required for administrative procedures and support for securing

workers. On the other hand, it is confirmed that the Project and its target area do not qualify as an investment incentive field or region, thus exemptions on corporate income taxes and extensions of land use rights is not be applied to the Project.

Chapter 4 Similar Case Study and Market Survey

4.1 The Similar Case Study in Vietnam

To make the Project more attractive and successful as a PPP project, it is necessary to build plants that meet the needs of Japanese companies, and attract and support them throughout their business activities from making a foray in Vietnam until doing business there. To this end, this preparatory study will gather and analyze information about industrial parks that are developed and operated by Japanese companies in Vietnam and industrial parks for Japanese companies. The survey will focus to clarify the know-how of the operation and key factors for the success, and take advantage of the findings for the concept, planning and other factors of the Project.

4.1.1 Methodology and Targets of the Similar Case Study

(1) Methodology of the Similar Case Study

1) Industrial Parks (Business Operators)

The similar case study included gathering of information from websites, pamphlets and other sources related to targeted industrial parks, as well as on-site hearings.

Information available to the public was sorted out prior to on-site hearings so as to clarify the characteristics of the targeted industrial parks and matters to be asked. For efficient information gathering that will contribute to consideration of the Project, questionnaire sheets were prepared and sent to the targeted industrial parks in advance, based on which the hearings were conducted.

2) Tenant Companies

To gather multifaceted information about the targeted industrial parks, and confirm the characteristics and needs of tenant companies, on-site hearings were also conducted towards tenant companies of the targeted industrial parks.

As in the case of the hearings to the business operators of the industrial parks, questionnaire sheets were prepared and sent to targeted companies, based on which the hearings were conducted.

(2) Targets of the Similar Case Study

1) Industrial Parks (Business Operators)

The similar case study covered a total of seven industrial parks: two in Northern Vietnam where Ba Thien 2 Industrial Park is located and five in Southern Vietnam. These industrial parks are developed and operated by Japanese companies or developed for Japanese companies, and all engage in rental factory business.

- Thang Long Industrial Park (Northern Region : Hanoi)
- Nomura-Haiphong Industrial Zone (Northern Region : Hai Phong City)
- Amata Industrial Park (Southern Region : Dong Nai Province)
- Loteco Industrial Park (Southern Region : Dong Nai Province)

- Long Duc Industrial Park (Southern Region : Dong Nai Province)
- Kizuna Serviced Factory Area (Southern Region : Long An Province)
- Long Hau Industrial Park (Southern Region : Long An Province)

2) Tenant Companies

Hearings were conducted to companies which rented in the industrial parks listed above and agreed to be interviewed concerning the Project. The companies interviewed, together with their industry and industrial parks, are listed as follows.

- Company A (machine tools: Thang Long Industrial Park)
- Company B (wire harness: Nomura-Haiphong Industrial Zone)
- Company C (wireless remote controls: Nomura-Haiphong Industrial Zone)
- Company D (knockdown furniture: Amata Industrial Park)
- Company E (paper making: Amata Industrial Park)
- Company F (automobile parts: Loteco Industrial Park)
- Company G (tip tools: Loteco Industrial Park)
- Company H (medical instruments: Long Duc Industrial Park)

4.1.2 Summaries of Similar Industrial Parks

The similar industrial parks are described as follows.

(1) Thang Long Industrial Park

Thang Long Industrial Park is an industrial park constructed in 1997 with funds of Sumitomo Corporation and a local company, Dong Anh Mechanical Co., Ltd. in Dong Anh District, Hanoi, 16km north of city center. It is only 14km away from Noi Bai International Airport, and all the land area of 274ha developed in three phases has been sold. Thang Long Industrial Park engages in sales of land, and development and management of rental factories and offices on the premises. Dong Anh Mechanical Co. is in charge of dealings with the Industrial Zone Management Board of Hanoi, while Sumitomo Corporation is in charge of marketing and management.

(Source: websites of Thang Long Industrial Park)

Figure 4-1: Master Plan of Thang Long Industrial Park

Thang Long Industrial Park has five units of rental factories with floor space of 494m^2, six units with floor space of 500m^2 and four units with floor space of 650m^2 which can be partitioned into smaller units. The monthly rent is 7 USD/m^2 and monthly administrative fee is 0.33 - 0.37 USD/m^2. The minimum contract term is one year, but three- and five-year rental contracts are also available. The industrial park was actively promoted both in Vietnam and Japan to invite tenant companies at the time when it started the services, and currently has 15 tenant companies with the occupancy rate of 100% in rental factories.

Thang Long Industrial Park has a fire station, a police station, a newsstand, a restaurant, a bank, a clinic and bulletin boards. It offers services related to permits and approvals, meals, vehicles, IT support, logistics and insurance schemes as well as opportunities to exchange information. On the other hand, Company A, a tenant of a rental factory in the industrial park, was concerned about Japanese language education for local staff members, acquisition of permits and approvals, and financial consulting at the time when it made a foray into Vietnam. A canteen for the entire rental factories seem to be in high demand because of difficulty for each company to have its own canteen due to space limitations. The hearing also revealed that customs services on the premises benefit tenant companies, and that pickup bus services in the entire park are not flexible very much.

As for management, Thang Long Industrial Park has 26 full-time staff members including three Japanese. The industrial park outsources restaurant management, cleaning, IT support services, logistics services, insurance, security guards and other services to third parties, so Thang Long Industrial Park itself serves as a window. The success of the industrial park seems to be attributable to liaison with various

parties. The fire station, police station, bank and clinic on the premises were invited from outside, and arrangements were made to ask Hanoi People's Committee to build rental housing to meet an increase in workers in the industrial park.

(2) Nomura-Haiphong Industrial Zone

Nomura-Haiphong Industrial Zone is an industrial park constructed in 1994 with funds of Nomura Asia Investment (Vietnam) Pte Ltd. and Hai Phong People's Committee in An Duong District, Hai Phong City. It is adjacent to National Route No. 5 and close to Route No. 10, fairly accessible to major regions in Northern Vietnam. All the land of 153ha has been already sold. Nomura-Haiphong Industrial Zone engages in sales of land, and development and management of rental factories and offices on the premises.

(Source: websites of Nomura-Haiphong Industrial Zone)

Figure 4-2: Master Plan of Nomura-Haiphong Industrial Zone

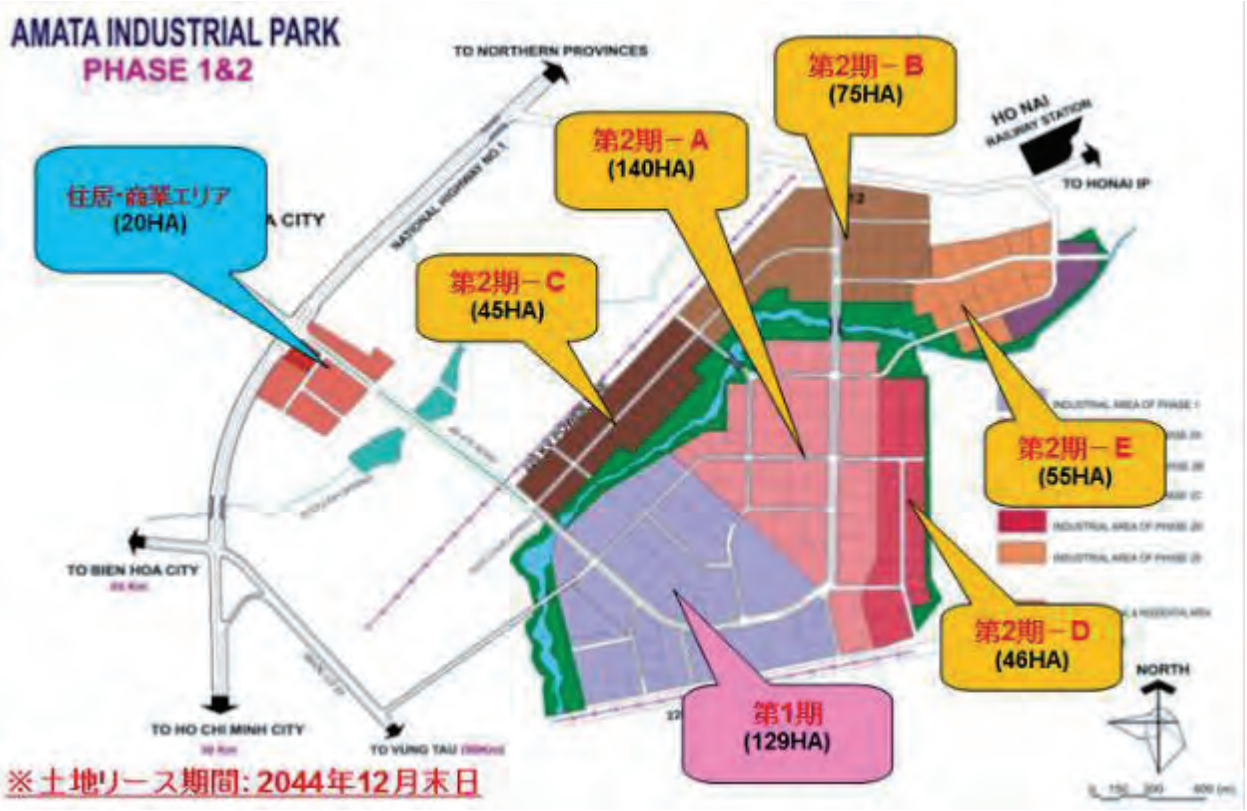
Nomura-Haiphong Industrial Zone has 18 units of rental factories, where each unit has floor space of approximately 1,500m^2 (1,200m^2 for work space and approx. 300m^2 for office space). It has four four-storied buildings (one unit on each floor, four units in total) and two single-storied buildings. The monthly rent is 4.5 USD/m^2. The industrial park also charges monthly administration fees of 0.885 USD/m^2. The minimum contract term is two years, and currently 14 units have been occupied.

Nomura-Haiphong Industrial Zone has customs services, a branch office of the Haiphong Economic Zone Authority, a bank, a clinic and a Japanese language school, but has no newsstand, restaurant or any other additional services. IT support and logistics services are provided by tenant companies, and the industrial park introduces agencies for permits and approvals to tenant companies when necessary. In hearing, Companies B and C stated that they wished to have Japanese president meetings to exchange information, as well as restaurants.

As for management, approximately 90 staff members are stationed, including two Japanese staff members. The industrial park outsources security guards, cleaning, and planting and plant management.

(3) Amata Industrial Park

Amata Industrial Park is an industrial park constructed in 1994 with funds of Amata Corporation, a Thai company whose major shareholder is Itochu Corporation, and a local company called Sonadezi, in Long Binh District, Bien Hoa City, Dong Nai Province. It is adjacent to National Route No. 1 which connects Hanoi City and Ho Chi Minh City, and 30km away from Ho Chi Minh City. The area totals 700ha, of which land lots for the first and second phases have been sold, and land development for the third phase is being planned. Amata Industrial Park engages in sales of land, and development and management of rental factories on the premises.



(Source: Websites of Itochu Corporation on General Information about Overseas Real Estate)

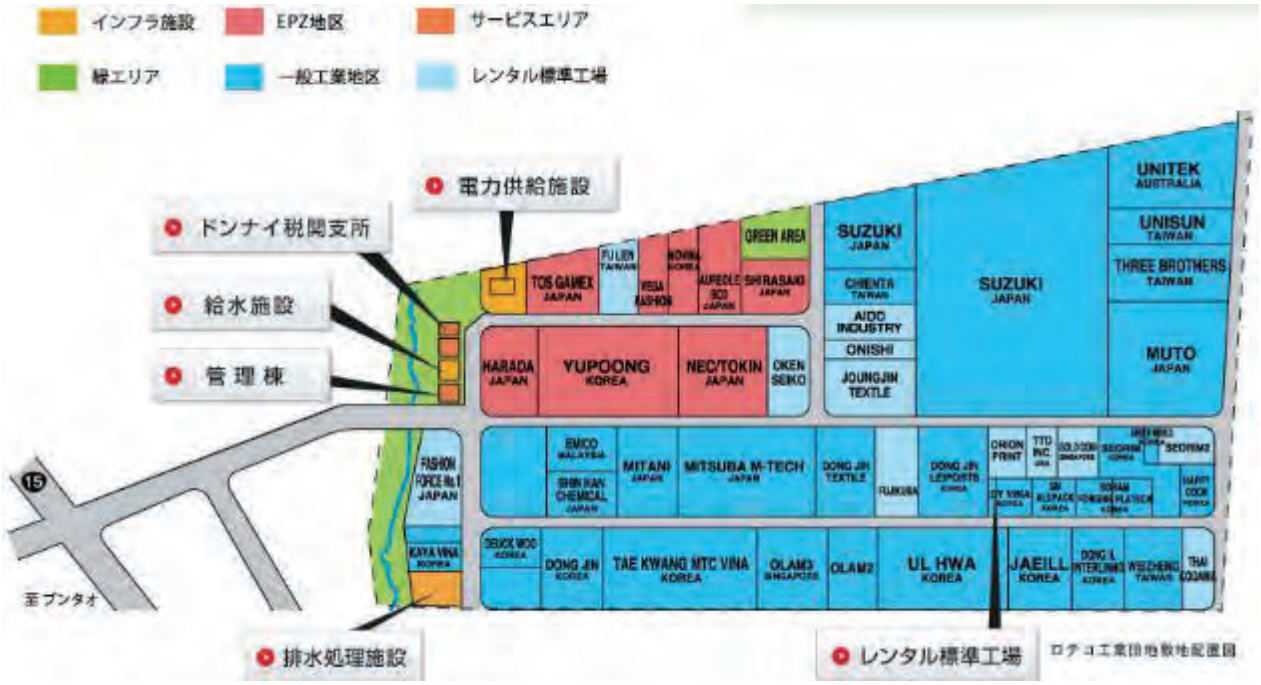
Figure 4-3: Master Plan of Amata Industrial Park

The industrial park has a wide range of rental factories in size, ranging from 1,300m^2 to 5,000m^2. The monthly rents range between 4.5-4.6 USD/m^2. The industrial park also charges monthly administration fees of 0.08 USD/m^2. The minimum contract term is five years, and tenants can have an option to purchase the land lot after renting it for two-three years. Currently, 33 companies rent factories, of which 19 companies are Japanese.

Amata Industrial Park has restaurants, a medical center, banks, a vocational training school and other facilities. As for management, it has no full-time Japanese staff members but local staff members who can speak Japanese. It offers services related to permits and approvals and holds meetings for information exchanges. Hearings to Companies D and E which have their own factories on the premises confirmed that the industrial park offers useful services including one-stop services, meetings for information exchanges, restaurants and other additional services.

(4) Loteco Industrial Park

Loteco Industrial Park is an industrial park constructed in 1996 with funds of Sojitz Corporation and Thai Son Corporation, a local company, in Long Binh District, Bien Hoa City, Dong Nai Province. It is close to National Route No. 1 which connects Hanoi City and Ho Chi Minh City, and it takes only 30-40 minutes by car to Cat Lai Port which handles approximately 40% of containers in Vietnam. The entire land of 100ha has been already sold. Loteco Industrial Park engages in sales of land, and development and management of rental factories on the premises.



(Source: websites of Loteco Industrial Park

Figure 4-4: Master Plan of Loteco Industrial Park

The rental factories include 1,200m^2 and larger in size and are classified into specially designed factories, medium-sized ones and ordinary ones. The monthly rent for a factory and office building is 4 USD/m^2, and that for factory land and auxiliary facilities is 1 USD/m^2. The minimum contract term is five years.

Loteco Industrial Park has customs service and a bank. As for management, it has full-time Japanese staff member(s), offering services related to permits and approvals, meals and vehicles together with opportunities to exchange information. Hearings to Company F found that advantages of this industrial park include the presence of Japanese staff members at the managing company and meetings among Japanese companies to exchange information.

(5) Long Duc Industrial Park

Long Duc Industrial Park is an industrial park constructed in 2012 with funds of Sojitz Corporation, Daiwa House Industry Co., Ltd., Kobelco Eco-Solutions Co., Ltd. and Vietnam's Donafoods in Long Duc District, Long Thanh City, Dong Nai Province. It is close to National Route No. 1 which connects Hanoi City and Ho Chi Minh City, and 14km away from Long Thanh International Airport which will be opened in 2020. Long Duc Industrial Park engages in sales of land, and development and management of rental factories on the premises.

(Source: websites of Daiwa House Industry Co., Ltd.)

Figure 4-5: Master Plan of Long Duc Industrial Park

Long Duc Industrial Park has six rental factories with floor space of 512m^2, two rental factories of 768m^2 and five rental factories of 960-1,024m^2. The rents vary depending on floor area, but the monthly

average rent is approximately 5.5-5.9 USD/m^2. The industrial park charges monthly administrative fees of 0.15 USD/m^2. The minimum contract term is five years.

Long Duc Industrial Park has customs service, a restaurant, a bank, rental offices and other facilities. As for management, it offers services related to permits and approvals, meals, IT support, logistics, staff agency, and meetings to exchange information. It offers no vehicle services because of lack of demand. Company H, which has its own factory on the premises, cites difficulty in securing engineers and personnel with accounting skills within Dong Nai Province, so that staff agency services may be in demand.

As for management, the industrial park has approximately 50 full-time staff members including two Japanese staff members (excluding Japanese staff members who were hired in Vietnam). Meal and IT support services were provided by contracted Japanese companies.

(6) Kizuna Serviced Factory Area

Kizuna Serviced Factory Area is a complex of rental factories chiefly for Japanese SMEs, developed in 2012 by Kizuna JV Corporation within the premises of Tan Kim Industrial Park, Can Giuoc District, Long An Province, 15km away from Ho Chi Minh City. It is a local rental factories but has full-time Japanese staff members, and a Japanese company serves as its agency.

(Source: websites of Kizuna Serviced Factory Area)

Figure 4-6: General View of Kizuna Serviced Factory Area

Kizuna Serviced Factory Area has 15 units of 500m^2, 13 units of 1,000m^2 and two units of 1,500m^2. The monthly rental fees including administrative fees are 4.2-4.8 USD/m^2. A total of 10 tenant companies rent factories within six months or so after the completion of the factory buildings, and all the units are expected to put into services in 2014.

Kizuna Serviced Factory Area uniquely provides tenants with various infrastructures and services. As for infrastructures, offices, meeting rooms and rental warehouses are available to tenants. As for management, it offers services related to permits and approvals, vehicles and IT support, as well as information about laws, governmental policies and outsourcing agents.

The factory area has 25 full-time staff members including five staff members (including one Japanese staff member) who can provide services in Japanese.

(7) Long Hau Industrial Park

Long Hau Industrial Park is an industrial park constructed in 2006 with funds of three companies including Tan Thuan Industrial Promotion Company of Vietnamese capital and Jaccar of French capital in Can Giuoc District, Long An Province. It is located 19km from Ho Chi Minh City, 3km from Saigon port, and 25km from Tan Son Nhat International Airport. The occupancy rate is high, approximately 70%.

The industrial park engages in sales of land, and development and management of rental factories on the premises. Although it is a local industrial park, a Japanese company serves as the agency and Japanese staff members host visitors for site inspections.

(Source: websites of Long Hau Industrial Park)

Figure 4-7: Master Plan of Long Hau Industrial Park

Almost all the 33 rental factories (416-3,328m^2) released in the first phase are occupied and lease of rental factories in the second phase are in progress. Rental factories to be released in the second phase total 39, including 13 lots of 512m^2, four lots of 576m^2, eight lots of 768m^2, ten lots of 1,024m^2 and four lots of 1,152m^2. The monthly rent including administrative fees is 4.9 USD/m^2. The minimum contract term is three years.

Long Hau Industrial Park offers customs services, a restaurant, a bank, a fire station, dormitory housing, a clinic and other services. As for management, it offers services related to permits and approvals, meals and free Japanese language courses. Workers at rental factories use delivery food services.

4.1.3 Overview

The floor area of rental factories in the industrial parks described above ranges between approximately 500m^2 and 3,000m^2, but most of the rental factories are between 500m^2 and 1,500m^2 in size. The monthly rent are generally 4-5 USD/m^2, and the monthly administration fees are 1 USD/m^2 or less. The industrial parks normally ask for deposit equivalent to rents for several months. As for management, almost all of the similar industrial parks have Japanese full-time staff members to deal with tenants and companies from Japan. Some managing companies undertake cleaning, security guards and other services themselves, and others outsource such services. On the other hand, the managing companies of all the industrial parks surveyed except Nomura-Haiphong Industrial Zone offer services related to permits and approvals. The majority of the industrial parks outsource meal services (restaurants and canteens) and vehicle services (pickup services), though the managing companies of some industrial parks offer these services by themselves.

The hearings to tenant companies revealed that the presence of provided by Japanese staff members can be a key factor for Japanese companies to make a foray into industrial parks in Vietnam, and that opportunities to exchange information among tenant Japanese companies are highly demanded. In this sense, these services are considered to be important for Japanese SMEs – in particular, those which have not done business abroad – as a means of gathering local information.

As for the issues of securing and retaining local workers, tenant companies make arrangements so as not to complete over recruitment by, for example, exchanging information about wages and having a consensus to set equal prices of catering services. But there are some companies that pay various allowances and gas money for commuting.

Table 4-1: List of Similar Industrial Parks in Vietnam

Item		(i) Thang Long Industrial Park	(ii) Nomura-Haiphong Industrial Zone	(iii) Amata Industrial Park	(iv) Loteco Industrial Park
Description of business operator	Business operator	Thang Long Industrial Park Corporation	Nomura Hai Phong Industrial Zone Development Corporation	Amata Joint Stock Company	Long Binh Techno Park
	Investors and their investment ratios	Sumitomo Corporation (58%) Dong Anh Mechanical Company（42%）	Nomura Asia Investment (Vietnam) Pte Ltd. (70%) Hai Phong People's Committee (30%: investment in kind)	Amata corporation（70%） Sonadezi（30%）	Sojitz Corporation (60%) Thai Son Corporation (40%)
	Capital	24,770,000USD	241,000,000USD (Decrease in capital along the way)		12,500,000USD
	Investment	90,000,000USD (Total investment)	120,000,000USD (Initial fund raising)	803,222,082USD (Total investment to be capitalized)	41,000,000USD (Total investment)
Size of industrial park	Total area	274ha	153ha	700ha	100ha
	Area for industrial park	207ha	123ha (Building-to-land ratio: 70%)		80ha
	Of which, area for rental factories		2ha		
	Total floor area of rental factories	494 m^2 x 5、500 m^2 x 6、 650 m^2 x 4 (Tenement style)	1,500m^2 x 18 units (1,200m^2 + office of 300m^2) (i. 4 four-storied buildings = 16 unit ii. 2 single-storied buildings of 1,500m^2 = 2 units)	1300 – 1500m^2 (2 standard factories of 1,300m^2, the largest factories of 5,000m^2)	Factories with floor area of 1,200m^2 or larger (Specially designed factories, medium-sized ones and ordinary ones) (13 lots)
Contract details	Rent	7 USD/m^2 per month * Deposit of 10,000 USD required * Rent for one year required in advance	4.5 USD/m^2 per month	4.5 – 4.6 USD/m^2 per month * Deposit of the equivalent to rent for 5 months required * Rent for 3 months required in advance	Lease fees for factory and office building: 4 USD/m^2 per month Lease fees for land for factory and auxiliary facilities: 1 USD/m^2 per month
	Administrative fee	0.33 – 0.37 USD/m^2 per month	0.885 USD/m^2 per month	0.08 USD/m^2 per month	
	Minimum contract term	At least 1 year (3- and 5-year contracts are also available.)	At least 2 years	At least 5 years (with possibility to purchase factor in 2-3 years' time)	At least 5 years
O&M, and management	O&M, management structure	26 full-time staff members (including 3 Japanese staff members) 70 security guards + third party security 30-odd – 40 local workers	90 full-time staff members (including 2 Japanese staff members), who are in charge of the operation of facilities	Full-time local staff members who can speak Japanese	Japanese full-time staff members
	Outsourcing	IT support, meal, logistics and insurance services, and cleaning and newsstands	Security guards, cleaning, and planting and plant management		
Tenant companies	No. and business types of tenant companies (sales of land lots)	66 companies * Automobile parts, precision machinery, metal, etc.	55 companies (including 47 Japanese companies) * Parts makers (automobiles, electronic products, machine products, rubber and plastic processed products)	100 companies (including 46 Japanese companies) * Automobile parts, plastic parts, sewn products, etc.)	54 companies (including 18 Japanese companies)
	Occupancy rate	100% (Currently, another 12 units are under construction.)	100%		100%
	No. and business types of tenant companies (rental factories)	15 Japanese companies * Precision machinery, metal, etc. Others: 21 companies renting offices	All Japanese companies * Electronic products, parts maker, automobile wires, etc.	33 companies (including 19 Japanese companies) * Coating materials, electronic parts, etc.	
	Occupancy rate	100%	78%		
Economic effects of industrial park	Annual total exports from industrial park	2.53 billion USD (FY2012)	1.1 billion USD		
	Total number of workers in industrial park	60,000 workers (including some 450 Japanese workers)	25,000 workers (including some 150 Japanese workers)		
Business details	Services related to permits and	○	×	○	○

Item		(i) Thang Long Industrial Park	(ii) Nomura-Haiphong Industrial Zone	(iii) Amata Industrial Park	(iv) Loteco Industrial Park
(including outsourcing)	approvals				
	Meal services (including restaurants and canteens)	○	×	○	×
	Vehicle services	○	×	×	○
	IT support services	○	×	×	×
	Logistics services	○	×	×	×
	Insurance services	○	×	×	×
	Others	○ (Customs service, bank, police station, post office, clinic, etc.)	○ (Customs service, bank, clinic, Japanese language school, etc.)	○ (Residence, hospital, bank, vocational school, etc.)	○ (Customs service, bank, etc.)
Others		Development of the industrial park led to construction of rental houses in the surrounding area	Services related to permit and approval are introduction of agencies only.		

(Created by the Survey Team based on websites and materials of the industrial parks concerned)

Item		(v) Long Duc Industrial Park	(vi) Kizuna Serviced Factory Area	(vii) Long Hau Industrial Park
Description of business operator	Business operator	Long Duc Investment Co., Ltd	Kizuna JV Corporation	Long Hau Joint Stock Company
	Investors and their investment ratios	Sojitz Corporation (57.3%) Daiwa House Industry Co., Ltd. (22%) Kobelco Eco-Solutions Co., Ltd. (8.7%) Donafoods (12%)		Tan Thuan Industrial Promotion Co. (approx. 60%) Jaccar (French investment fund) (30%) South Saigon Development Corporation (approx. 10%) Viet Au (approx. 1%)
	Capital		1,910,000USD (40 billion VND)	200 billion VND
	Investment		70 billion VND	3.6 trillion VND (total investment)
Size of industrial park	Total area	270ha	―	288ha
	Area for industrial park	202ha	―	152.22ha (Building-to-land ratio: 70%)
	Of which, area for rental factories	4ha (including land for warehouses)	5.8ha (building-to-land ration: 50%)	5ha
	Total floor area of rental factories	512m^2 x 6 buildings 768m^2 x 2 buildings 960m^2 or 1,024m^2 x 5 buildings	500m^2 x 15 units 1,000m^2 x 13 units 1,500m^2 x 2 units	* 1st phase (33 lots in total) 416m^2 – 3,328m^2 * 2nd phase (39 lots in total) 512 m^2 x 13, 576 m^2 x 4, 768m^2 x 8, 1,024m^2 x 10 and 1,152 m^2 x 4
Contract details	Rent	512m^2：3,020USD/month（≒5.9USD/㎡） 768m^2：4,380 USD/ month（≒5.7USD/㎡） 960m^2：5,280 USD/ month（≒5.5USD/㎡） 1,024m^2：5,640 USD/ month（≒5.5USD/㎡） * Deposit of the equivalent to rent for 6 months required * Rent for 3 months required in advance	4.2USD ― 4.8USD/m^2 per month (including maintenance and administration fees) * Deposit of the equivalent to rent for 1 year required	4.9 USD/m^2 per month (including administration fees) * Deposit of the equivalent to rent for 6 months required * Rent paid on a monthly basis
	Administrative fee	0.15USD/m^2	―	―
	Minimum contract term	At least 5 years		At least 3 years
O&M, and management	O&M, management structure	Approximately 50 full-time staff members (including 2 Japanese staff members (except Japanese staff members hired in Vietnam))	25 full-time staff members (including 1 Japanese staff member)	
	Outsourcing			
Tenant companies	No. and business types of tenant companies (sales of land lots)		―	Approx. 90 companies (including 11 Japanese companies) * Manufacturing, food, textile and clothing
	Occupancy rate	Approx. 40%	―	Approx. 70%
	No. and business types of tenant companies (rental factories)		10 companies (including 7 Japanese companies)	33 companies or more (including 29 Japanese companies) *Apparel, metal processing, assembling of equipment, etc.
	Occupancy rate		33%	
Economic effects of industrial park	Annual total exports from industrial park		―	
	Total number of workers in industrial park		―	
Business details (including outsourcing)	Services related to permits and approvals	○	○	○
	Meal services (including restaurants and canteens)	○	×	○

Item		(v) Long Duc Industrial Park	(vi) Kizuna Serviced Factory Area	(vii) Long Hau Industrial Park
	Vehicle services	×	○	×
	IT support services	○	○	×
	Logistics services	○	×	×
	Insurance services	×	×	×
	Others	○ (Customs service, bank, rental office, etc.)	○ (Rental office, meeting room, etc.)	○ (Customs service, bank, fire stations, dormitory housing, clinic, etc.)
Others		Construction cost was 500 USD/m^2 or less.		Construction cost was 300 USD/m^2.

4.1.4 Analysis of Rental Factories in Northern Vietnam

(1) Outline of Rental Factories in Northern Vietnam

- According to the List of Rental Factories in Northern and Central Vietnam published in December, 2012, by JETRO (hereinafter referred to as "JETRO (2012)"), there were 28 rental factories as of July 2012 in Northern Vietnam (Hanoi City, Bac Ninh Province, Bac Giang Province, Hung Yen Province, Hai Duong Province, Hai Phong City, Ha Nam Province, Vinh Phuc Province, Hoa Binh Province and Thai Binh Province). Most of the rental factories are located on the premises of industrial parks.
- The following sections sort out data on rental factories chiefly reported in JETRO (2012). It should be noted that the data in 2012 may differ from the present situation because Vietnam sees considerable economic growth so that new rental factories are built and the infrastructure environment changes at all times.
- Table 4-2 lists rental factories in Northern Vietnam included in JETRO (2012). The numbers given to the rental factories correspond to those in figure 4-8 that indicate their space distribution.
- Figure 4-8 shows that most of the rental factories (and thus industrial parks) are located along arterial highways.
- The figure also suggests that a relatively large number of rental factories are located near Hanoi City.

Table 4-2: List of Rental Factories in Northern Vietnam

①Thang Long I Industrial Park	⑨Que Vo I Industrial Park	⑰Dai An Industrial Park	㉕Binh Xuyen Industrial Park
②Phu Nghia Industrial Park	⑩Quang Chau Industrial Park	⑱Forval Vietnam Co., Ltd. in Dai An Industrial Park	㉖Khai Quang Industrial Park
③Ninh Hiep Industrial Zone	⑪Hoang Gia Food JSC in Dinh Tram Industrial Park	⑲Dong Hoa JSC	㉗Luong Son Industrial Park
④Dai Dong - Hoan Son Industrial Park	⑫IDE International Co., Ltd. in Pho Noi A Industrial Park	⑳Trang Due Industrial Park	㉘Song Tra Industrial Park
⑤Viet Phap Co. in Dai Dong - Hoan Son Industrial Park	⑬Thang Long II Industrial Park	㉑VSIP Hai Phong Industrial Park	
⑥Tien Son Industrial Park	⑭Phu Hung Industrial Zone	㉒Dong Van II Industrial Park	
⑦Yen Phong Industrial Park	⑮Thai Ha Hung Package Corporation	㉓IDE International Co., Ltd. in Hoa Mac Industrial Park	
⑧Fuji Precision Co., Ltd. in Yen Phong Industrial Park	⑯Tan Truong Industrial Park	㉔Chau Son Industrial Park	

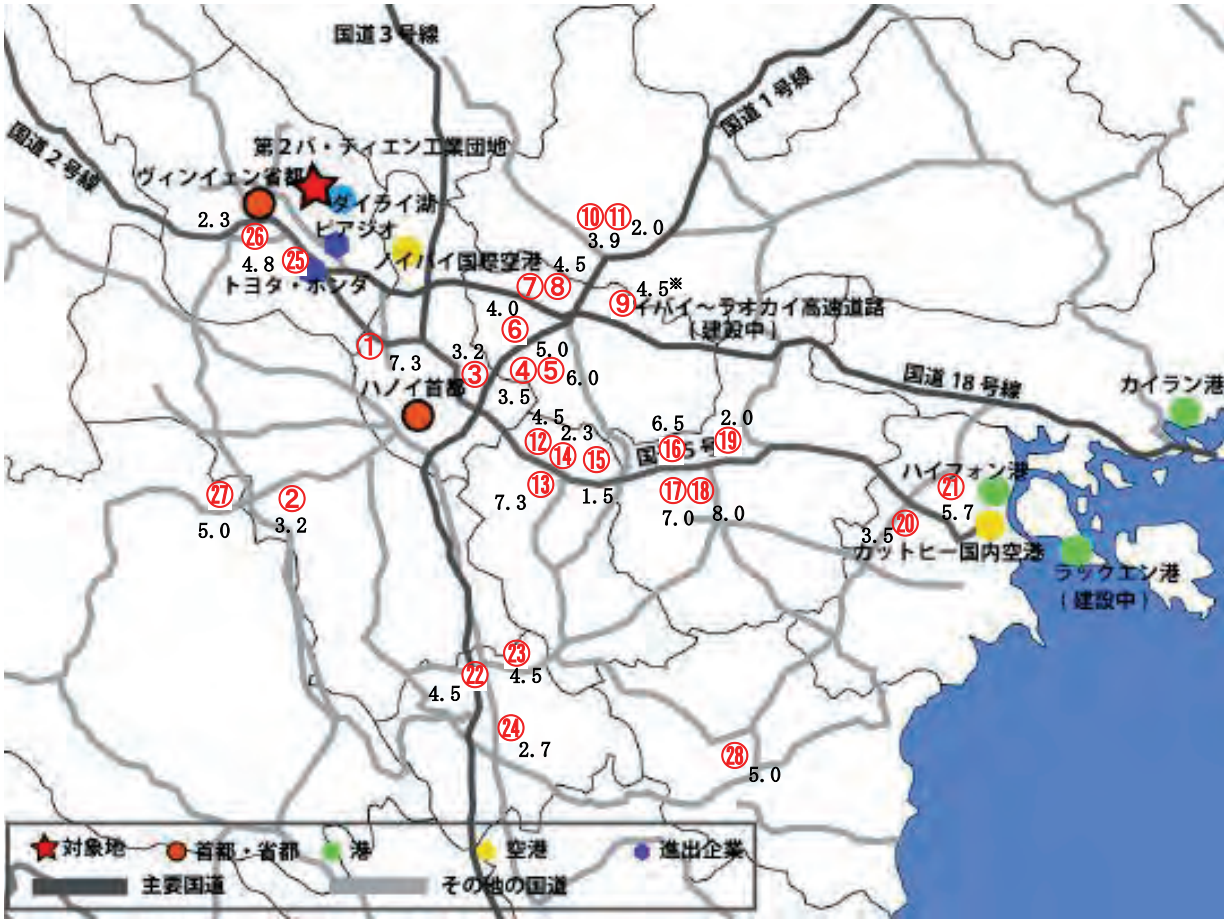


Figure 4-8: Location of Rental Factories in Northern Vietnam

(The numbers in the figure correspond to those in Table 4-2)

(2) Positional Relationships between Rental Factories, and Major Cities, Ports and Airports

- Table 4-3 below summarizes the distances (road distances) between rental factories in Northern Vietnam, including Ba Thien 2 Industrial Park and Central Hanoi, Hai Phong Port and Noi Bai International Airport. Figures 4-9 to 4-11 graphically show the distribution of distance between each rental factory and the three major locations.
- The rental factories are located 6-100km away from Central Hanoi. The average distance is 35km.
- The rental factories are located 6-150km away from Hai Phong Port. The average distance is 90km.
- The rental factories are located 12-130km away from Noi Bai International Airport in the northern part of Hanoi City. The average distance is 49.4km.

Table 4-3: Distances between Each Rental Factory, and the Central Hanoi, Hai Phong Port and Noi Bai International Airport

Province	Rental Factory	Distance from Central Hanoi d1 (km)	Distance from Hai Phong Port d2 (km)	Distance from Noi Bai International Airport d3 (km)
Vinh Phuc	**■ Ba Thien 2 Industrial Park**	**50**	**160**	**20**
Hanoi	①Thang Long I Industrial Park	16	130	14
Hanoi	②Phu Nghia Industrial Park	10	130	30
Hanoi	③Ninh Hiep Industrial Zone	15	85	40
Bac Ninh	④Dai Dong - Hoan Son Industrial Park	18	85	40
Bac Ninh	⑤Viet Phap Co. in Dai Dong - Hoan Son Industrial Park	18	118	37
Bac Ninh	⑥Tien Son Industrial Park	22	100	30
Bac Ninh	⑦Yen Phong Industrial Park	30	110	22
Bac Ninh	⑧Fuji Precision Co., Ltd. in Yen Phong Industrial Park	45	110	22
Bac Ninh	⑨Que Vo I Industrial Park	30	110	30
Bac Giang	⑩Quang Chau Industrial Park	50	110	50
Bac Giang	⑪Hoang Gia Food JSC in Dinh Tram Industrial Park	50	120	48
Hung Yen	⑫IDE International Co., Ltd. in Pho Noi A Industrial Park	24	75	60
Hung Yen	⑬Thang Long II Industrial Park	33	82	53
Hung Yen	⑭Phu Hung Industrial Zone	25	70	55
Hung Yen	⑮Thai Ha Hung Package Corporation	35	80	75
Hai Duong	⑯Tan Truong Industrial Park	43	58	61
Hai Duong	⑰Dai An Industrial Park	50	50	80
Hai Duong	⑱Forval Vietnam Co., Ltd. in Dai An Industrial Park	50	50	80
Hai Duong	⑲Dong Hoa JSC	34	60	65
Hai Phong	⑳Trang Due Industrial Park	95	15	122
Hai Phong	㉑VSIP Hai Phong Industrial Park	104	6	130
Ha Nam	㉒Dong Van II Industrial Park	40	90	65
Ha Nam	㉓IDE International Co., Ltd. in Hoa Mac Industrial Park	45	100	75
Ha Nam	㉔Chau Son Industrial Park	55	120	85
Vinh Phuc	㉕Binh Xuyen Industrial Park	35	130	12
Vinh Phuc	㉖Khai Quang Industrial Park	50	150	25
Hoa Binh	㉗Luong Son Industrial Park	36	120	65
Thai Binh	㉘Song Tra Industrial Park	100	70	130
Average		35	90.1	49.4
Max		100	150	130
Min		6	6	12
Median		34.5	95	49

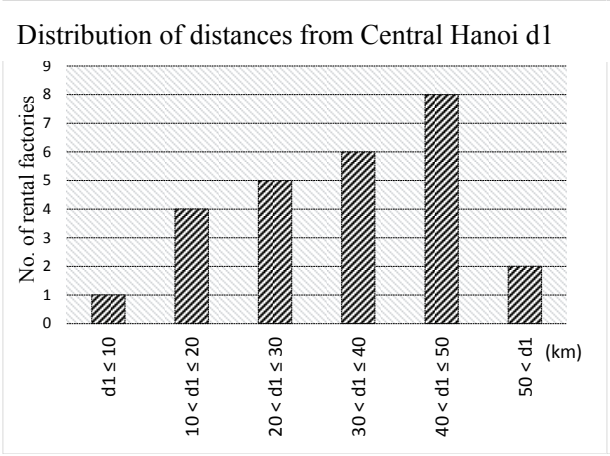


Figure 4-9: Distribution of Distances from Central Hanoi

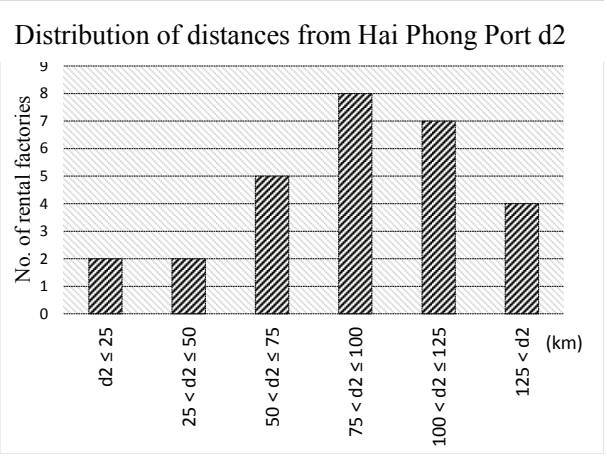


Figure 4-10: Distribution of Distances from Hai Phong Port

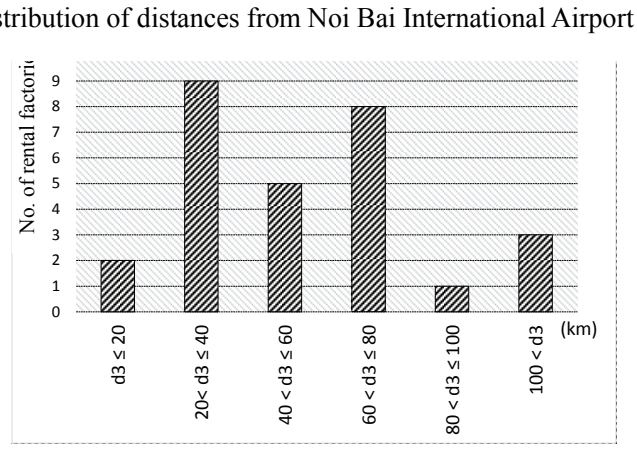


Figure 4-11: Distribution of Distances from Noi Bai International Airport

(3) Rent and Administrative Fees

- The rent and administrative fees for rental factories are all expressed in USD (though it is uncertain if payments in USD are essential). It is perhaps a commercial practice assuming foreign exchange risks.
- The monthly rent per 1m^2 ranged between 1.2 and 7.8 USD, the average being 3.85 USD.
- The rent for rental factories of Thang Long I Industrial Park and Forval Vietnam Co., Ltd. in Dai An Industrial Park are relatively high. Japanese companies manage or invest in these industrial parks.

Table 4-4: Rent and Administrative Fees for Rental Factories

	Rent r (USD/m^2/month)	Administrative fees m (USD/m^2/month)
①Thang Long I Industrial Park	7.0	0.3 (494~500m^2), 0.37 (675m^2)
②Phu Nghia Industrial Park	3.0	0.255
③Ninh Hiep Industrial Zone	3.2	0.0
④Dai Dong - Hoan Son Industrial Park	3.5	0.3
⑤Viet Phap Co. in Dai Dong - Hoan Son Industrial Park	6.0	-
⑥Tien Son Industrial Park	5.0	-

	Rent r (USD/m²/month)	Administrative fees m (USD/m²/month)
⑦Yen Phong Industrial Park	4.0	-
⑧Fuji Precision Co., Ltd. in Yen Phong Industrial Park	4.0	0.5
⑨Que Vo I Industrial Park	3.5(with office), 3.5-4.0(without office)	0.5
⑩Quang Chau Industrial Park	3.5	0.4
⑪Hoang Gia Food JSC in Dinh Tram Industrial Park	2.0	-
⑫IDE International Co., Ltd. in Pho Noi A Industrial Park	4.0	0.5
⑬Thang Long II Industrial Park	-	1
⑭Phu Hung Industrial Zone	2.2	0.15
⑮Thai Ha Hung Package Corporation	1.5	0.0
⑯Tan Truong Industrial Park	4.0-5.5	1.0
⑰Dai An Industrial Park	5.5-6.0	1.0
⑱Forval Vietnam Co., Ltd. in Dai An Industrial Park	6.8-7.8	0.2
⑲Dong Hoa JSC	1.8-2.0	-
⑳Trang Due Industrial Park	3.0-3.5	0.04
㉑VSIP Hai Phong Industrial Park	5.5	0.2
㉒Dong Van II Industrial Park	4.0	0.5
㉓IDE International Co., Ltd. in Hoa Mac Industrial Park	4.0	0.5
㉔Chau Son Industrial Park	2.3	0.4 (300-1,000m²), 0 (1,100-5,000m²)
㉕Binh Xuyen Industrial Park	3.0-4.5	0.3
㉖Khai Quang Industrial Park	2.3	-
㉗Luong Son Industrial Park	3-5	0.025
㉘Song Tra Industrial Park	2-5	0.03
Average	3.85	0.35
Max	7.8	1
Min	1.2	0
Median	3.75	0.3

* Rent r (USD/m² per month) truncating the numbers beyond the third decimal point.

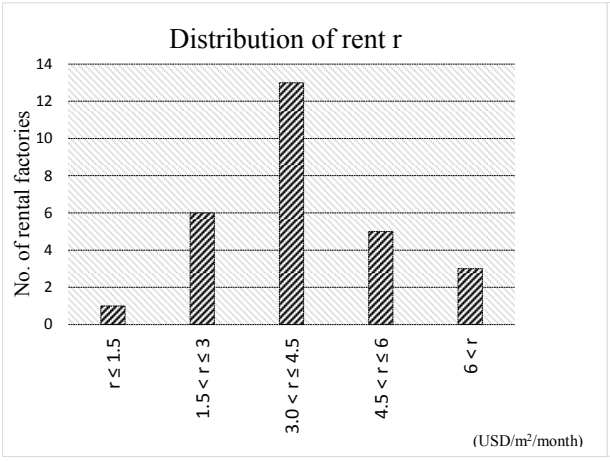


Figure 4-12: Distribution of Rent

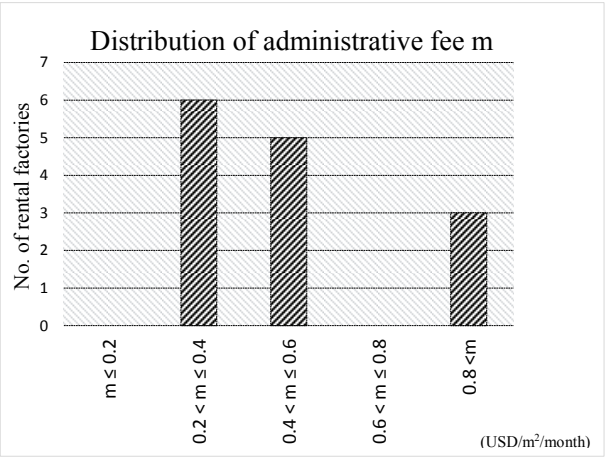


Figure 4-13: Distribution of Administrative Fees

(4) Deposits, frequency of Rent Payments and Minimum Contract Terms

- Many industrial parks require deposits of the equivalent to rent for one to 24 months, or 5.29 months on average.
- As for frequency of rent payments, industrial parks require tenants to pay rents for every month to every 24 months, or every 6.42 months on average.
- The minimum contract term is generally 1-5 years, or 3.5 years on average.

Table 4-5: Deposits, Frequency of Rent Payments and Minimum Contract Terms of Rental Factories

	Deposit g (equivalent to rents for g months)	Frequency of rent payments (every n months)	Minimum contract years y
①Thang Long I Industrial Park	3	3	3
②Phu Nghia Industrial Park	- (50% of contract value)	6	5
③Ninh Hiep Industrial Zone	1	3	3
④Dai Dong - Hoan Son Industrial Park	6	3	3
⑤Viet Phap Co. in Dai Dong - Hoan Son Industrial Park	3	-	5
⑥Tien Son Industrial Park	-	24	5
⑦Yen Phong Industrial Park	-	24	5
⑧Fuji Precision Co., Ltd. in Yen Phong Industrial Park	3	1	3
⑨Que Vo I Industrial Park	6	3	3
⑩Quang Chau Industrial Park	6	3	2
⑪Hoang Gia Food JSC in Dinh Tram Industrial Park	3	12	5
⑫IDE International Co., Ltd. in Pho Noi A Industrial Park	3	1	2
⑬Thang Long II Industrial Park	-	12	5
⑭Phu Hung Industrial Zone	1	6	3
⑮Thai Ha Hung Package Corporation	-	-	-
⑯Tan Truong Industrial Park	6	6	5
⑰Dai An Industrial Park	3	6	1
⑱Forval Vietnam Co., Ltd. in Dai An Industrial Park	3	3	3
⑲Dong Hoa JSC	6-12	3-6	3
⑳Trang Due Industrial Park	6	1	2
㉑VSIP Hai Phong Industrial Park	5	1	3
㉒Dong Van II Industrial Park	6	6	5
㉓IDE International Co., Ltd. in Hoa Mac Industrial Park	3	1	3
㉔Chau Son Industrial Park	6-10	-	3
㉕Binh Xuyen Industrial Park	-	12	3
㉖Khai Quang Industrial Park	- (10% of contract value)	12	3
㉗Luong Son Industrial Park	24	6	5
㉘Song Tra Industrial Park	3	1	-
Average	5.29	6.42	3.50
Max	24	24	5
Min	1	1	1
Median	3	4.5	3

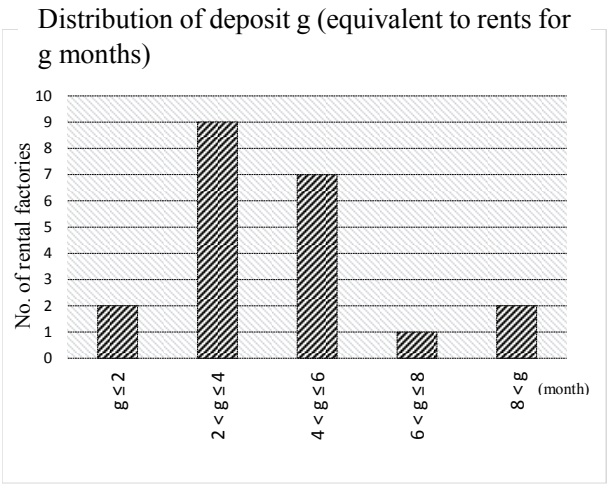


Figure 4-14: Distribution of Frequency of Rent Payments n (every n months)

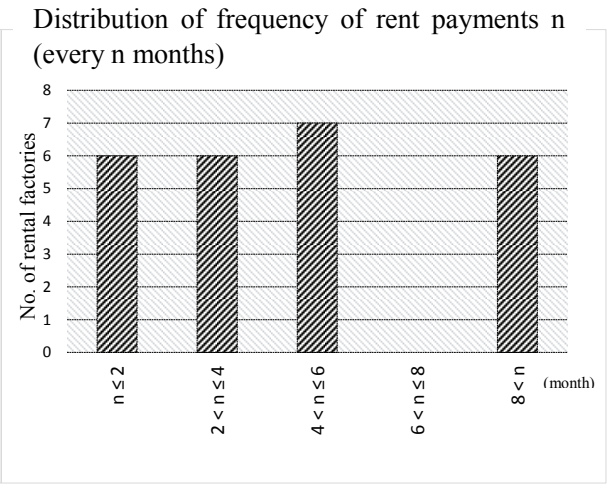


Figure 4-15: Distribution of Deposit g (equivalent to rents for g months)

Figure 4-16: Distribution of Minimum Contract Terms

(5) Water and Sewer Rates

- Most of the water and sewer rates are expressed in VND, unlike rent, deposits and other payments. Many rental factories adopt electricity rates conforming to the rates set forth by cities and provinces, and electricity rates do not obviously vary among factories. Thus, the survey did not cover electricity rates.
- The water rates range between 0 and 15,600VND per 1m^3, or 9,535VND on average. The water rate "0VND" means that the utility rates are included in rents and administrative fees
- The sewer rate ranges between 0 and 14,200VND, or 5,441VND on average. The sewer rate "0VND" is the same as the water rate in meaning.

Table 4-6: Water and Sewer Rates in Rental Factories

	Water rate t	Sewer rate w
	VND/m^3(USD/m^3)	VND/m^3(USD/m^3)
①Thang Long I Industrial Park	14,400(0.70)	4,800(0.23)
②Phu Nghia Industrial Park	-	-
③Ninh Hiep Industrial Zone	-	0(0)
④Dai Dong - Hoan Son Industrial Park	14,500(0.70)	-
⑤Viet Phap Co. in Dai Dong - Hoan Son Industrial Park	-	-
⑥Tien Son Industrial Park	8,250(0.40)	4,286(0.21)
⑦Yen Phong Industrial Park	9,000(0.43)	4,286(0.21)
⑧Fuji Precision Co., Ltd. in Yen Phong Industrial Park	9,000(0.43)	4,286(0.21)
⑨Que Vo I Industrial Park	5,000(0.25)	4,286(0.21)
⑩Quang Chau Industrial Park	10,000(0.48)	-
⑪Hoang Gia Food JSC in Dinh Tram Industrial Park	-	-
⑫IDE International Co., Ltd. in Pho Noi A Industrial Park	5,000(0.24)	6,000(0.29)
⑬Thang Long II Industrial Park	11,200(0.54)	4,800(0.23)
⑭Phu Hung Industrial Zone	0(0)	0(0)
⑮Thai Ha Hung Package Corporation	6,000(0.29)	0(0)
⑯Tan Truong Industrial Park	11,500(0.56)	9,817(0.47)
⑰Dai An Industrial Park	15,600(0.75)	14,200(0.68)
⑱Forval Vietnam Co., Ltd. in Dai An Industrial Park	15,600(0.75)	14,200(0.68)
⑲Dong Hoa JSC	-	0(0)
⑳Trang Due Industrial Park	15,000(0.72)	0(0)

	Water rate t	Sewer rate w
	VND/m³(USD/m³)	VND/m³(USD/m³)
㉑VSIP Hai Phong Industrial Park	12,600(0.61)	4,410(0.21)
㉒Dong Van II Industrial Park	10,000(0.48)	8,500(0.42)
㉓IDE International Co., Ltd. in Hoa Mac Industrial Park	5,000(0.24)	4,000(0.30)
㉔Chau Son Industrial Park	-	8,944(0.43)
㉕Binh Xuyen Industrial Park	9,000(0.43)	9,470(0.45)
㉖Khai Quang Industrial Park	9,200(0.44)	8,418(0.40)
㉗Luong Son Industrial Park	5,930(0.29)	4,744(0.23)
㉘Song Tra Industrial Park	8,000(0.38)	5,000(0.26)
Average	9,535(0.46)	5,441(0.26)
Max	15,600(0.75)	14,200(0.68)
Min	0(0)	0(0)
Median	9,100(0.44)	4,605

Note: The rates are calculated on the average VND-USD exchange rate in 2012. The rates 1VND = 0.0000483USD and 1USD = 21,043VND are applied to the calculations.

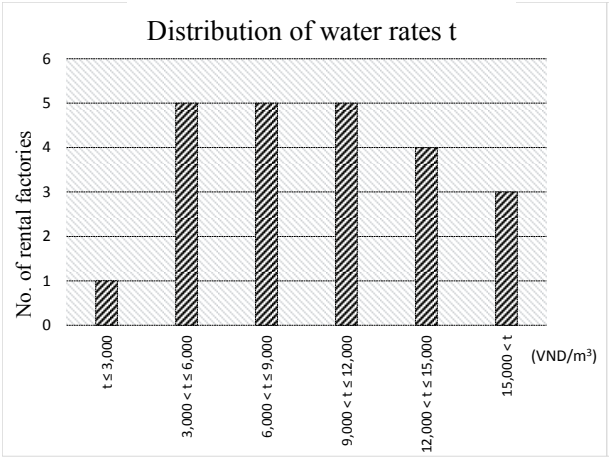


Figure 4-17: Distribution of Water Rates

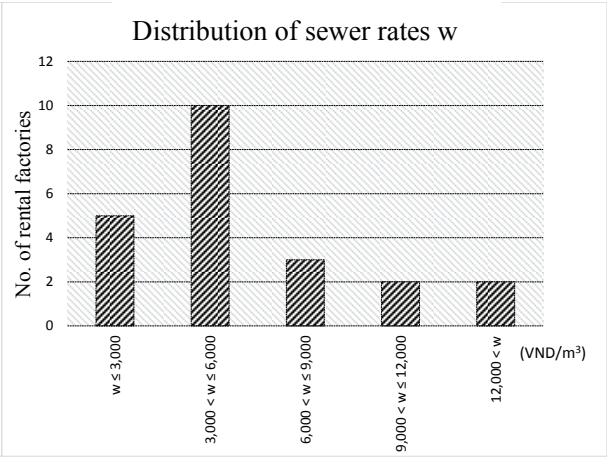


Figure 4-18: Distribution of Sewer Rates

(6) Total Floor Area and Minimum Rent Areas

- The total floor area aggregating the floor areas of factories and offices currently rented out in each rental factory ranges between 2,519 and 219,000m², or 39,241m² on average.
- The minimum rent area is not found in many rental factories. Among factories for which the minimum rent area is found, the minimum rent area ranges between 500 and 13,824m², or 2,168m² on average.

Table 4-7: Total Floor Area and Minimum Rent Area of Rental Factories

	Total floor area a(m²)	Minimum rent area l(m²)
①Thang Long I Industrial Park	8,070	-
②Phu Nghia Industrial Park	7,000	-
③Ninh Hiep Industrial Zone	3,500	-
④Dai Dong - Hoan Son Industrial Park	59,600	-
⑤Viet Phap Co. in Dai Dong - Hoan Son Industrial Park	4,800	-
⑥Tien Son Industrial Park	23,100	-
⑦Yen Phong Industrial Park	-	-
⑧Fuji Precision Co., Ltd. in Yen Phong Industrial Park	10,120	-
⑨Que Vo I Industrial Park	219,500	5,160(with office), 1,700(without office)
⑩Quang Chau Industrial Park	46,440	5,160
⑪Hoang Gia Food JSC in Dinh Tram Industrial Park	9,200	-

	Total floor area a(m^2)	Minimum rent area l(m^2)
⑫IDE International Co., Ltd. in Pho Noi A Industrial Park	13,800	750
⑬Thang Long II Industrial Park	-	-
⑭Phu Hung Industrial Zone	22,000	1,000
⑮Thai Ha Hung Package Corporation	45,000	500
⑯Tan Truong Industrial Park	-	-
⑰Dai An Industrial Park	49,848	2,000
⑱Forval Vietnam Co., Ltd. in Dai An Industrial Park	86,760	-
⑲Dong Hoa JSC	60,000	1,200
⑳Trang Due Industrial Park	77,400	2,000
㉑VSIP Hai Phong Industrial Park	15,804	1,756
㉒Dong Van II Industrial Park	40,000	500
㉓IDE International Co., Ltd. in Hoa Mac Industrial Park	12,000	1,000
㉔Chau Son Industrial Park	-	-
㉕Binh Xuyen Industrial Park	2,519	500
㉖Khai Quang Industrial Park	12,000	-
㉗Luong Son Industrial Park	100,000	500
㉘Song Tra Industrial Park	13,824	13,824
Average	39,241	2,168
Max	219,000	13,824
Min	2,519	500
Median	18,902	2,217

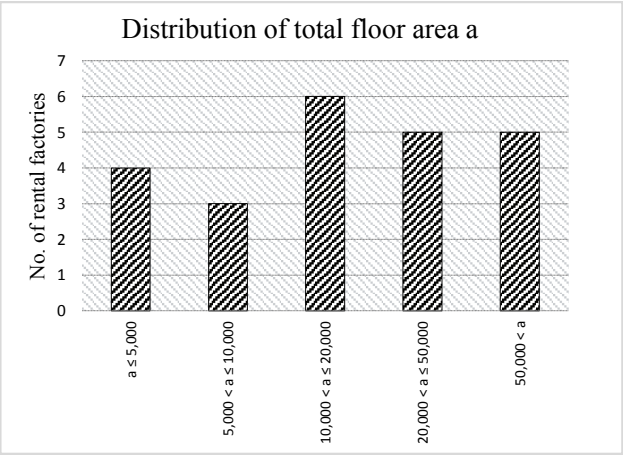


Figure 4-19: Distribution of Total Floor Area

Figure 4-20: Distribution of Minimum Rent Area

(7) Floor Load Capacity, Water Supply Volume and Sewer Treatment Volume

- The floor load capacity is not certain in many rental factories. Among those for which the floor load capacity is found, the floor load capacity widely varies, ranging between 300 and 95,000kg/m^2. The average capacity is 11,850kg/m^2. Moreover, some rental factories including ⑲ and ㉑ adopt different units.
- The average water supply volume was 11,599m^3 and the average sewer treatment volume was 3,464 m^3.
- Many industrial parks calculate the sewer treatment volume for charging not directly based on the actual sewer volume but on an assumed volume, which is 80% of the water supply volume for production activities.

Table 4-8: Floor Load Capacity, Water Supply Volume and Sewer Treatment Volume of Rental Factories

	Floor load capacity b(kg/m^2)	Water supply volume s(m^3)	Sewer treatment volume e(m^3)
①Thang Long I Industrial Park	2,500	39	0
②Phu Nghia Industrial Park	-	6,000	6,000
③Ninh Hiep Industrial Zone	-	3,500 (12,000 in future)	2,400
④Dai Dong - Hoan Son Industrial Park	2,000-3,000	5,000	-
⑤Viet Phap Co. in Dai Dong - Hoan Son Industrial Park	500	240	120
⑥Tien Son Industrial Park	-	6,500	4,000
⑦Yen Phong Industrial Park	-	6,500	4,000
⑧Fuji Precision Co., Ltd. in Yen Phong Industrial Park	-	-	-
⑨Que Vo I Industrial Park	2,000-5,000	10,000	6,000
⑩Quang Chau Industrial Park	2,000	5,000	-
⑪Hoang Gia Food JSC in Dinh Tram Industrial Park	-	-	-
⑫IDE International Co., Ltd. in Pho Noi A Industrial Park	5,000	12,000	1,500
⑬Thang Long II Industrial Park	2,000	13,500 (18,000 in future)	-
⑭Phu Hung Industrial Zone	-	-	4,000
⑮Thai Ha Hung Package Corporation	95,000	-	0
⑯Tan Truong Industrial Park	3,000	19,000	3,000
⑰Dai An Industrial Park	25,000	20,000	2,000-4,000
⑱Forval Vietnam Co., Ltd. in Dai An Industrial Park	25,000	20,000	2,000-4,000
⑲Dong Hoa JSC	(25cm concrete)	-	-
⑳Trang Due Industrial Park	1,500	20,000 (30,000 in future)	3,000
㉑VSIP Hai Phong Industrial Park	(20 KN/m^2)	5,000 (69,000 in future)	4,500 (39,000 in future)
㉒Dong Van II Industrial Park	3,000 (5,000 is available upon request)	12,000	3,000
㉓IDE International Co., Ltd. in Hoa Mac Industrial Park	5,000	30,000	1,500
㉔Chau Son Industrial Park	12,500	25,000	3,000
㉕Binh Xuyen Industrial Park	10,000	24,000	8,000
㉖Khai Quang Industrial Park	15,000	16,000	5,800
㉗Luong Son Industrial Park	-	3,000	6,000
㉘Song Tra Industrial Park	300	4,000-5,000	-
Average	11,850	11,599	3,464
Max	95,000	30,000	8,000
Min	300	39	0
Median	3,250	10,000	3,000

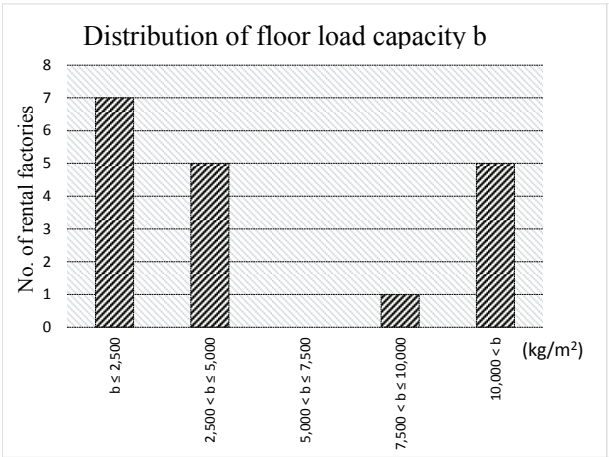


Figure 4-21: Distribution of Floor Load Capacity

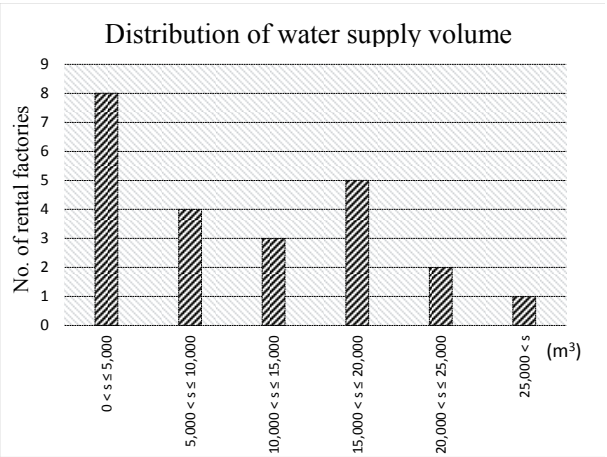


Figure 4-22: Distribution of Water Supply Volume

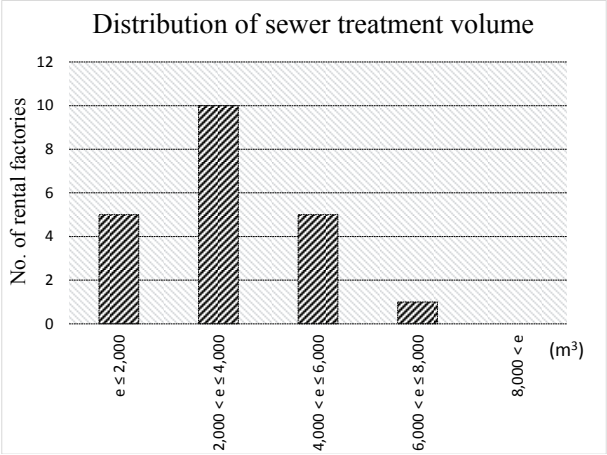


Figure 4-23: Distribution of Sewer Treatment Volume

(8) Restriction on Business Types and Availability of Japanese/English in Inquiries

- Of 23 rental factories surveyed, 17 rental factories or 73.9% set out rules to restrict the rental of factories by businesses that may infringe the environment contamination standards.
- Of all the 28 rental factories, 15 rental factories or 53.6% can accept inquiries in Japanese, and 26 factories or 92.9% can accept inquiries in English.

Table 4-9: Restriction of Business Types and Availability of Japanese/English in Inquiries

	Capital	1. Business types that may infringe the environment contamination standards, 0. Others or no restriction	Japanese available	English available	Japanese staff members
①Thang Long I Industrial Park	Japanese	-	Yes	Yes	Yes
②Phu Nghia Industrial Park	Vietnamese	0	No	Yes	No
③Ninh Hiep Industrial Zone		1	No	Yes	No
④Dai Dong - Hoan Son Industrial Park	Vietnamese	1	Yes	Yes	No
⑤Viet Phap Co. in Dai Dong - Hoan Son Industrial Park	Vietnamese	1	No	Yes	No
⑥Tien Son Industrial Park	Vietnamese	1	Yes	Yes	No
⑦Yen Phong Industrial Park	Vietnamese	1	Yes	Yes	No
⑧Fuji Precision Co., Ltd. in Yen Phong Industrial Park	Japanese	-	Yes	Yes	Yes
⑨Que Vo I Industrial Park	Vietnamese	0	Yes	Yes	No
⑩Quang Chau Industrial Park	Vietnamese	-	No	Yes	No
⑪Hoang Gia Food JSC in Dinh Tram Industrial Park		1	No	Yes	No
⑫IDE International Co., Ltd. in Pho Noi A Industrial Park	Japanese	1	Yes	Yes	No
⑬Thang Long II Industrial Park	Japanese	-	Yes	Yes	Yes
⑭Phu Hung Industrial Zone	Vietnamese	1	No	Yes	No
⑮Thai Ha Hung Package Corporation		0	No	No	No
⑯Tan Truong Industrial Park	Vietnamese	1	Yes	Yes	No
⑰Dai An Industrial Park	Vietnamese	1	Yes	Yes	No
⑱Forval Vietnam Co., Ltd. in Dai An Industrial Park	Japanese	1	Yes	Yes	No
⑲Dong Hoa JSC	Vietnamese	1	No	Yes	No
⑳Trang Due Industrial Park	Vietnamese	0	No	Yes	No

	Capital	1. Business types that may infringe the environment contamination standards, 0. Others or no restriction	Japanese available	English available	Japanese staff members
㉑VSIP Hai Phong Industrial Park	Vietnamese and Singaporean	1	Yes	Yes	Yes
㉒Dong Van II Industrial Park	Vietnamese	0	Yes	Yes	Yes
㉓IDE International Co., Ltd. in Hoa Mac Industrial Park	Japanese	1	Yes	Yes	Yes
㉔Chau Son Industrial Park	Vietnamese	1	No	Yes	No
㉕Binh Xuyen Industrial Park	Vietnamese	-	No	No	No
㉖Khai Quang Industrial Park	Vietnamese	1	No	Yes	No
㉗Luong Son Industrial Park		0	No	Yes	No
㉘Song Tra Industrial Park	Vietnamese	1	Yes	Yes	No
Total of 1/yes		17	15	26	
Ratio of 1/yes (%)		73.9	53.6	92.9	

(9) Number of Japanese Tenant Companies and its Occupancy Rates

- The highest number of Japanese tenant companies moving into rental factories is 15 at Thang Long Industrial Park, followed by 9 at IDE International Co., Ltd. in Pho Noi A Industrial Park. Both rental factories are financed by Japanese companies.
- The highest occupancy rate of Japanese tenant companies in rental factories is 100% at Thang Long I Industrial Park, Thang Long II Industrial Park, Fuji Precision Co., Ltd. in Yen Phong Industrial Park and at IDE International Co., Ltd. in Pho Noi A Industrial Park. Each rental factory is financed by Japanese company.

Table 4-10: Number of Japanese Tenant Companies and its occupancy rates

	No. of Japanese tenant companies	Japanese tenant companies' occupancy rates
①Thang Long I Industrial Park	26	100%
②Phu Nghia Industrial Park	0	0%
③Ninh Hiep Industrial Zone	-	-
④Dai Dong - Hoan Son Industrial Park	0	0%
⑤Viet Phap Co. in Dai Dong - Hoan Son Industrial Park	0	0%
⑥Tien Son Industrial Park	1	9.1%
⑦Yen Phong Industrial Park	0	0%
⑧Fuji Precision Co., Ltd. in Yen Phong Industrial Park	6	100%
⑨Que Vo I Industrial Park	0	0%
⑩Quang Chau Industrial Park	0	0%
⑪Hoang Gia Food JSC in Dinh Tram Industrial Park	0	0%
⑫IDE International Co., Ltd. in Pho Noi A Industrial Park	9	100%
⑬Thang Long II Industrial Park	8	100%
⑭Phu Hung Industrial Zone	3	31.8%
⑮Thai Ha Hung Package Corporation	0	0%
⑯Tan Truong Industrial Park	0	0%
⑰Dai An Industrial Park	under investigation	under investigation
⑱Forval Vietnam Co., Ltd. in Dai An Industrial Park	under investigation	under investigation
⑲Dong Hoa JSC	3	75%
⑳Trang Due Industrial Park	3	20%
㉑VSIP Hai Phong Industrial Park	6	67%
㉒Dong Van II Industrial Park	0	0%
㉓IDE International Co., Ltd. in Hoa Mac Industrial Park	1	25%

	No. of Japanese tenant companies	Japanese tenant companies' occupancy rates
㉔Chau Son Industrial Park	-	-
㉕Binh Xuyen Industrial Park	-	-
㉖Khai Quang Industrial Park	1	17%
㉗Luong Son Industrial Park	0	0%
㉘Song Tra Industrial Park	0	0%

(10) Case Study

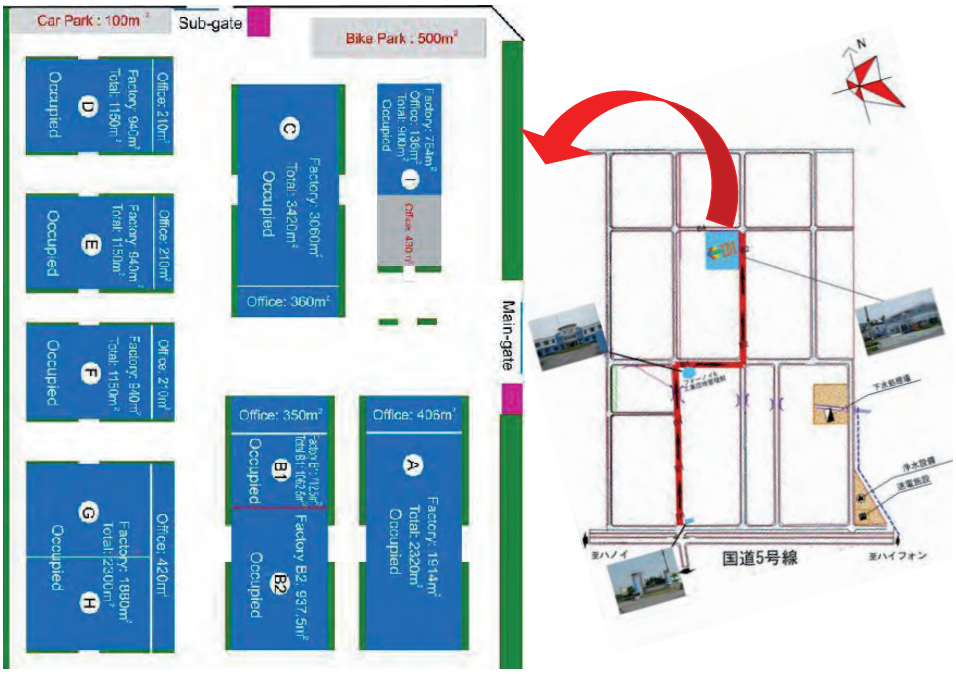
- Because Ba Thien 2 Industrial Park offers rental factories for Japanese companies, three selective rental factories that seem to have higher ratios of Japanese tenant companies or that offer services and facilities particularly for Japanese companies are examined in detail. These factories are: IDE International Co., Ltd. in Pho Noi A Industrial Park (hereinafter referred to as "Pho Noi A Industrial Park"); Forval Vietnam Co., Ltd. in Dai An Industrial Park (hereinafter referred to as "Dai An Industrial Park"); and Dong Van 2 Industrial Park.
- The figures presented below for the three rental factories are obtained from websites and other sources, so they may differ from the figures given in the preceding sections.

1) IDE International Co., Ltd. in Pho Noi A Industrial Park

- Pho Noi A Industrial Park is located along National Route No. 5 in Hung Yen Province, 24km (approx. 30 minutes by car) from Central Hanoi, 75km from Hai Phong Port and 60km from Noi Bai International Airport.
- It has good access to industrial parks near Noi Bai International Airport, along National Route No. 5 and to Hai Duong Province and Hai Phong City.
- IDE International Co., Ltd. (representative: Akihiro IDE) is the business operator.
- Currently, it has 10 tenant companies: that are ① SHINEI SEIKO VIETNAM CO., LTD. ② YAMATO RUBBER (VIETNAM) CO., LTD. ③ DAIDO AMISTAR (VIETNAM) CO., LTD. ④ SHOEI VIETNAM CO., LTD. ⑤ SECOM VIETNAM COMPANY LIMITED. ⑥ MG Plastics Vietnam Co.,Ltd. ⑦ SOLDER COAT (VIETNAM) CO., LTD. ⑧ HIRAKAWA VIET NAM CO., LTD. ⑨ WATANABE PIPE VIETNAM CO., LTD. and ⑩ Mizuno Precision Parts Vietnam Co.,Ltd.
- IDE International Co., Ltd. also owns AMV rental factories in Hoa Mac Industrial Park in Hoa Mac Province, which started the operation in 2013.
- The monthly rent is 4 USD/m^2, which is the average among the 28 rental factories but relatively cheap compared to other rental factories with Japanese capital.
- As for the floor area of rental factories, there are one each with the floor area of 1,914, 1,650, 3,060, 1,880 and 764m^2; three factories of 940m^2; one each office with the floor area of 406, 420 and 136m^2; and two offices of 350m^2 and three offices of 210m^2.
- The water rate (5,000VND/m^3/month) is cheaper than the average rate (approx. 9,500VND/m^3/month) by approximately 4,500VND/m^3/month.
- The water supply volume (12,000m^3/day) is the average, but the sewer treatment volume (1,500m^3/day) is much less than the average. The small sewer treatment capacity in relation to the

water supply capacity is a bottleneck for production and may limit the business types that the industrial park can host.

- Pho Noi A Industrial Park offers Japanese meal services, 24-hour security and one-stop services from consideration of a foray into Vietnam until commencement of factory operations.



(Source: websites of IDE International Co., Ltd.)

Figure 4-24: IDE International Co., Ltd. in Pho Noi A Industrial Park

2) Forval Vietnam Co., Ltd. in Dai An Industrial Park

- Dai An Industrial Park is located along National Route No. 5 in Hai Duong Province, 50km from Central Hanoi, 50km from Hai Phong Port and 80km from Noi Bai International Airport.
- Forval Vietnam Co., Ltd. is the business operator.
- Currently, Dai An Industrial Park has six tenant companies (including both those having their own factories and those renting factories): that are ① Sumidenso Vietnam Co., Ltd. ② Sumiden Vietnam Co., Ltd. ③ Taishodo Vietnam Co., Ltd. ④ Seiko Vietnam Co., Ltd. ⑤ Namae Vina electronics Co., Ltd. and ⑥ Harajuku VN electrical appliance Co., Ltd. However, it is not clear which Japanese companies own or rent factories.
- The rent (6.8 – 7.8 USD/m^2/month) is the highest among all the 28 rental factories surveyed.
- As for factory area, the industrial park has 120 rental factories of 288m^2, 13 rental factories of 648m^2, and 38 rental factories of 1,152m^2.
- The monthly water and sewer treatment rates are 15,600VND/m^3 and 8,500-14,200VND/m^3, respectively. These are fairly high compared to the average (approx. 9,500VND/m^3 and approx. 5,500VND/m^3).
- The floor load capacity (25,000kg/m^2) is some 3.5 times as much as the average (approx. 7, 000kg/m^2) of the rental factories surveyed (except ⑮ Thai Ha Hung Package Corporation).
- The water supply volume (11,000m^3/day) is more or less the average, approximately 11,600m^3/day.

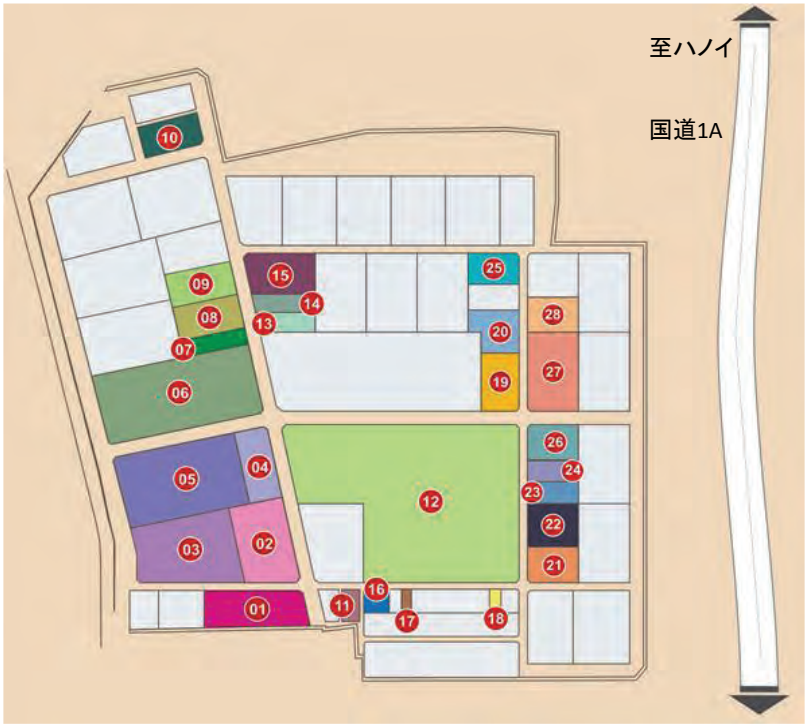
- The sewer treatment volume (2,000 m^3/day) is smaller than the average (approx. 3,400 m^3/day). As in the case of Pho Noi A Industrial Park, the small sewer treatment capacity may restrict production activities and limit the business types that the industrial park can host.
- It is located midway between Thang Long II Industrial Park and Nomura-Haiphong Industrial Zone, having good accessibility to product export companies and domestic sales companies.
- It has a full-time Japan Support Desk.
- Rental warehouses are available.
- It is 7km from a new highway which will be completed in 2015.

(Source: websites of Forval Vietnam Co., Ltd.)

Figure 4-25: Forval Vietnam Co., Ltd. in Dai An Industrial Park

3) Dong Van II Industrial Park

- Dong Van II Industrial Park is located along National Route No. 1A in Ha Nam Province, 40km away from Central Hanoi, 90km from Hai Phong Port and 65km from Noi Bai International Airport.
- Ha Nam Development JSC is the business operator.
- Currently, Dong Van II Industrial Park has a total of 28 Japanese companies: that are ① Pomme Inc., ②Honda Lock Mfg. Co., Ltd., ③Eidai Co., Ltd., ④ Tachibana Eletech Co., Ltd., ⑤ Showa Denko K. K., ⑥ Sumitomo Wiring Systems, Ltd., ⑦ Kalbas Japan Ltd., ⑧ Shikoku Cable Ltd., ⑨ M. O. Tec Co. Ltd., ⑩ Japan S, ⑪ Tokai Rubber Industry Ltd., ⑫ Honda Motor Co., Ltd., ⑬ Fujigen Inc., ⑭ Osawa Wax Co., ⑮ Velbon Co., ⑯ Japan F, ⑰ Ishigaki industry Co., Ltd., ⑲ Arai Vietnam Co. Ltd., ⑳ Ueda Industrial Co., Ltd., ㉑ Toyo Drilube Co., Ltd., ㉒ Nissho Co., ㉓T-Rad Co., Ltd., ㉔ Ishigaki Rubber Industrial Co., Ltd., ㉕ Nippon Konpo Unyu Soko Co., Ltd., ㉖ Kuwayama Co., ㉗ Yokowo Co., Ltd., and ㉘ Meiji Rubber & Chemical CO., Ltd. (⑱ is unknown). However, it is not clear which Japanese companies own or rent factories.



(Source: websites of BDT Japan Investment Support Center)

Figure 4-26: Locations of Japanese Companies in Dong Van II Industrial Park

- The areas of rental factories range between 500 and 5,000 m^2.
- The rent, water supply volume are more or less the averages of the 28 rental factories studied. The monthly sewer treatment rate (8,500VND/m^3) is, however, higher than the average (approx. 5,500VND/m^3) by 3,000VND/m^3.
- Support services of BTD Japan, the Japan desk, in Ha Nam Province are available.

(11) Conclusions

- Many rental factories are in operation in Northern Vietnam but vary from each other in terms of location, size, facilities, rent fees and other factors.
- Ba Thien 2 Industrial Park has good accessibility to Noi Bai International Airport: the second closest to the airport among the industrial parks studied including the existing rental factories. It may be able to take advantage of the location and draw up strategies to attract manufacturers of, for example, highly value-added products that are suitable for air transport.
- On the other hand, Ba Thien 2 Industrial Park is some 160km away from Hai Phong Port, so may have difficulty in using marine transport. When the new highway is completed in 2015, however, the travel time to the port will be considerably shortened. Accordingly, the industrial park will become competitive to some extent in relation to other rental factories that are closer to the port.
- The water and sewer treatment rates, electricity rates and other utility charges are controled by provincial ordinances and other regulations in the regions concerned, so that it is difficult to differentiate rental factories from others. Thus, the operating companies must differentiate their

factories by uniquely setting rent and administrative fees, deposits, frequency of rent payments, minimum contract terms and other elements that they can relatively easily manipulate.

- Each rental factory's water drainage standard against a wastewater treatment facility in Ba Thien 2 Industrial Park is stipulated to be approximately Type B. Therefore, setting a wastewater treatment in each rental factory or in the industrial park may be required if the tenant company is classified to the industry which effects negative impacts on the environment. Whether a wastewater treatment is set by SPC or by each tenant company as necessary is currently studied. If the wastewater treatment is set by SPC, the barrier for the tenant company to expand to Vietnam may be decreased.
- The rents for factories especially designed for Japanese companies are fairly high in exchange of generous support. Thus, reducing the rents below the average may be an effective way of differentiating Ba Thien 2 Industrial Park from other rental factories for Japanese companies.
- While SMEs wish to place a deposit (equivalent to rents for certain months) for a shorter period and pay rents in shorter intervals, owners may wish to avoid risk by setting an as longer period as possible. IDE International Co., Ltd. sets rent payments on a monthly basis for rental factories in Pho Noi A Industrial Park and Hoa Mac Industrial Park. To become competitive in attracting SMEs, the operators of rental factories must introduce such payment systems that are favorable to SMEs.
- Rental factories invested in or managed by Japanese companies, and those chiefly aiming at Japanese companies publish detailed information about the factories. It is assumed, Japanese SMEs wish to avoid risks involved in new entry in Vietnam. Information published on website and other sources is attractive for SMEs that consider to make a foray into Vietnam, so Ba Thien 2 Industrial Park ought to desirable publish information as detailed as possible so as to gain tenants.
- Similarly, many rental factories designed for Japanese companies offer services in Japanese. Not so many companies considering business in Vietnam are well versed in negotiations and documentation in English or Vietnamese, so support in Japanese will help many SMEs do business in Vietnam. Ba Thien 2 Industrial Park will certainly have to offer support services in Japanese to tenant companies.

4.2 Similar Case Study and Comparative Analysis in Neighboring Countries

In addition to the similar case study in Vietnam, another survey has been conducted to gather and analyze information about industrial parks operated by Japanese companies and industrial parks with many Japanese tenant companies in neighboring Thailand and Indonesia in order to take advantage of the findings for the concept, planning and other factors of the Project. A comparative analysis will be conducted in particular in terms of locational conditions in these countries and Vietnam.

4.2.1 Methodology and Targets of the Similar Case Study

(1) Methodology of the Similar Case Study

The similar case study in the neighboring countries has been conducted in the same way as the case study in Vietnam in the previous section.

(2) Targets of the Similar Case Study

1) Industrial Parks (Business Operators)

The similar case study was aimed at the following six industrial parks that are developed and operated by Japanese companies or designed for Japanese companies. All of them engage in rental factory business.

- Ticon Industrial Connection (Thailand)
- Amata Nakorn Industrial Estate (Thailand)
- Karawang International Industrial City (Indonesia)
- Suryacipta City of Industry (Indonesia)
- Bukit Indah Industrial Park (Indonesia)
- TT Techno-Park (Indonesia)

2) Tenant Companies

Hearings were conducted to companies which are in operation in the industrial parks listed above and agreed to be interviewed concerning the Project. The companies interviewed, together with their industry and industrial parks, are listed as follows.

- Company I (cutting tools: Karawang International Industrial City)
- Company J (aluminum casting mold: Karawang International Industrial City)
- Company K (plastic products: Suryacipta City of Industry)
- Company L (parts of motorbikes and four-wheeled vehicles: Suryacipta City of Industry)
- Company M (wireless remote controls: Suryacipta City of Industry)

4.2.2 Summaries of Similar Industrial Parks

The similar industrial parks are described as follows.

(1) Ticon Industrial Connection

Since its establishment in 1990, Ticon Industrial Connection has offered rental factories in Thailand. It has rental factory business in 15 industrial parks located near Bangkok.

It provides approximately 500 rental factories – chiefly stand-alone factories – with floor space of 1,000m^2-10,000m^2. The average floor space is 2,000m^2-3,000m^2. To meet corporate needs, terrace factories with floor space of 550m^2 are being constructed. The minimum contract term is three years, but the industrial park offers flexible services, allowing tenants to extend or shorten their contract terms, and purchase rental factories. Currently, it has approximately 400 tenants, of which Japanese companies account for 55%.

A total of seven Japanese staff members are stationed on a full-time basis. It provides services related to permits and approvals and information about the Thai market. Because there are many companies offering meal, IT support, logistics and other services, Ticon Industrial Connection only offers information about such service providers.

(2) Amata Nakorn Industrial Estate

Amata Nakorn Industrial Estate is an industrial park in Thailand which Amata Corporation started the development in 1989. Amata Corporation, the business operator, also operates Amata City Industrial Estate in Thailand and Amata Industrial Park in Vietnam. Amata Summit Ready Built, an affiliated company, is directly in charge of development and management of rental factories.

(Source: websites of Amata Corporation)

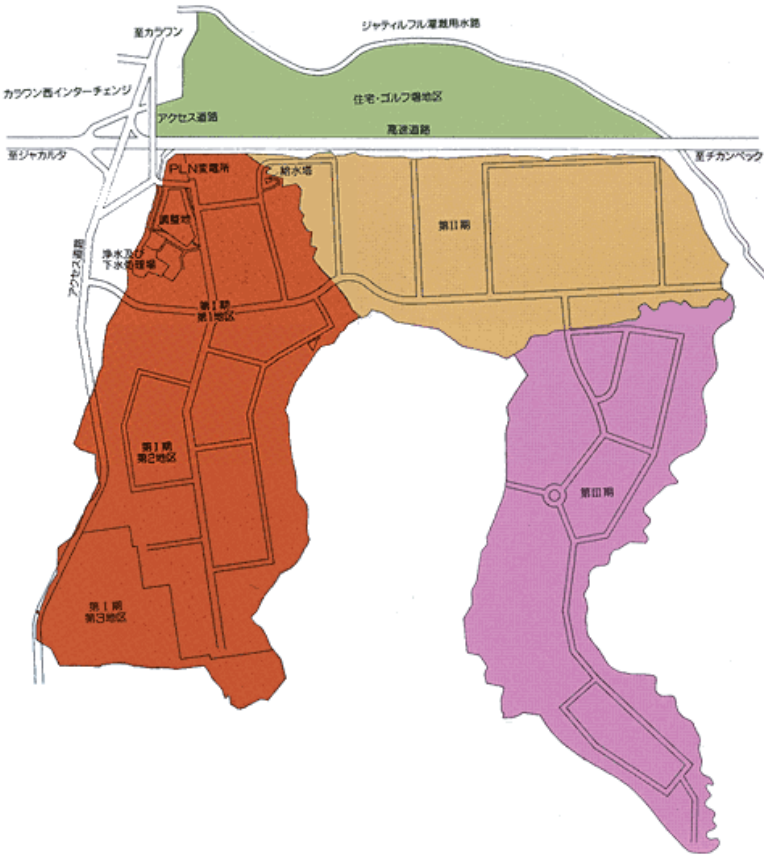
Figure 4-27: Master Plan of Amata Nakorn Industrial Estate

Amata Nakorn Industrial Estate, located in Chonburi Province and 57km away from Bangkok, is close to a highway leading from Bangkok to Laem Chabang Port and within 50km from the port and Suvarnabhumi International Airport. It is a large industrial park with total area of 3,000ha, having 680 or more tenant companies. It also has restaurants, hospitals, nurseries, banks and other facilities on the premises.

Amata Nakorn Industrial Estate has approximately 80 stand-alone rental factory units, with floor space ranging between 1,000m^2 and 5,000m^2, 80 percent of which are 2,000m^2 -3,000m^2 in size. The monthly rent is 250THB/m^2 (approx. 7.7 USD) and the minimum contract term is three years. It additionally provides services related to permits and approvals, meals and IT support.

(3) Karawang International Industrial City

Karawang International Industrial City is an industrial park which started to be developed in 1992 in Indonesia with funds of Itochu Corporation and the Sinar Mas Group, a large conglomerate in Indonesia, each having investment ratio of 50%. Located approximately 55km in the east of Central Jakarta, it has the total area of 1,214ha, which has been developed in three development phases. Karawang International Industrial City engages in sales of land, and development and management of rental factories on the premises.



(Source: Websites of Itochu Corporation on General Information about Overseas Real Estate)

Figure 4-28: Master Plan of Karawang International Industrial City

Karawang International Industrial City has four stand-alone rental factories with floor space of 1,500m^2 and three with floor space of 3,000m^2. Rental factories developed in the first phase in 2012 are all occupied. The second phase development of factories of 1,500m^2 and 3,000m^2 in size is in progress, and the industrial park has good prospects for tenants. The monthly rent is 8 USD/m^2.

Karawang International Industrial City has a restaurant, a hotel, a bank and other facilities on the premises, and is stationed by eight full-time Japanese staff members. It also offers meal, vehicle, IT support and logistics services, as well as opportunities to exchange information. Company I rented a factory with floor space of 1,500m^2 on the premises that it would have its own factory in future, though it initially wanted to rent a smaller factory. Company J, which has its own factory on the premises, emphasizes the importance of sharing information in the industrial park and wishes to have an environment enabling tenant companies to minimize management risk and focus on production activities. The know-how of business management abroad is limited particularly for SMEs renting factories, so that the needs of these services and business environment seem to be fairly high.

(4) Suryacipta City of Industry

Suryacipta City of Industry is an industrial park which started to be developed in 1990 in Indonesia with funds of Surya Semesta Internusa Tbk, an Indonesian company engaging in construction, real estate and industrial park development; and PT TCP Internusa. Located approximately 55km in the east of Jakarta, it has the total area of 1,400ha, which has been developed in three development phases. The business operator has already determined client companies to sell the area of 1,000ha developed in the fourth phase. Suryacipta City of Industry engages in sales of land, and development and management of rental factories and warehouses, and Sumitomo Corporation serves as the sales agent.

(Source: websites of Suryacipta City of Industry)

Figure 4-29: Master Plan of Suryacipta City of Industry

Suryacipta City of Industry has 16 rental factories with floor space of 2,160m^2. The monthly rent is 7 USD/m^2. It had only one tenant company at the time of the field survey because the factories were then just about to be completed, but has good prospects for tenants. To take corporate needs into account, it is constructing some 50 factories of various sizes.

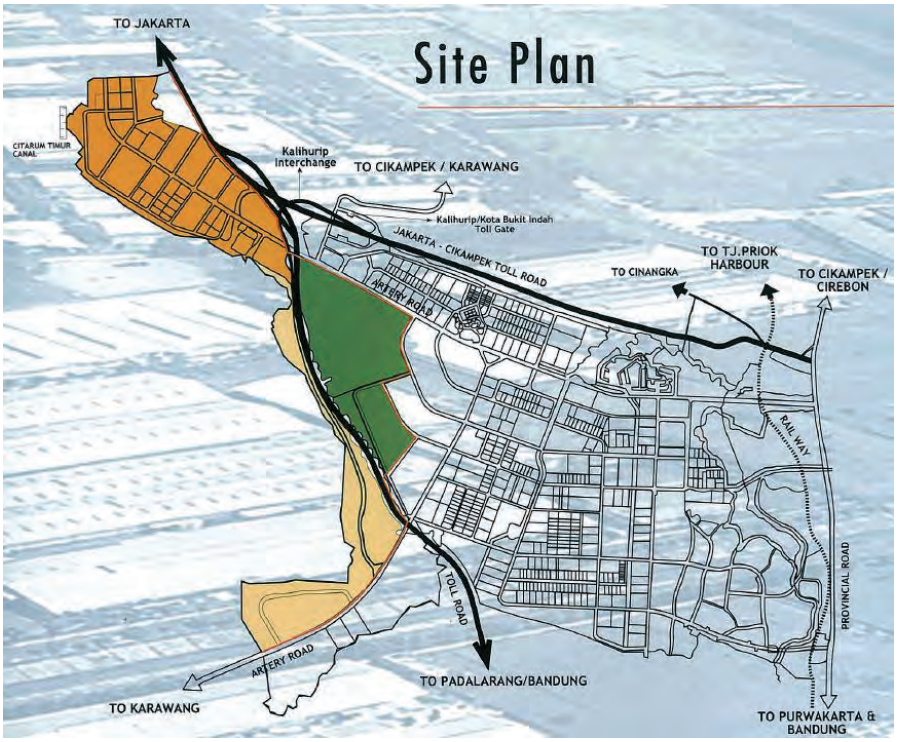
The industrial park has dormitory housing, a clinic, a bank and other facilities on the premises, and currently constructing a hotel and commercial facilities. It also provides meal and vehicle services.

As for management, one Japanese full-time staff member is stationed to deal with inquiries from Japanese companies. Company K, which owns its own factory on the premises, indicates the possibility of expanding its business to Northern Vietnam in future. On the other hand, as Company L points out a low retention rate of workers, securing and training of workers seem to be a concern for Japanese

companies. Company M is planning to use logistics warehouses that will become available in 2014 in Suryacipta City of Industry, so there seems to be demand for logistic services.

(5) Bukit Indah Industrial Park

Bukit Indah Industrial Park, a part of Bukit Indah City, is an industrial park constructed in 1993 with funds of Taisei Corporation and a local Besland Pertiwi and located 65km in the east of Central Jakarta. Of the total area of Bukit Indah City, 2,000ha, Bukit Indah Industrial Park operates its business on the land of 700ha for sales. The remaining land of 1,300ha is used for rental factory business under the management of Kota Bukit Indah Industrial Park.



(Source: Pamphlet of Bukit Indah Industrial Park)

Figure 4-30: Master Plan of Bukit Indah Industrial Park

The size of rental factories ranges between 603m^2 and 7,173m^2, and the monthly rent is 4-5 USD/m^2 for factories and 1 USD/m^2 for land, and the administrative fees are 0.06 USD/m^2. The minimum contract term is three years.

Bukit Indah City has customs services, housing, a bank, a hospital, commercial facilities and other facilities, and offers services related to permits and approvals, meal services and opportunities to exchange information. A Japanese full-time staff member states that support services for general and financial affairs are highly effective.

(6) TT Techno-Park

TT Techno-Park rents factories built in 2011 on the premises of Mitra Karawang International Industrial City, located approximately 60km in the east of Jakarta with funds of Toyota Tsusho Corporation. The rental factories are chiefly aimed at Japanese automobile parts manufacturers. By undertaking office work for tenant companies, TT Techno-Park aims to create an environment enabling them to focus on production activities.

TT Techno-Park has 29 terrace factories with floor space of 2,500m^2 (300m^2 for office and 2,200m^2 for factory), which have been constructed in several phases. It charges monthly rent of 7 USD/m^2, and office work fees of 10,000 USD/m^2 to each company. Currently, 15 or so companies rent factories, but some companies rent more than one lot, so that only five lots are available for rent.

It provides services related to permits and approvals, meals, vehicles, IT support, logistics and insurance, as well as opportunities to exchange information. Tenant companies can receive services in Japanese throughout their business operations, from before entering the country until after doing business there.

It has 35 full-time staff members including Japanese staff members. It outsources the operations of canteens, pickup buses and logistics services. Toyota Tsusho Corporation, the parent company, also provides indirect support such as export of facilities, customs clearance, installation, supply of raw materials and IT support.

Table 4-11: List of Similar Industrial Parks in Neighboring Countries

Item		(i) Ticon Industrial Connection (Thailand)	(ii) Amata Nakorn Industrial Estate (Thailand)	(iii) Karawang International Industrial City (Indonesia)	(iv) Suryacipta City of Industry (Indonesia)
Description of business operator	Business operator	Ticon Industrial Connection	Amata Corporation	Karawan International Industrial City	Suryacipta Swadaya
	Investors and their investment ratios	Rojana Industrial Park（21.2%） Thai N.V.D.R.Limited（10.23%） City Realty Group（6.03%） Others (62.54%)	Kromadit Family（28.49%） Chase Nominees（9.73%） Itochu Thailand (approx. 4%) Others (approx. 57.78%)	Itochu Corporation (50%) Sinar Mas Group (50%)	Surya Internusa(100%)
	Capital	Registered capital: 1,263,740,168 THB Paid-in capital: 884,786,274 THB	Registered capital: 81,987,502,589 THB		
	Investment				
Size of industrial park	Total area	Depending on industrial parks	3,000ha	1,214ha	1400ha
	Area for industrial park	Depending on industrial parks		823ha	
	Of which, area for rental factories	Depending on industrial parks			25ha
	Total floor area of rental factories	1,000 m^2-6,000 m^2 (2,000m^2 – 3,000 m^2 on average) ・Approx. 500 factories in total	1,000 m^2-5,000 m^2 (80% of the factories have floor area of 2,000 m^2 – 3,000 m^2) * 80 stand-alone units	4 buildings x 1,500 m^2 (Another 4 buildings are under construction) 3 buildings x 3,000 m^2 (Another 4 buildings are under construction)	16 x 2,160 m^2 (with land are of 2,500 m^2)
Contract details	Rent	* Monthly basis * Deposit of the equivalent to rents for 6 months required	250 THB/ m^2 per month * Deposit of the equivalent to rents for 4 months required	8 USD/ m^2 per month	7 USD/ m^2 per month
	Administrative fee	Approx. 1,000 THB/rai per month (1 rai = 1,600 m^2)	0.4375 THB/ m^2 per month (general processing zone) 0.5625 THB/ m^2 per month (free zone)		
	Minimum contract term	At least 3 years * Sales of factories upon request	At least 3 years		Available for at least 1 month
O&M, and management	O&M, management structure	7 Japanese full-time staff members		8 Japanese full-time staff members (including staff members of the serviced apartment)	1 Japanese full-time staff member
	Outsourcing			Logistics services	
Tenant companies	No. and business types of tenant companies (sales of land lots)	—	680 companies or more * Automobile-related, steel-related, and plastic-related companies	129 companies (both owners and rental) (including 102 Japanese companies)	95 companies (including 34 Japanese companies)
	Occupancy rate	—	Unknown because rental factories are still being built from time to time.		
	No. and business types of tenant companies (rental factories)	Approx. 400 companies * electric and electronic, and automobile parts		7 companies	1 company (because construction of rental factories was just about to be completed)
	Occupancy rate			100%	6% (because construction of rental factories was just about to be completed)
Business details (including outsourcing)	Services related to permits and approvals	○	○	×	×
	Meal services (including restaurants and canteens)	×	○	○	○
	Vehicle services	×	×	○ (Services available between the hotel and the industrial park)	○
	IT support services	×	○	○	×
	Logistics services	×	×	○	×
	Insurance services	×	×	×	×
	Others	×	○	○	○

Item		(i) Ticon Industrial Connection (Thailand)	(ii) Amata Nakorn Industrial Estate (Thailand)	(iii) Karawang International Industrial City (Indonesia)	(iv) Suryacipta City of Industry (Indonesia)
			(Apartment, hospital, nursery, bank, etc.)	(Hotel, bank, etc.)	(Dormitory housing, bank, clinic, etc.)
Others		Additional service is introduction of service providers only.	Development of the industrial park leads to development of rental housing and commercial facilities nearby.		

(Prepared by the Study Team based on websites and materials of the industrial parks concerned)

Item		(v) Bukit Indah Industrial Park (Indonesia)	(vi)TT Techno-Park Indonesia (Indonesia)
Description of business operator	Business operator	Indotaisei Indah Development	TT Techno-Park Indonesia
	Investors and their investment ratios	Besland Pertiwi（51%） Taisei Corporation（49%）	Toyota Tsusho Corporation (75%) Toyota Tsusho Indonesia（25%）
	Capital		12,000,000USD
	Investment		Approx. 4 billion JPY
Size of industrial park	Total area	700ha	－
	Area for industrial park	465ha	－
	Of which, area for rental factories		15ha
	Total floor area of rental factories	603 – 7,173 ㎡	Approx. 2,500 m^2 (factory: 2,200m^2 + office: 300m^2) x 29 lots (total of 6 buildings)
Contract details	Rent	5 – 6 USD/ m^2 per month (Rent for factory: 4 – 5 USD Rent for land: 1 USD) * Rent for 3 months required in advance	7 USD/ m^2 per month Rent for 3 months required in advance No deposit required
	Administrative fee	0.06 USD/ m^2 per month	10,000 USD/company per month (fees for one-stop services)
	Minimum contract term	At least 3 years	At least 3 years
O&M, and management	O&M, management structure		35 full-time staff members
	Outsourcing		Meal, vehicle and logistics services
Tenant companies	No. and business types of tenant companies (sales of land lots)	29 companies (both owners and rental) (including 20 Japanese companies)	－
	Occupancy rate		－
	No. and business types of tenant companies (rental factories)		15 companies or so * Automobile-related
	Occupancy rate		83%
Economic effects of industrial park	Annual total exports from industrial park		
	Total number of workers in industrial park		
Business details (including outsourcing)	Services related to permits and approvals	○	○
	Meal services	○	○
	Vehicle services	×	○
	IT support services	×	○
	Logistics services	×	○
	Insurance services	×	○
	Others	○ (Customs service, housing, bank, hospital, commercial facilities, etc.)	×
Others			

4.2.3 Comparative Analysis with Vietnam

Comparison was made between the similar case studies in Vietnam and those in Thailand and Indonesia. The following table lists the findings.

Table 4-12: Comparison of Industrial Parks in Vietnam and the Neighboring Countries

	Vietnam	Thailand and Indonesia
Locational conditions	* Flood risk is low.	* Floods have occurred in the past in Thailand.
Political and religious risks	* Demonstrations, strikes and other similar incidents are less frequent.	* Large-scale demonstrations, strikes and other similar incidents have occurred in the past. * Islam is the dominant religion in Indonesia, so even foreign companies may have to respond to Halal or build a mosque.
Infrastructure	* Infrastructure is less developed, compared to infrastructure in Thailand and Indonesia.	* Infrastructure is relatively well developed.
Degree of development of supporting industries	* Regional enterprises are not well developed, and the local procurement rate among Japanese companies is low.	* Regional enterprises are growing.
Areas of rental factories	* Many rental factories are 1,000 ㎡ or smaller.	* The most standard size of rental factories ranges between 1,000 ㎡ and 3,000 ㎡.
Rent	* Chiefly between 4 and 5 USD	* Chiefly between 7 and 9 USD
Legal minimum wage (2014)	* 127 USD (urban areas in Hanoi and Ho Chi Minh)	*288 USD (Bangkok) *214 USD (Jakarta Special Capital Region)

(Prepared by the Study Team)

4.3 Needs and Other Market Surveys to Japanese SMEs and Major Regional Banks

4.3.1 Needs and Other Market Surveys to Japanese SMEs

A series of surveys were conducted to Japanese SMEs that are potential tenants of the industrial park. The objectives were to clarify needs and purposes of rental factories designed for Japanese SMEs abroad which is one of the important aspects of this Study.

(1) Methodology of the Needs Survey to Japanese SMEs

The needs survey was conducted to Japanese SMEs in the following manner.

1) Questionnaire Survey

Study Team members participated in the seminars listed in the following table to ask participants to fill in and return questionnaires.

Table 4-13: Summaries of Seminars and Questionnaire Survey

Seminar	Summary	No. of questionnaires replied
Seminar on Investment Environment in Northern Vietnam: "Chance or Not? – Seven Key Indicators to Successful Entry in Vietnamese Market and Market Trend"	・ Held in Tokyo on February 17, 2014 ・ Co-organized by Vina CPK Co., Ltd. and Tepia Corporation Japan ・ Lectures given by Vina CPK Co., Ltd. and the Consortium ・ Attended by participants from 24 companies	15 replies
Seminar on Investment Environment in Vietnam with Economic Counselor of Vietnamese Embassy in Japan	・ Held in Kosai, Shizuoka prefecture, on February 19, 2014 ・ Co-organized by the Commerce and Industry Association of Kosai City and N&V Bridge Co., Ltd. ・ Lectures given by Vina CPK Co., Ltd. and the Consortium ・ Attended by participants from about 10 companies	×
Seminar on Investment Environment in Vietnam: "Chance or Not? – Seven Key Indicators to Successful Entry in Vietnamese Market and Market Trend"	・ Held in Nagoya, Aichi prefecture, on February 20, 2014 ・ Co-organized by Vina CPK Co., Ltd. and Tepia Corporation Japan ・ Lectures given by Vina CPK Co., Ltd. and the Consortium ・ Attended by participants from 10 companies	10 replies
Seminar on Overseas Expansion	・ Held in Chiba prefecture on March 3, 2014 ・ Co-organized by Chiba Bank, Chibagin Research Institute Co., Ltd. and Chiba Chamber of Commerce & Industry ・ Lectures given by the Consortium	30 replies
Seminar on Investment Environment in Vietnam with Leader of Vinh Phuc People's Committee	・ Held in Osaka in April 16, 2014 ・ Co-organized by Vietnam Consulate General in Osaka, Vinh Phuc Province and N&V Bridge Co., Ltd. ・ Lectures given by Vinh Phuc Province, Vina CPK Co., Ltd. and the Consortium ・ Attended by participants from about 50 companies	×
Seminar on Up-to-Date Business in Vietnam with Vinh Phuc Economic Mission	・ Held in Hiratsuka, Kanagawa prefecture, on April 23, 2014 ・ Organized by Hiratsuka Shinkin Bank ・ Lectures given by Vinh Phuc Province, Vina CPK Co., Ltd. and the Consortium ・ Attended by participants from about 44 companies	×

* The number of questionnaires replied include those replied by two or more persons from one company.

(Prepared by the Study Team)

The following figure illustrates the types and forms of the 55 respondents to the questionnaire. The largest proportion, approximately 26%, belonged to the manufacturing industry, followed by

approximately 13% each of the construction and services. By company size, large companies accounted for some 27% and SMEs[9] for some 44%.

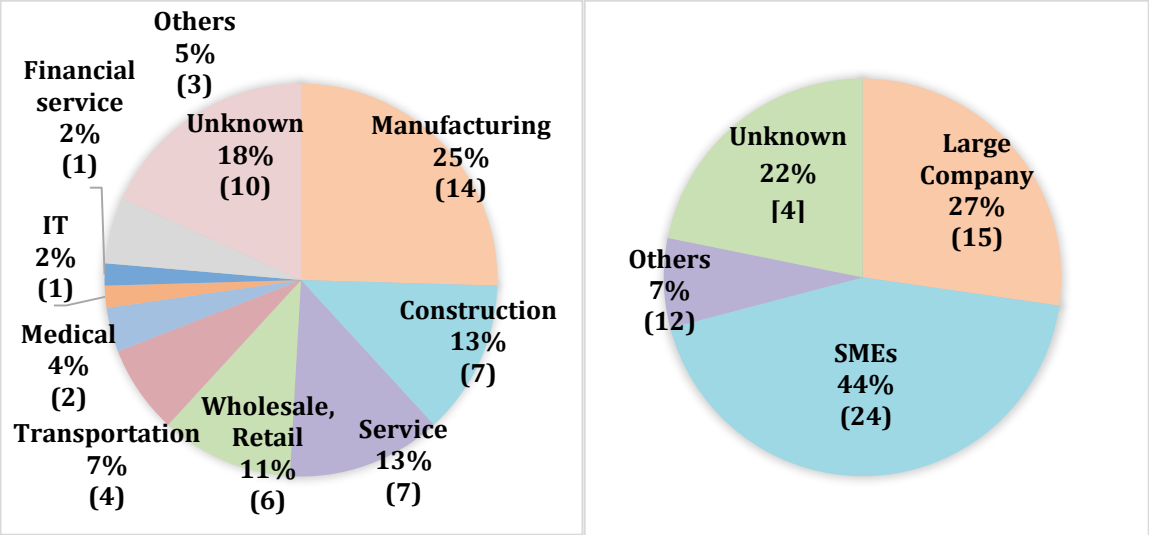


Figure 4-31: Types and Forms of the 55 Respondents to the Questionnaire

To question 2 "Plan to have factories abroad", a total of nine respondents replied that they did have a plan to have factories: five respondents stated that they would rend factories, and four respondents stated that they would purchase land and build their own factories. Among manufacturers, five out of 14 respondents replied that they would have factories abroad (rental factories (two respondents) and own factories (three respondents)). These replies suggest that there is certain demand for rental factories, but quite a few respondents gave either no answer or other answers. Further study seems be needed to clarify the intentions of Japanese companies concerning having factories when they make a foray into overseas market.

Table 4-14: The Questionnaire Survey Results

Question		Answer		
1 Wish to expand business abroad	Do you have any plan to expand business abroad?	Yes	No	Unanswered
		32 respondents	16 respondents	7 respondents
		(Candidate countries and regions) Vietnam, Thailand, Indonesia, the Philippines, Singapore, Myanmar, Lao PDR, Taiwan, Hong Kong, China, Malaysia, Mexico, etc.		
	Do you have any plan to make a foray into Vietnam?	Yes	No	Unanswered
		25 respondents	19 respondents	11 respondents
		(Candidate regions) Ho Chi Minh, Hanoi, Da Nang, etc.		

[9] Companies were regarded as SMEs in each industry according to the following criteria (websites of the Small and Medium Enterprise Agency).
Manufacturers and other industries: 300 or less workers, or capital fund of 300 million JPY or less
Wholesalers: 100 or less workers, or capital fund of 100 million JPY or less
Retails: 50 or less workers, or capital fund of 50 million JPY or less
Services: 100 or less workers, or capital fund of 50 million JPY or less

<table>
<tr><th colspan="2">Question</th><th colspan="4">Answer</th></tr>
<tr><td rowspan="3"></td><td rowspan="3">Do you have any specific time for business expansion abroad?</td><td>Yes</td><td>No</td><td colspan="2">Unanswered</td></tr>
<tr><td>7 respondents</td><td>26 respondents</td><td colspan="2">22 respondents</td></tr>
<tr><td colspan="4">(Specific times)
Autumn 2014, within the year or next year, FY 2014, around this summer, in several years' time, etc.</td></tr>
<tr><td rowspan="6">2 Plan to have factories abroad</td><td rowspan="4">Do you have any requests for factories abroad?
*multiple answers allowed</td><td colspan="3">Renting a factory</td><td>5 respondents</td></tr>
<tr><td colspan="3">Purchasing land and building own factory</td><td>4 respondents</td></tr>
<tr><td colspan="3">Others</td><td>12 respondents</td></tr>
<tr><td colspan="3">Unanswered</td><td>36 respondents</td></tr>
<tr><td colspan="4">(Other opinions)
Planning to rent a factory of a business partner; no particular plan; using a factory of an affiliated company; etc.
Establishing an office, schools, etc.</td></tr>
<tr><td rowspan="3">Do you have any expected size of factories abroad?</td><td colspan="2">Answered</td><td colspan="2">Unanswered</td></tr>
<tr><td colspan="2">6 respondents</td><td colspan="2">49 respondents</td></tr>
<tr><td colspan="4">(Specific floor area)
About 300m^2 (rental), 1,000m^2 (rental), 12,000m^2 (own), 20,000m^2 – 100,000m^2 (own), 10,000m^2 (own), etc.</td></tr>
<tr><td rowspan="4">2 Plan to have factories abroad</td><td rowspan="2">Do you wish to have support services in Japanese when you expand business abroad?</td><td>Yes</td><td>No</td><td colspan="2">Unanswered</td></tr>
<tr><td>7 respondents</td><td>14 respondents</td><td colspan="2">34 respondents</td></tr>
<tr><td colspan="4">(Desirable services)
Legal services: procedures from purchasing land to commencement of production, hiring and taxation</td></tr>
<tr><td rowspan="3">Do you wish to have services to introduce local companies for business partnership when you expand business abroad?</td><td>Yes</td><td>No</td><td colspan="2">Unanswered</td></tr>
<tr><td>7 respondents</td><td>14 respondents</td><td colspan="2">34 respondents</td></tr>
<tr><td colspan="4">(Business types the respondents wish to be introduced)
Building maintenance, Japanese companies that wish to shift their base from China, export/import business and food processing</td></tr>
<tr><td rowspan="8">3 Prospects for business expansion abroad</td><td rowspan="8">Select any reasons of considering business expansion abroad.
*Multiple answers allowed</td><td colspan="3">Production cost reductions</td><td>10 respondents</td></tr>
<tr><td colspan="3">Expansion in sales channels</td><td>24 respondents</td></tr>
<tr><td colspan="3">Business expansion abroad of major clients/customers</td><td>11 respondents</td></tr>
<tr><td colspan="3">Labor shortage in Japan</td><td>3 respondents</td></tr>
<tr><td colspan="3">Business expansion abroad of other companies in the same industry</td><td>5 respondents</td></tr>
<tr><td colspan="3">Others</td><td>5 respondents</td></tr>
<tr><td colspan="3">Unanswered</td><td>17 respondents</td></tr>
<tr><td colspan="4">(Other opinions)
New business, marketing, support to young people in Vietnam, etc.</td></tr>
</table>

<table>
<tr><th colspan="2">Question</th><th colspan="4">Answer</th></tr>
<tr><td></td><td>State products that you wish to produce abroad.</td><td colspan="4">Fire extinguishing bottles to throw, parts (such as connectors) of electronic devices, automobile parts, plastic products, machine parts, pumps, water treatment instruments, safety equipment, etc.</td></tr>
<tr><td rowspan="8">4 Experience in business expansion abroad, export and import</td><td rowspan="2">Have you already expanded business to any foreign country?</td><td>Yes</td><td>No</td><td colspan="2">Unanswered</td></tr>
<tr><td>23 respondents</td><td>20 respondents</td><td colspan="2">12 respondents</td></tr>
<tr><td colspan="4">(Countries to which the respondents have already expanded business)
China, South Korea, Vietnam, India, Mexico, Indonesia, the Philippines, the U.K., the U.S.A., etc.</td></tr>
<tr><td rowspan="3">Have you already had any factories abroad?</td><td>Yes</td><td>No</td><td colspan="2">Unanswered</td></tr>
<tr><td>15 respondents</td><td>21 respondents</td><td colspan="2">19 respondents</td></tr>
<tr><td colspan="4">(Countries and regions in which the respondents have factories)
Vietnam, China, Malaysia, the Philippines, Thailand, Taiwan, the U.S.A., etc.</td></tr>
<tr><td rowspan="4">Select any business you have done with companies abroad.
*Multiple answers allowed.</td><td colspan="3">Import</td><td>11 respondents</td></tr>
<tr><td colspan="3">Export</td><td>10 respondents</td></tr>
<tr><td colspan="3">Others</td><td>8 respondents</td></tr>
<tr><td colspan="3">Unanswered</td><td>33 respondents</td></tr>
<tr><td colspan="4">(Other opinions)
Business agents, outsourcing, etc.</td></tr>
</table>

(Prepared by the Study Team)

2) Hearing Surveys

Hearing surveys were addressed to SMEs expanding business abroad on site; credit banks and other entities supporting SMEs to expand business abroad; and specialized companies that offer support related to industrial park business abroad. The companies and other entities surveyed, and the survey results will be given in the following sections.

3) Bibliographic Survey

A needs survey was conducted in reference to data available concerning business expansion abroad of SMEs, data published by JETRO and other organizations supporting business expansion abroad.

(2) Analysis of Basic Needs for Rental Factories

Basic needs of SMEs for rental factories were analyzed in reference to the survey results given above. Accordingly, it has been found that the reasons for business expansion abroad can be classified into the following categories.

Table 4-15: Reasons for Business Expansion Abroad among SMEs

Category	Factor for business expansion abroad	Summary
People	Labor shortage	Unable to hire new young workers in Japan due to being SMEs
Goods	Shorter delivery time	Shifting production bases to shorten delivery time for shipment in response to business expansion abroad of delivery destinations
Capital	Cost reduction	Shifting production bases to abroad to cut labor costs
	Expansion in sales channels	Expansion and development of new sales channels abroad to make up for low sales in Japan

The following table summarizes the intended use of rental factories by SMEs expanding business abroad.

Table 4-16: Intended Use of Rental Factories by SMEs

Category	Reason for needs of rental factories abroad	Intended use
People	Labor shortage	Needs as outsourcing and supporting schemes due to the start-up of new factories abroad and labor shortage in non-manufacturing sectors including general affairs and administrative work
Goods	Shorter delivery time	Needs as on-site supplementary production bases that serve as a part of supply chains of large delivery destinations that expanded business abroad. The objective is to shorten delivery time
Capital	Cost reduction	Needs among enterprises outsourcing processing and other enterprises so as to enhance the cost competitiveness through shift of production bases to abroad and thus labor cost reduction
	Budget reduction	Needs as a first step to expand business abroad with an eye to full-scale business expansion abroad in future
	Market research	Needs as a basis for market research prior to full-scale business expansion abroad. These needs are particularly high for companies which have production bases in China and are searching the next production bases
	Temporary operation	Needs as a provisional production base abroad for companies that have decided to fully expand business abroad but need to wait until their official factories are completed
	Capital shortage	Needs as a second choice for SMEs which do not have sufficient fund to have their own or larger factories
	Future expansion	Needs as production bases jointly used with partner SMEs manufacturing parts and components

The analysis has also revealed that SMEs wishing to expand business abroad can be classified into two groups: that is, one group of SMEs that have no plan to build their own factories and intend to use rental factories for a long period (i.e. longer tenants), and the other group of SMEs that use rental factories temporarily because they chiefly aim to acquire the know-how of doing business abroad by using rental factories (i.e. temporary tenants). It can be said that SMEs in the former group prefer factories with floor space of 300-1,000m^2 and those in the latter group prefer factories with floor space of 1,000-2,000m^2.

Table 4-17: Classification of SMEs Wishing to Expand Business Abroad, and Area Sizes Preferred

Classification of SMEs	Reason for renting factories	Area size preferred	Tenancy
Longer tenants	・Do not wish to risk arising from owning land or factories ・Have no plan to build own factory	Approx. 300-1,000m^2	3 years or longer (minimum contract term) and indefinitely
Temporary tenants	・Acquire the know-how by using rental factories and then build own factory	Approx. 1,000- 2,000m^2	3-5 years or so (minimum contract term)

(Prepared by the Study Team)

(3) Overview

The surveys have clarified that SMEs expand business abroad and rent factories mostly because they need to shift their production bases abroad to follow and secure their customers and clients that have expanded business abroad. Most of the SMEs surveyed were obliged to do business abroad to stably continue their business as a part of supply chains, and decided to use rental factories at an early stage of business abroad in light of their strategic, physical and financial conditions.

Therefore, it is obviously important for business operators of rental factories to take into account the locational conditions as well as the provision of various services for companies expanding business abroad to stay in the supply chains, In other words, the most crucial condition for successful operation of rental factories is to differentiate themselves from others in terms of these conditions and services.

4.3.2 Needs and Other Market Surveys to Major Regional Banks

When considering business expansion abroad, many SMEs normally consult their main financing banks - chiefly their regional banks - to raise funds and collect local information. Thus, regional banks are likely to have a lot of information about inquires brought in by client SMEs. Accordingly, a survey was conducted to such regional banks having headquarters in areas where there seem to be quite a few SMEs considering making a foray into Vietnam.

(1) Methodology of the Survey to Major Regional Banks

Study Team members visited the following banks that support client companies to expand business abroad and interviewed bank officers in charge.

Table 4-18: Major Regional Banks Surveyed

Bank	Department surveyed	Location of the headquarters
Shizuoka Bank, Ltd.	International Business Promotion Dept.	Shizuoka prefecture
Senshu Ikeda Bank, Ltd.	Asia and China Business Headquarters	Osaka prefecture
Hiroshima Bank, Ltd.	International Sales Dept.	Hiroshima prefecture
Bank of Fukuoka	Global Solution Dept.	Fukuoka prefecture
Nishi-Nippon City Bank, Ltd.	International Dept.	Fukuoka prefecture

(Prepared by the Study Team)

(2) Business Expansion of Client Companies to Vietnam (Results of Hearings to the Regional Banks)

1) International Department of Shizuoka Bank

- To date, about 70-80 of client SMEs have expanded business to Vietnam. More or less half each made a foray into Hanoi and Ho Chi Minh.
- Most SMEs expanding business to Hanoi are manufacturing companies.
- Business expansion of client SMEs to Vietnam peaked in 2012 and was somewhat moderate in FY2013. The bank considers that the needs for business expansion to Vietnam will be more or less the same as the needs in FY2013.
- The bank also considers that any improvement in environment of rental factories due to the Project and other factors will be likely to accelerate moves of SMEs to make a foray into Vietnam.
- Most client SMEs having expanded business to Vietnam have their own factories, though some of them chose to rent factories.
- If any industrial park involving Japanese companies is developed near Hanoi, the bank will be able to offer information to client SMEs having interested in the park.

2) Asia and China Business Headquarters of Senshu Ikeda Bank

- The bank has business with approximately 100 companies that have expanded business to Vietnam including large companies (40 companies are small and medium-sized). The vast majority chose Ho Chi Minh because of good infrastructure and the large number of industrial parks.
- Some 50 client companies are considering business expansion to Vietnam, accounting for 17% of some 300 client companies considering business expansion abroad. The majority of these companies are interested in China, followed by Vietnam, Thailand and Indonesia.
- The majority of these companies are companies manufacturing, for example industrial components. An increasing number of manufacturers are expected to show interest in business expansion abroad. A shortage of industrial parks may become concern in future, so if an industrial park that are accessible to SMEs, the bank would like to positively introduce such an industrial park to client companies.

- The bank held seminars related to Vietnam jointly with the local chamber of commerce and industry in November 2011 (participated in by 35 companies) and May 2012 (participated in by 80 companies). Both seminars were highly valued by participants.
- The bank arranged visits of mission groups to Vietnam jointly with the regional government twice in February and October 2012 (a total of about 100 persons). Clients are highly interested in Vietnam.
- The bank makes efforts to send out information about Vietnam. For example, it organized an symposium on global human resources in Hanoi in December 2013, where the presidents of three major national universities in western Japan (Kobe, Kyoto and Osaka Universities) and three Vietnamese leading universities (Foreign Trade University, Hanoi University of Science and Technology and Hanoi National University) gathered.
- As described above, the bank makes efforts to provide highly value-added information, rather than simply hold seminars. Thus, it is difficult to jointly hold seminars with the Study Team. The bank is willing to introduce any industrial park, if it is developed, individually to client companies.

3) International Sales Dept. of Hiroshima Bank

- The bank has business with approximately 40 companies that have expanded business to Vietnam. The majority of these companies are companies manufacturing, for example electronic components and parts. While Mazda Motor Co. has knockdown production plants in Hanoi, there is no supplier which has made a foray into Hanoi to follow the automaker.
- An increasing number of companies are considering business expansion to ASEAN countries to reduce risks of overconcentration in China. The bank recognizes, however, that a chronicle shortage of industrial parks with infrastructure good enough to attract Japanese companies does interfere with business expansion abroad.
- The bank held seminars on Vietnam and Myanmar in Hiroshima and Fukuyama cities in March 2014.
- The bank can consider jointly holding overseas business seminars if the theme is appropriate. (The Study Team sounded out again the possibility of holding joint seminars and received a reply from the bank, which stated that it is difficult to jointly hold seminars concerning any business operation in which the Hiroshima Bank is not involved, because the bank normally holds joint seminars with the local chamber of commerce and industry, the Organization for Small & Medium Enterprises and regional Innovation or other organizations, and the bank finds it difficult to gain understanding from co-organizers.)
- The bank is willing to introduce any industrial park, if it is developed near Hanoi, to client companies.

4) Global Solution Dept. of Bank of Fukuoka

- The bank has business with approximately 50 companies that have expanded business to Vietnam. These companies engage in food processing, manufacturing of miscellaneous goods,

furniture making, manufacturing of beds for caregiving, etc. Manufacturers of parts and industrial components are few.

- These companies account for approximately 10% of all the bank's client companies having expanded business to Asia. The bank expects that the needs for establishment of subsidiary companies in Vietnam will grow among companies wishing to avoid further concentration in China.
- In the previous two years, the Bank of Fukuoka established representative offices in Singapore and Bangkok to enhance its support services and provision of information about business matching and other international operations to companies expanding business to ASEAN countries. The bank has been having an increasing number of inquiries about Vietnam, too.
- The bank regularly holds overseas business seminars but has no particular plan of holding seminars on Vietnam. It is willing to jointly hold seminars on Vietnam if it has information useful to its clients. But it assumes that quite a few seminars on Vietnam have lately been held in many places, so those concerning industrial parks are not so attractive. The bank supported a seminar on Vietnam (a lecture given by the ambassador plenipotentiary of the Embassy of Japan in Vietnam) held by the Kyushu-Vietnam Friendship Association in March 2014.
- If any industrial park involving Japanese companies is built near Hanoi, the bank is willing to introduce it to client companies.

5) International Dept. of Nishi-Nippon City Bank, Ltd.

- The bank has business with approximately 30 companies that have expanded business to Vietnam. These companies engage in manufacturing of industrial components, parts, sewing etc..
- The number of inquiries from companies wishing to expand business to Vietnam is the third largest, following by the numbers of inquiries about China and Thailand. While the bank frequently receives inquiries about Vietnam, not so many companies have in fact decided to make a foray into the country because of deterioration of the macroeconomy in Vietnam and distrust about the socialist regime.
- Nishi-Nippon City Bank entrusts holding of overseas business seminars and support to business expansion abroad to NCB Research & Consulting Co., Ltd. The affiliated research institute regularly holds seminars, including "Business Expansion to Vietnam: Lessons from Failure Cases" held in July 2013 (capacity of 20 participants).
- The bank can consider jointly holding seminars if topics are appropriate, but finds it difficult to hold seminars on overseas industrial parks. Seminar topics should be more attractive because clients tend to prefer seminars based on specific case studies.

(3) Overview

- The hearing survey was aimed at regional banks in various regions – Chubu, Kansai, Kyushu and San'in regions – to collect various opinions. The survey has found that client companies of these banks have high interest in Vietnam. Behind high interest in Vietnam lie the facts that some companies wish to avoid risk of overconcentration in China where labor and other fixed costs have risen and the legal system is uncertain, and that Vietnam has many young workers and thus it is easy to secure manpower.
- At the same time, some companies have reservations about business expansion to Vietnam because Vietnam adopts the socialist regime, the infrastructure is less developed, the macroeconomic condition is unstable, and thus the country is less stable than Thailand which is well ahead as a production base.
- The vast majority of SMEs prefer Ho Chi Minh in the south to Hanoi as the destination of business expansion on the grounds, for example, that Northern Vietnam has less infrastructure compared to Southern Vietnam, that there are not so many industrial parks involving Japanese companies near Hanoi which offer one-stop services and that there are not so many vacancies in industrial parks near Hanoi. Despite all this, it is likely that Japanese SMEs will pay more attention to Hanoi so long as the problems cited above are solved because it is the capital of the country and thus it is easier to acquire permits and approvals from the authorities, compared to Ho Chi Minh, and also because a conspicuously larger number of leading manufacturers of assembled products are located near Hanoi, compared to Southern Vietnam.
- Several banks surveyed replied that they are willing to consider holding joint seminars to introduce industrial parks to be built and clarify the needs of SMEs if topics are appropriate enough. In practice, it seems difficult to suggest joint seminars because they seem to have difficulty in gaining the consent of co-organizers and also because introduction of industrial parks is not so unique. But some banks stated that they are willing to introduce industrial parks in Vietnam to their client companies showing interest in the country if they are first given presentations on Ba Thien2 IP. Therefore, the Study Team will consider asking these regional banks to introduce the industrial park under the Project when the team has had some good prospect on the Project.

Chapter 5 Formulation of Project Concept

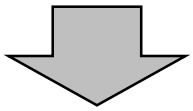
5.1 Analysis of Challenges

5.1.1 Challenges (for SMEs)

- For SMEs, business expansion into foreign countries requiring investment is a challenge, and securing of factory sites and buildings makes it more difficult for them to expand. A key is to reduce initial investment costs for overseas expansion.
- The legal system, language and other systems and practices in Vietnam that are all different from Japan also make it difficult for Japanese SMEs to smoothly complete procedures for permits and approvals, and other operations in Vietnam.
- The number of Vietnamese workers with manufacturing know-how and certain proficiency in the Japanese language is limited. A key is to secure good Vietnamese workers for sustainable business operation.
- Vietnamese workers opt to live in Hanoi and other large cities: it is necessary to secure accessibility to factories.
- Factories in Vietnam customarily provide their workers with free lunch. Japanese businesses expanding into Vietnam will be required to prepare catering services, use delivery services or take other action to secure meal services.
- Different businesses use different logistics services. Because the nature of logistics services varies depending on industry type, no companies operating industrial parks have offered any uniform logistics services.
- Different businesses use different insurance services. Insurance schemes suited to Vietnamese customs are not provided, so risks affecting SMEs are not appropriately hedged in some cases.

5.1.2 Challenges (for the Consortium)

- The Vietnamese economy has lately been ever increasing but the short-run demand drastically fluctuates, which makes it difficult for businesses to forecast demand (thus to formulate business plans).
- The needs of SMEs vary frequently. The consortium is required to appropriately respond to the levels of their requirements that change every few years.
- To date, it was not realistic to lump SMEs together and attempt to satisfy their needs: different SMEs in different industrial sectors have different business strategies and expansion plans.
- Large businesses are literally large in size and have know-how of overseas expansion, so they can provide various services on their own to some extend and have little demand for packaged additional services.
- The workforce of SMEs ranges between several workers and, at most, 200 or so at a sewing plant. Because of their compactness, additional services are not so profitable and thus have not been provided.



- Eliminating risks for SMEs and building an environment where SMEs are able to expand into Northern Vietnam without too much concern
- Building rental factory business that can swiftly respond to environmental changes and provide sustainable services

5.2 SWOT Analysis

A SWOT analysis was conducted, focusing on the consortium, for reference for formulation of a project concept.

Table 5-1: SWOT Analytical Table

	Opportunities	**Threats**
	・ Establishment of international investment environment through WTO participation ・ Elimination of tariffs and introduction of free trade through ASEAN integration ・ Increase in Japanese businesses expanding into Vietnam ・ Closeness to automobile plants including Toyota and Honda ・ Advance in development of highways and other traffic infrastructures ・ Closeness to an airport and interchanges of highways ・ Road accessibility to China ・ Shortage of Japanese rental factories for SMEs ・ The support schemes and abundant labor force in Vinh Phuc Province	・ Slowdown of the growth of new investment in Vietnam ・ Vitalization of rental factory business in areas with better geographical conditions ・ Materialization of potential exchange and country risks ・ Intensified international competition (emergence of Myanmar and Cambodia) ・ Distance from Hai Phong and other major ports ・ Tight electricity demand ・ Shortage of Vietnamese staff understanding Japanese
Strengths ・ Solid ground and high altitude ・ Advanced specialties of the entire consortium (meal, vehicle, logistics, insurance, Japanese language education and other services)	・ Provision of security to SMEs through full-scale support services by Japanese expatriate staff ・ Provision of added-value through additional services (meal services (catering, delivery and restaurants), vehicle services for staff, logistics services, insurances and business matching system)	・ Attracting industries that have intention to take advantage of road accessibility to China ・ Use of resources in Vinh Phuc Province (inexpensive and abundant labor force, good personality, preferential treatment and subsidies) ・ Promotion of advantages against natural disasters
Weaknesses ・ Lack of preferential treatment that is normally introduced to special economic zones ・ Difficulty in stably and continuously attracting businesses	・ Promotion of improving traffic accessibility through development of highway to Hai Phong Port ・ Stable power supply and priority power supply in case of outage ・ Prompting Vinh Phuc Province to launch preferential treatment ・ Building of educational and job placement services	・ Exchange risk aversion and hedge as much as possible ・ Formulation of appropriate phased development plans

(Prepared by the Study Team based on the consortium for “strengths” and “weaknesses”, and external environments (the Vinh Phuc Province, Vietnam and Southeast Asia) for “opportunities” and “threats”)

5.3 Project Concept

5.3.1 Project Concept

"Provision of rental factories enabling SMEs to exclusively focus on production and make profit"

The project concept of rental factories for SMEs under the Project will be "provision of rental factories enabling SMEs to exclusively focus on production and make profit". The Project aims to enable tenant companies to focus on manufacturing (sales) while offering a mechanism where they can outsource all the remaining operations. Rental factories to be built under the Project will offer one-stop support services, helping SMEs expanding into Vietnam optimize their resources (personnel, goods and capital).

(Sample project concept)
Rental factories for Japanese SMEs "NEST"

A nest is a home where birds give birth, nurture fledglings and help them fly ahead to the world.
It has a resemblance to a factory where people make every effort to manufacture products and supply goods to the market.
"NEST" is a place where workers can comfortably focus on manufacturing.
"NEST" is a place which helps businesses expand their corporate activities into the world.
Our wish is to offer rental factories that are comfortable and make tenant companies feel relieved.
We name our rental factories "NEST" in the hope that we can offer a place where tenant companies can take their first step to the world. This is the concept of our rental factories – "NEST".

(1) Focus on Manufacturing

- The rental factories will offer various services so that tenant companies can start factory operations under no stress and, even after the start, focus on manufacturing.
- The rental factories will have full-time Japanese staff members to offer one-stop services in Japanese.
- The rental factories will offer a package of the various additional services to help tenants focus on manufacturing after the start of their business operations.

(2) As "a Leading Production and Logistics Basis in Southeast Asia"

- Vietnam became a member of the WTO, and the ASEAN Free Trade Area was established. The business environment in Southeast Asia has been rapidly changing over the years.
- In such circumstances, the rental factories close to Noi Bai International Airport and the Noi Bai - Lao Cai Highway will take advantage of their location, serve as a leading production and logistics basis in Southeast Asia and support tenant companies to export products carefully manufactured to China and other countries.

(3) Support to Further Business Expansion

- The rental factories will support business matching (customer introduction) to enable tenant companies to expand their business operation and sales channels.

5.3.2 Targeted Industries and Sectors

Manufacturing companies wishing to expand into Vietnam belong to different industries and sectors. The Project will in principle respond to various industries and sectors (for more details, see "Chapter 6 Demand Forecasting").

However, because of the nature of rental factories, the Project will exclude industries and sectors that require power supply, water drainage standards and other factors of special levels. Preferable industries and sections are as follows:

- Supporting industries for Toyota, Honda and other car makers
- Industries wishing to take advantage of road accessibility to China
- Other manufacturers

5.3.3 Providing Services

(1) Basic Services

1) Rental Factories

The floor areas of the rental factories will be determined in reference to those used by companies that have already rented factories in Vietnam. Various floor areas will be prepared to satisfy various needs of SMEs[10]. For more details, see Chapter 7. The basic services of the rental factories will include repair and upgrading.

Table 5-2: Type of Rental Factories and Each Floor Area

Factory Type	Floor Area (m^2)
Apartment type	350～500
Two-in-one type	1,000
Stand-alone type	2,000

2) Facilities for Common Use

The basic services will include the following facilities, which will be offered free of charge or at actual cost.

- Rental factory administration office
- Meeting rooms for common use
- Banks and ATMs
- Parking lots and motorbike spaces

3) Maintenance and Administrative Service

The following basic services will include maintenance and administrative services outside the premises, and the cost incurred will be included in administrative fees.

- Maintenance and inspection of buildings, facilities and exterior of buildings
- Cleaning and sanitary management
- Security guard

[10] For a factory of 2,000m^2 or larger in size, a company will be able to save the cost if it acquires the land use right and builds its own factory.

4) Expansion Assistance Services (Services for Permits, Approvals and Procedures)

The basic services will also include expansion assistance services for permits, approvals and procedures to support overseas business expansion of SMEs, which will be offered free of charge or at actual cost. For more details, see Chapter 9 and Chapter 11.

(2) Additional Services

In addition to the basic services, additional services such as operational assistance services, meals, vehicles, IT, logistics (including logistics financing), insurances, housing, introduction of candidate companies for tie-ups, and business matching, etc. will be offered. For more details, see Chapter 9 and Chapter 11.

5.4 Project Innovation Potential

5.4.1 Partnering with Local Authorities in Japanese Company Expansion Assistance Projects

Although no municipalities have invested or otherwise involved themselves in assisting rental factories in Vietnam, if such a thing were to happen, projects would be driven by a triumvirate of JICA, the local authorities and the SPC operating the rental factories. This would be a groundbreaking achievement and would serve as a model for projects assisting Japanese companies expanding into ASEAN member nations.

The following are benefits SMEs in the region receive through assistance from provinces:

- Risks and other problems during the initial expansion stage are significantly lessened
- Expectations rise for ease of obtaining loans from banks and other financial institutions (assuming a prior partnership with banks)
- It becomes possible to conduct a “local brand” of operation and business.

The following are benefits local authorities receive by directly involving themselves with these projects:

- Local authorities can demonstrate their spirit of innovation (it is very significant that this is achieved through association with a JICA project)
- It becomes possible to clarify many different types of assistance for SMEs in the region
- It makes the region more attractive for other companies looking to expand (and prevents headquarters from relocating to other provinces).
-

5.4.2 Exclusive Operation of Rental Factories in Northwestern Vietnam

Although there are 28 rental factories in Northern Vietnam, there are only five examples of locations exclusively providing rental factory services. This is likely because only operating rental factories is not profitable. Some interviewees indicated that they only provided rental factory services to increase the added value of industrial parks, and that they envisioned operating industrial parks concurrently as rental factories once tenant companies rented for a certain period of time and moved toward purchasing land. However, exclusively operating rental factories would be a major step toward meeting the precise needs of Japanese SMEs.

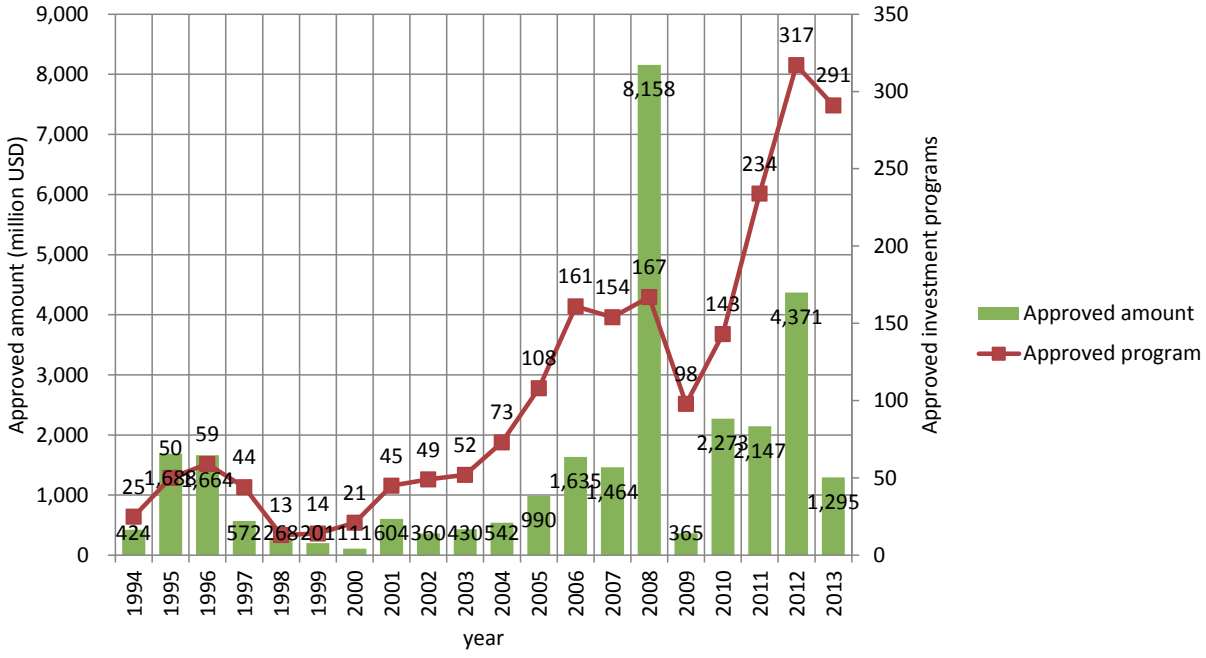
The five locations that exclusively provide rental factory services are all located in Northeastern Vietnam (east of Hanoi), and there are no exclusive rental factories, and no Japanese-only factories in particular, in Northwestern Vietnam, which includes developmentally lagging Vinh Phuc Province; there is still little awareness of rental factories in and around the region. The region shows potential for investment to continue into the future with improved transportation accessibility and a burgeoning workforce among other factors, but it is difficult to project its future prospects and there is some risk to implementing a project based purely on private-sector business.

In light of the above, it would be extremely bold and innovative to use JICA PSIF, which are public funds, to implement an exclusive rental factory project in Vinh Phuc Province, which is developing more slowly than Northeast Vietnam. The Project would also encourage Japanese companies to expand into the region and make a significant contribution to the social and economic development of a developing region.

Chapter 6 Demand Forecasting

6.1 Outline of Investment of Japanese Companies in Vietnam

- Japanese companies have lately invested in Vietnam quite vigorously: investment cases marked record high in two consecutive years in 2011 and 2012, and totaled more or less the same in 2013 as the cases in 2012 (See Figure 6-1).
- During the period of January-November, 2013, investment of Japan in Vietnam (the sum of new and additional investments) was the largest among countries investing in Vietnam. But Singapore made new investment in Vietnam the largest, followed by the Korea, China and Japan, and the amount of investment per case was relatively small in Japanese investment. Japan's new and additional investment in Vietnam between January and December 15, 2013, totaled 5.748 billion USD, or 416 investment cases: Japan was the largest investment country in terms of the investment amount.
- By industry, investment of the "processing and manufacturing" industries was the largest in terms of number. By region, investment in Southern Vietnam was the largest, followed by Northern and Central Vietnam. Investment in Northern Vietnam covered a total of 10 provinces, suggesting diversification of investment destinations (See Tables 6-1 and 6-2 and Figure 6-2).
- In 2013, there were a total of three investments of Japanese companies in Vinh Phuc Province, where Ba Thien 2 Industrial Park is located, not so many as investments in other provinces in Northern Vietnam (See Figure 6-2).
- About a half of companies expanding into Vietnam are SMEs. Their proportion is as high as that in Thailand, and higher than in other ASEAN countries (See Table 6-3).



(Prepared by the Study Team based on materials provided by JETRO Hanoi Office)

Figure 6-1: Japan's Direct Investment in Vietnam (not including expansion investment)

Table 6-1: Investment in Vietnam, by Country (Jan-Nov, 2013)

		New investment			Increase in investment			
Rank	Country	New FDI	Amount	Average amount per investment program	Program increasing investment amount	Amount	Average amount per investment program	Total amount
1	Japan	265	1,250.25	4.72	121	4,431.99	36.63	5,682.24
2	Singapore	99	3,008.05	30.38	32	1,270.79	39.71	4,278.84
3	Korea	331	3,665.36	11.07	115	474.25	4.12	4,129.61
4	China	85	2,255.28	26.53	9	19.55	2.17	2,274.83
5	Russia	10	1,021.62	102.16	1	0.15	0.15	1,021.76

(unit of amout: million USD)

(Prepared by the Study Team based on materials provided by JETRO Hanoi Office)

Table 6-2: Japan's Investment in Vietnam, by Industry and by Province (Jan-Nov, 2013)

(Industry)

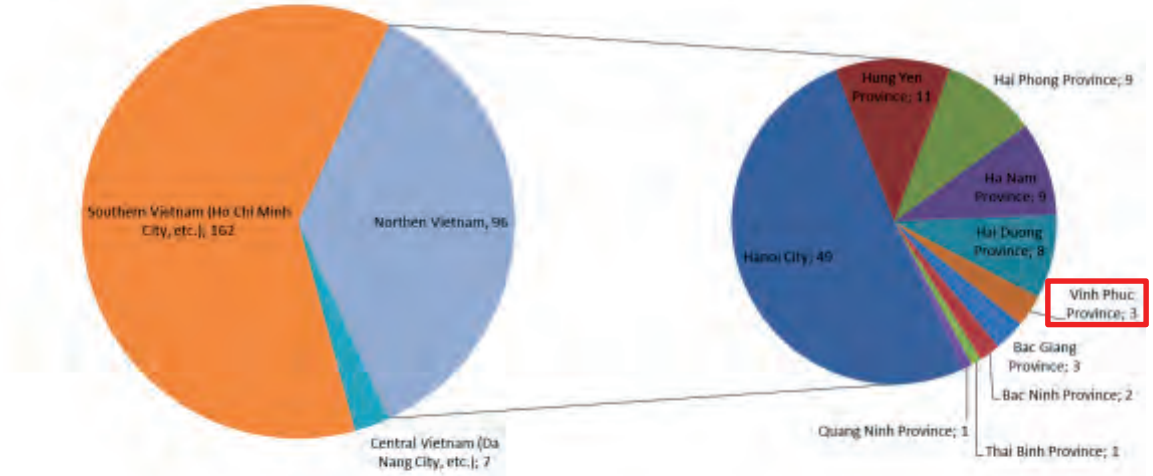
Industry	vestment p	No. of investment programs
ocessing and manufactur	122	
Consultation and others	48	
retail and distribution	36	
rmation and communicat	32	
Construction	7	
Real estate	4	
Hotel, food and drinking	4	
Medical and health care	3	
ater treatment and wate	2	
Warehousing and transpo	2	
Education and training	2	
ance, banking and insura	1	
culture, forestry and fish	1	
Art and entertainment	1	
Total	265	

(Province)

Province	Region	No. of investment programs
Ho Chi Minh City	Southern	99
Hanoi City	Northern	49
Dong Nai Province	Southern	30
Binh Duong Province	Southern	20
Hung Yen Province	Northern	11
Hai Phong Province	Northern	9
Ha Nam Province	Northern	9
Hai Duong Province	Northern	8
Long An Province	Southern	7
Da Nang City	Central	5
Vinh Phuc Province	Northern	3
Bac Giang Province	Northern	3
Tien Giang Province	Southern	2
Binh Phuoc Province	Southern	2
Bac Ninh Province	Northern	2
Tra Vinh Province	Southern	1
Thua Thien Hue Provinc	Central	1
Thai Binh Province	Northern	1
Quang Ninh Province	Northern	1
Quang Ngai Province	Central	1
Ben Tre Province	Northern	1
Total		265

Northern		96
Central		7
Southern		162

(Prepared by the Study Team based on materials provided by JETRO Hanoi Office)



(Prepared by the Study Team based on materials provided by JETRO Hanoi Office)

Figure 6-2: Japan's Investment in Vietnam, by Province (Jan-Nov, 2013)

Table 6-3: Proportions of Large Companies and SMEs Expanding into Asia

	No. of companies			Ratio		
	Large companies	SMEs	Total	Large companies	SMEs	Total
ASEAN	1,319	1,001	2,320	56.9%	43.1%	100.0%
Thailand	407	418	825	49.3%	50.7%	100.0%
Vietnam	**224**	**211**	**435**	**51.5%**	**48.5%**	**100.0%**
Singapore	212	75	287	73.9%	26.1%	100.0%
Malaysia	164	114	278	59.0%	41.0%	100.0%
Indonesia	196	81	277	70.8%	29.2%	100.0%
Philippines	80	70	150	53.3%	46.7%	100.0%
Cambodia	17	13	30	56.7%	43.3%	100.0%
Laos	12	13	25	48.0%	52.0%	100.0%
Myanmar	7	6	13	53.8%	46.2%	100.0%

(Source: The 2013 Status Survey on Activities of Japanese Companies Operating in Asia and Oceania, JETRO, December 12, 2013)

In 2013, there were a total of three investments of Japanese companies in Vinh Phuc Province. But Japan's direct investments are likely to increase in future because of the following prospects:

- Traffic networks, and water supply and sewerage systems, electricity and other lifeline infrastructures have been accelerating improved. The province is close to an airport and has road networks leading to the neighboring provinces. Moreover, the Asian Highway has recently opened, which has realized easy access to China, and the road between Hanoi and the airport will soon open. On the other hand, the project site has favorable conditions, including solid ground requiring no piling work and high elevation free from flood damage. These geographical advantages will certainly boost foreign direct investment in future.
- Vinh Phuc Province has many advantages in terms of labor force. The average age is 28 years of age, and there are approximately 700,000 workers. The province is also equipped with a number of vocational training schools, which supply more than 50,000 new workers to the labor market each year. While some industrial parks in other provinces are struggling to get hold of labor force, Vinh Phuc Province offers support to foreign companies to secure workers. Because of these advantages, there is little concern for securing labor force and foreign direct investment in the province is likely to increase in future.
- To date, only a small number of rental factories in Vietnam have offered so-called one-stop services that are carefully designed to meet the needs of Japanese companies, and there has been no such a rental factory in the Vinh Phuc Province. The development of an increasing number of these rental factories will encourage more Japanese companies to make overseas business expansion, which will result in further investment in the province.
- Vinh Phuc Province is fairly eager to host Japanese companies as Vinh Phuc PC sends its officers to various cities in Japan to hold seminars to invite direct investment. The province is committed to establishment of a one-stop supportive scheme and a special organization in charge of land acquisition and compensation. It is also preparing to set up financial support schemes helping SMEs in supporting industries make investment procedures. These practical and financial preparations to host Japanese SMEs will be likely to boost investment from Japan further.
- Experts on the improvement of the investment environment in Vinh Phuc Province believe that Northern Vietnam is a prime candidate for investment because Vinh Phuc Province is located on high ground and thus has no risk of flooding (Sumitomo's Thang Long Industrial Park is at risk of flooding), has an abundant workforce (the area around Sumitomo's Thang Long Industrial Park is at risk of not having enough workers), is located on solid ground, is not at risk of earthquakes, enjoys affordable electricity fees and no blackouts, is safe, and maintains a very amicable relationship with the central government. In addition, the Project site is adjacent to an interchange along the Noi Bai-Lao Cai Expressway, and the opening of the expressway has significantly improved accessibility to the site. Given that Sumitomo's Thang Long Industrial Park is linked to the current success of improving the existing infrastructure in its area, experts believe they can expect much from the Project as well.
- JETRO Hanoi indicated that Japanese companies that have recently expanded into Northern Vietnam have used JETRO's SME expansion support system and that for many it factors into their decision

when considering expansion into Thailand, Vietnam or Indonesia or establishing a second overseas base to counter rising labor costs in China. On average, the support system accounted for nearly half of the capital for expanding companies in 2012 and 2013, which indicates that the expanding companies are probably small. Conversely, JETRO found the Hai Phong area in Northern Vietnam (VSIP Hai Phong Industrial Park, Trang Due Industrial Park) to be quite popular, while in Northwest Vietnam (with Sumitomo's Thang Long Industrial Park as the border), awareness of industrial parks in Vinh Phuc Province is low. JETRO Ho Chi Minh indicated that rental factories in Southern Vietnam are concentrated where infrastructure is sufficient, at Kizuna Rental Factories and Long Hau Industrial Park, and that recently SMEs are making up a larger percentage of expanding companies. In other words, even though there is little awareness of plans for the Project site, the rental factories have much latent potential with their location adjacent to the Noi Bai-Lao Cai Expressway and abundance of workers, factors unique to rental factories in Northern Vietnam, and should expect a significant influx of Japanese SMEs as that awareness rises.

- Manufacturing by Japanese companies began at this industrial park in June 2014, and the companies indicated the extremely favorable treatment by Vina CPK, the lack of need to drive piles into the solid ground, the ability to gather a stable workforce and the stability of electric power as determining factors for their move to the industrial park. The environment in this industrial park is one capable of fully satisfying Japanese companies that decide to move to it in the future.

6.2 Expected Patterns of New Investment of Japanese Companies in Vietnam in Future

6.2.1 New Investment of Japanese Companies in Vietnam

- As stated above, the recent investment trend of Japanese companies in Vietnam suggests a possibility of a slight decline in investment in a short term. In a long term, however, new investment is expected to increase further.
- Patterns of new investment that Japanese companies are expected to make in Northern Vietnam in future are summarized as follows:
  - Possible new investment is classifiable into (i) companies making their first overseas business expansion; (ii) investment via third countries (including Thailand and China); and (iii) expansion in factories in Vietnam. Possible reasons of making new investment are mainly (a) to reduce production costs; (b) to develop new markets and expand sales channels; and (c) to follow overseas business expansion of their major client companies.
  - The questionnaire survey cited in Section 4.3.1 "Needs and Other Market Surveys to Japanese SMEs" also shows that (1) production cost reductions (approx. 13%), (2) expansion in sales channels (approx. 32%) and (3) business expansion abroad of major clients/customers (approx. 15%) were the major reasons for SMES to consider business expansion abroad.
  - The following table sorts out the descriptions given above.

Table 6-4: Patterns of New Investment of Japanese Companies in Vietnam

		Reasons of new investment		
		(a) Production cost reduction	(b) Market development and sales channel expansion	(c) Overseas business expansion of major client companies
Type of new investment	(1) First overseas business expansion	◎ Export-oriented companies (shift from production in and export from Japan to export from Vietnam). Company D Company G	○ Companies give up export and sales activities in Japan and aim to take advantage of market expansions in Vietnam and neighboring countries to produce and expand sales channels in Vietnam. Or companies aim to acquire new customers.	○ Suppliers for automobile, motorbike, electronic appliance and other makers.
	(2) Investment via third countries (including Thailand and China)	◎ Companies give up production in third countries and expand into Vietnam for production cost reductions. Some of them procure materials from third countries. Companies B & C Company E	◎ Countries give up using imports from third countries and aim to take advantage of market expansions in Vietnam and neighboring countries to start production or to gain new customers in Vietnam. Hanoi Plant of Company I	○ Suppliers for automobile, motorbike, electronic appliance and other makers. Company F
	(3) Business expansion in Vietnam, and enlargement of factories in Vietnam (e.g., move of a factory from Southern to Northern Vietnam)	○ Labor intensive Company H	○	○ Company A

* ◎: Investment pattern where a lot of new investment is expected in future.

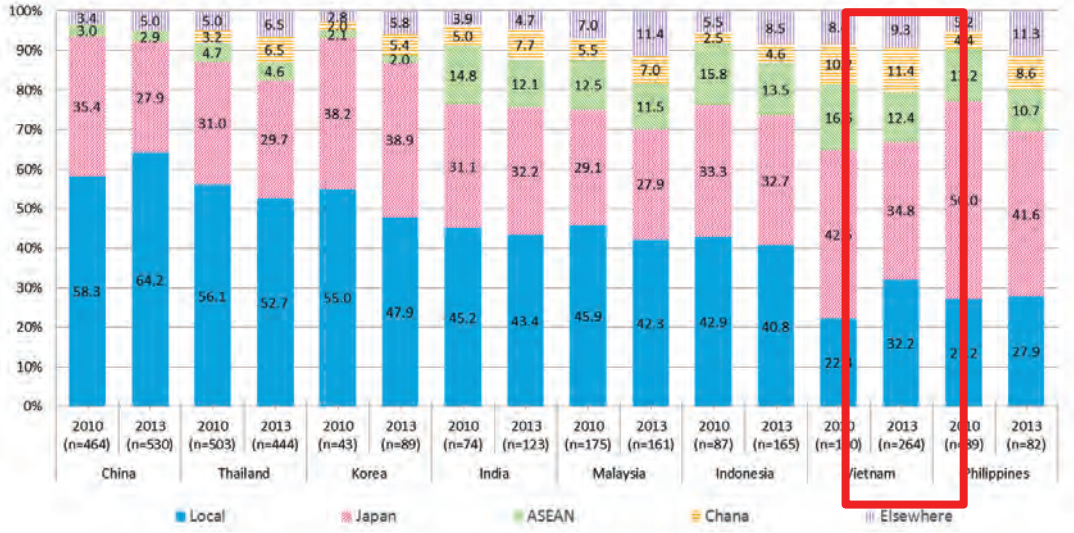
○: Investment pattern where certain new investment is expected in future.

* The companies circled were subject to hearings in this survey (Alphabet letters correspond to those in Chapter 4.)

6.2.2 Consideration of Business Expansion of Japanese Companies into Vietnam by Investment Type

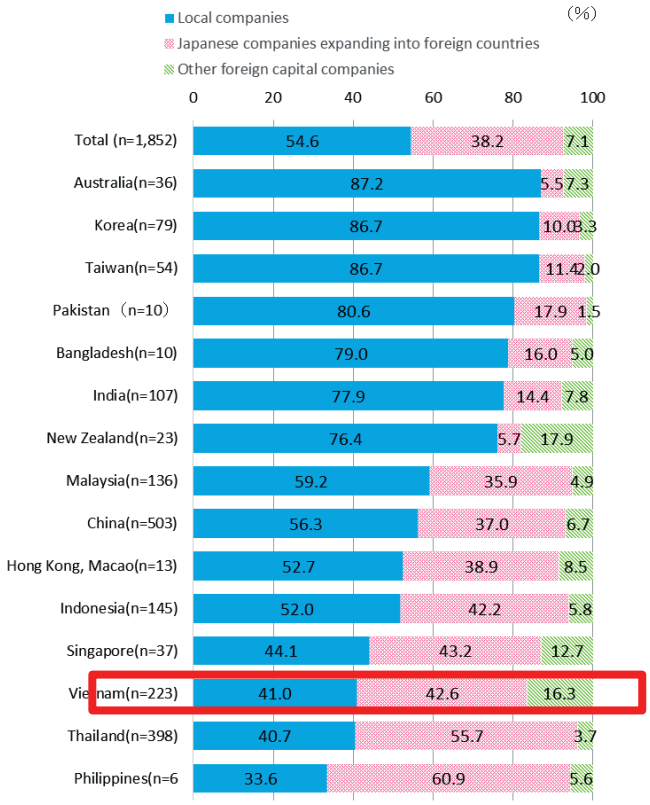
(1) First Overseas Business Expansion

- It is reported that most SMEs considering overseas business expansion have completed what they can do. So, the majority of SMEs that started to have factories abroad are relatively small and very small companies. Officers of the JETRO Hanoi Office state in their hearings that the average capital amount of companies expanding into Vietnam in 2013 was almost half of that of companies expanding into Vietnam in 2012. The size of companies making overseas business expansion itself seems to become smaller, though it is yet uncertain if this tendency continues.
- JETRO and other organizations have implemented many projects to especially support these companies to make overseas business expansion, and these companies are greatly expected to expand into Northern Vietnam in future.
- Rental factories are likely to be highly demanded by these SMEs, since rental factories enable them to reduce initial investment and operate factories of small size.
- The local procurement rate among Japanese companies in Vietnam is reportedly 30%, and some 40% of such local suppliers in Vietnam are Japanese affiliated companies. Thus, it is assumed that the local procurement rate will increase more, and that an increasing number of Japanese companies will expand into Vietnam and serve as local suppliers to other Japanese companies.
- Around Hanoi, there are many large factories of Toyota, Honda, Canon, Panasonic and other large companies that have supporting industries. It is also likely that suppliers to these large companies will expand into rental factories.
- Traditionally, motorbike and printer manufacturing has been a main industry in Northern Vietnam. But demand for these products has reportedly peaked. There is concern that not so many industries or sectors are expected to expand into Northern Vietnam as industrial clusters in future.



(Source: The 2013 Status Survey on Activities of Japanese Companies Operating in Asia and Oceania, JETRO, December 12, 2013)

Figure 6-3: Sources of Raw Materials and Components to Japanese Companies



(Source: The 2013 Status Survey on Activities of Japanese Companies Operating in Asia and Oceania, JETRO, December 12, 2013)

Figure 6-4: Breakdown of Local Procurement by Japanese Companies Abroad

(2) Investment via Third Countries (including Thailand and China)

- To date, no conspicuous move has been observed among SMEs to expand into Vietnam in connection with “China Plus One” or “Thailand Plus One”.
- On the other hand, Vietnam is undoubtedly likely to become the largest host county among the CLMV countries (Cambodia, Lao PDR, Myanmar and Vietnam) which are all possible candidates playing a role in the “China Plus One” and “Thailand Plus One” movements. The FY2013 Survey on the International Operations of Japanese Firms (JETRO) also shows that the proportion of SMEs citing Vietnam as their overseas basis was getting higher, and that the proportion of Japanese companies shifting their basis from “China to Vietnam” was the second largest, next to “Japan to Thailand”.
- Corporate hearing surveys reveal that some Japanese companies currently having their production bases in Thailand are beginning to shift their production bases to Vietnam and their sales bases to Thailand. Moreover, free papers in Thailand cover quite a few advertisements of industrial parks and rental factories in Vietnam, suggesting that an increasing number of Japanese companies in Thailand will expand into Vietnam.
- Moreover, ASEAN countries are going to eliminate tariffs within the region in 2018, so moves related to “Thailand Plus One” will particularly become active.

- Therefore, the most likely first step for SMEs to expand into Vietnam is to launch a small factory. In this sense, there will be needs for rental factories as production bases in the initial stage until they make a full-scale factory into Vietnam.

(%)

	No. of respondents	Advanced countries	Emerging countries	Asia/Oceania	China	Hong Kong	Taiwan	Korea	Singapore	Thailand	Malaysia	Indonesia	Philippines	Vietnam	Cambodia	Myanmar	India	Pakistan	Bangladesh	Australia	North America/Central and South America	USA	Canada	Mexico	Brazil	Chile	Europe/Russia	Western Europe	Central and Eastern Europe	Turkey	Russia/CIS	Middle East and Africa	Middle East	Africa	Others	Japan	Non-respondents
Total	364	12.1	75.0	77.2	12.9	0.8	2.5	1.6	1.9	19.2	3.3	6.9	3.6	16.5	2.2	2.5	3.0	–	0.3	–	5.2	3.0	–	1.6	0.5	–	2.7	2.2	–	–	0.5	0.8	0.3	0.5	1.1	7.1	5.8
Large companies	118	15.3	71.2	72.0	14.4	1.7	0.8	1.7	4.2	21.2	4.2	3.4	4.2	9.3	–	2.5	4.2	–	–	–	10.2	5.1	–	3.4	1.7	–	2.5	1.7	–	–	0.8	0.8	–	0.8	0.8	2.5	11.1
SMEs	246	10.6	76.8	79.7	12.2	0.4	3.3	1.6	0.8	18.3	2.8	8.5	3.3	19.9	3.3	2.4	2.4	–	0.4	–	2.8	2.0	–	0.8	–	–	2.8	2.4	–	–	0.4	0.8	0.4	0.4	1.2	9.3	3.3
Manufacturing	267	11.6	76.0	77.2	13.1	0.7	2.6	1.9	1.1	19.1	3.4	7.9	3.7	16.9	1.9	1.5	3.0	–	0.4	–	5.6	2.6	–	2.2	0.7	–	3.4	2.6	–	–	0.7	0.7	–	0.7	0.7	6.7	5.6
Non-manufacturing	97	13.4	72.2	77.3	12.4	1.0	2.1	1.0	4.1	19.6	3.1	4.1	3.1	15.5	3.1	5.2	3.1	–	–	–	4.1	4.1	–	–	–	–	1.0	1.0	–	–	–	1.0	1.0	–	2.1	8.2	6.2
Trading, wholesale and retails	52	11.5	76.9	80.8	11.5	1.9	1.9	1.9	1.9	17.3	3.8	5.8	1.9	21.2	3.8	3.8	3.8	–	–	–	3.8	3.8	–	–	–	–	–	–	–	–	–	1.9	1.9	–	1.9	7.7	3.8
Non-manufacturing (except trading, wholes	45	15.6	66.7	73.3	13.3	–	2.2	–	6.7	22.2	2.2	2.2	4.4	8.9	2.2	6.7	2.2	–	–	–	4.4	4.4	–	–	–	–	2.2	2.2	–	–	–	–	–	–	2.2	8.9	8.9
(Ref.) Manufacturing/sum of trading, wholes	319	11.6	76.2	77.7	12.9	0.9	2.5	1.9	1.3	18.8	3.4	7.5	3.4	17.6	2.2	1.9	3.1	–	0.3	–	5.3	2.8	–	1.9	0.6	–	2.8	2.2	–	–	0.6	0.9	0.3	0.6	0.9	6.9	5.3
Food and beverage	14	14.3	78.6	71.4	14.3	–	7.1	–	–	7.1	–	21.4	–	14.3	–	7.1	–	–	–	–	7.1	7.1	–	–	–	–	7.1	–	–	–	7.1	–	–	–	7.1	–	7.1
Textile, fiber and apparel	15	6.7	80.0	80.0	13.3	–	–	–	–	–	–	26.7	–	33.3	6.7	–	–	–	–	–	–	–	–	–	–	–	6.7	6.7	–	–	–	–	–	–	13.3	–
Timber and wood products/furniture and fixtur	9	–	88.9	88.9	11.1	–	–	–	–	22.2	11.1	–	–	44.4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	11.1
Chemical products	18	27.8	61.1	66.7	27.8	5.6	5.6	–	5.6	5.6	5.6	–	–	11.1	–	–	–	–	–	–	16.7	11.1	–	–	5.6	–	–	–	–	–	5.6	–	5.6	–	–	11.1
Medicines and cosmetics	7	14.3	71.4	57.1	–	–	–	–	–	14.3	–	–	14.3	28.6	–	–	–	–	–	–	–	–	–	–	–	–	14.3	14.3	–	–	–	14.3	–	14.3	–	–	14.3
Petroleum and coal products/plastic products/	20	–	95.0	90.0	10.0	–	–	–	–	30.0	10.0	–	5.0	30.0	–	–	5.0	–	–	–	5.0	–	–	5.0	–	–	–	–	–	–	–	–	–	–	5.0	–
Ceramic, stone and clay products	2	–	100.0	100.0	–	–	–	–	–	50.0	–	–	–	–	–	–	50.0	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Iron and steel products/non-ferrous products	41	9.8	75.6	78.0	12.2	–	2.4	4.9	–	26.8	2.4	2.4	2.4	14.6	2.4	4.9	2.4	–	–	–	4.9	–	–	4.9	–	–	2.4	2.4	–	–	–	–	–	–	–	14.6	–
General machinery	30	20.0	73.3	76.7	13.3	–	10.0	3.3	–	23.3	3.3	16.7	–	6.7	–	–	–	–	–	–	10.0	3.3	–	3.3	3.3	–	6.7	3.3	–	–	3.3	–	–	–	–	6.7	–
Electric machinery	22	9.1	72.7	72.7	4.5	–	–	–	–	36.4	4.5	13.6	–	4.5	–	–	9.1	–	–	–	4.5	4.5	–	–	–	–	4.5	4.5	–	–	–	–	–	–	–	4.5	13.6
Information and communication electronics eq	19	10.5	78.9	84.2	21.1	–	5.3	5.3	–	15.8	5.3	–	15.8	5.3	5.3	–	5.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	5.3	5.3	5.3
Motor vehicles/motor vehicles parts/other tra	26	–	80.8	73.1	19.2	–	–	–	–	15.4	–	7.7	3.8	19.2	3.8	3.8	–	–	–	–	7.7	–	–	7.7	–	–	–	–	–	–	–	–	–	–	–	3.8	15.4
Precision equipment	14	21.4	78.6	85.7	7.1	–	–	7.1	–	21.4	–	–	14.3	14.3	7.1	–	14.3	–	–	–	–	–	–	–	–	–	14.3	14.3	–	–	–	–	–	–	–	–	–
Other manufacturing	30	16.7	63.3	73.3	10.0	3.3	–	–	6.7	10.0	3.3	10.0	3.3	23.3	–	–	–	–	3.3	–	6.7	6.7	–	–	–	–	–	–	–	–	–	–	–	–	–	13.3	6.7
Trading and wholesale	47	12.8	76.6	80.9	12.8	2.1	2.1	2.1	2.1	17.0	2.1	4.3	2.1	23.4	4.3	2.1	4.3	–	–	–	4.3	4.3	–	–	–	–	–	–	–	–	–	2.1	2.1	–	2.1	8.5	2.1
Retails	5	–	80.0	80.0	–	–	–	–	–	20.0	20.0	20.0	–	–	20.0	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	20.0
Construction	15	6.7	66.7	66.7	–	–	–	–	–	53.3	–	–	–	6.7	–	6.7	–	–	–	–	6.7	6.7	–	–	–	–	–	–	–	–	–	–	–	–	–	13.3	13.3
Electricity, gas and water	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transport	2	100.0	–	100.0	–	–	50.0	–	50.0	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Finance and insurance	13	30.8	69.2	84.6	15.4	–	–	–	15.4	7.7	7.7	7.7	7.7	7.7	–	7.7	7.7	–	–	–	7.7	7.7	–	–	–	–	7.7	7.7	–	–	–	–	–	–	–	–	–
Information and software	4	–	50.0	50.0	50.0	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	25.0	25.0
Professional services	3	–	66.7	33.3	–	–	–	–	–	–	–	–	–	33.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	33.3	–	33.3
Other non-manufacturing	8	–	87.5	87.5	25.0	–	–	–	–	12.5	–	–	12.5	12.5	12.5	12.5	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	12.5	–

(Source: the FY2013 Survey on the International Operations of Japanese Firms: JETRO Overseas Business Survey, March 2014, International Economic Research Division, Overseas Research Department, JETRO)

Figure 6-5: Destinations of Companies Which Stated that al Operations of Japanese Firms: JETRO Overseas Business Survey, March 2014, Internet

(%)

		Destination production base																																		
		No. of respondents	China	Hong Kong	Taiwan	Korea	Singapore	Thailand	Malaysia	Indonesia	Philippines	Vietnam	Cambodia	Myanmar	India	Pakistan	Bangladesh	Australia	USA	Canada	Mexico	Brazil	Chile	Western Europe	Central and Eastern Europe	Turkey	Russia/CIS	Middle East	Africa	Elsewhere	Japan	Non-respondents
Initial production base	No. of respondents	364	47	3	9	6	7	70	12	25	1	60	8	9	11	–	1	–	11	–	6	2	–	8	–	–	2	1	2	4	26	21
	China	114	0.3	0.3	0.5	0.3	–	4.4	1.1	2.5	0.1	9.3	1.1	0.5	0.5	–	0.3	–	–	–	0.3	–	–	–	–	–	0.3	–	–	0.5	5.2	0.3
	Hong Kong	2	–	–	–	–	–	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Taiwan	6	0.3	–	0.3	–	–	0.3	–	0.3	–	0.5	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	Korea	2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	Singapore	9	–	–	–	–	0.3	1.1	–	0.5	0.3	–	–	–	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Thailand	4	0.3	–	–	–	–	–	–	–	–	0.5	0.3	–	–	–	–	–	–	–	0.3	–	–	–	–	–	–	–	–	–	–	–
	Malaysia	4	–	–	–	–	–	0.5	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	Indonesia	3	–	–	–	–	–	0.3	–	–	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	Philippines	2	–	–	–	–	–	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–	–
	Vietnam	7	–	–	–	–	–	0.5	–	0.3	–	0.5	–	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	Cambodia	1	0.3	–	–	–	–	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Myanma	2	–	–	–	–	–	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	India	1	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Pakistan	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Bangladesh	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Australia	1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–
	USA	7	–	–	–	–	–	–	–	0.3	–	–	–	–	–	–	–	–	0.3	–	0.5	0.3	–	–	–	–	–	–	–	–	0.3	0.3
	Canada	1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–
	Mexico	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Brazil	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Chile	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Western Europe	2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.5	–	–	–	–	–	–	–	–
	Central and Eastern E	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Turkey	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Russia/CIS	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Middle East	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Africa	1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–	–
	Elsewhere	1	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Japan	171	8.5	0.5	1.6	1.4	1.6	10.7	2.2	3.3	1.6	5.5	0.8	1.4	1.9	–	–	–	2.5	–	0.5	0.3	–	1.6	–	–	0.3	0.3	0.3	–	–	–
	Non-respondents	23	–	–	–	–	–	0.3	–	–	–	0.3	–	–	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.3	–	5.2

(Source: the FY2013 Survey on the International Operations of Japanese Firms: JETRO Overseas Business Survey, March 2014, International Economic Research Division, Overseas Research Department, JETRO)

Figure 6-6: Current Overseas Bases and Future Bases of Companies Which Stated that “They Would Reorganize Their Overseas Production Bases and Functions within 2-3 Years”

(3) Business Expansion and Enlargement of Factories within Vietnam (e.g., Shifts from Southern to Northern Vietnam)

- There is a possible pattern, for example, that Japanese companies which initially have their factories in Southern Vietnam with an eye to the Vietnamese market may have another factory in Northern Vietnam to meet increased demand.
- Therefore, the most likely first step for SMEs already having factories in Vietnam is to launch a small factory or logistics facilities in Northern Vietnam. In this sense, there will be needs for rental factories among such companies wishing to expand business in the country to meet demand.

6.3 Partnerships with Other Organizations for Support to Business Expansion of SMEs

6.3.1 Overview of Partnerships with Other Organizations

- Support to SMEs making overseas business expansion is mainly made by local governments, financial institutions and large companies. Thus, the Project will attract SMEs to the rental factories in collaboration with these organizations.
- SMEs in Japan are fairly familiar to rental factories and their usage, but most SMEs seem to recognize that rental factories abroad are something they will use in future. The Study Team is convinced that rental factories will rapidly become common among Japanese SMEs in near future.

Table 6-5: (Proposed) Partnerships with Other Organizations

Partner and nature of partnership	Specific candidate
(1) Partnership with local governments to assist SMEs make overseas business expansion	Saitama Prefecture Chiba Prefecture Niigata Prefecture Kanagawa Prefecture
(2) Partnership with financial institutions to find potential tenants	Shinkin Central Bank Seibu Shinkin Bank Amagasaki Shinkin Bank Okazaki Shinkin Bank Chiba Bank Shizuoka Bank Senshu Ikeda Bank Bank of Fukuoka Hiroshima Bank Nishi-Nippon City Bank Daishi Bank
(3) Partnership with large companies, trading companies, etc. to assist related SMEs to make overseas business expansion	Ricoh Japan Co. Panasonic Co. Toyota Motor Co. Leading trade companies
(4) Partnership with companies doing rental factory business in Vietnam to attract Japanese companies, share the know-how of operating rental factories, etc.	Supporting company for the operation of Kizuna rental factories
(5) Partnership with the central and other governments, and partner companies in Vietnam to hold various seminars to find potential tenants	Vinh Phu Province Vina CPK

(Prepared by the Study Team)

6.3.2 Current Status of Discussions with Other Organizations

(1) Partnership with Municipalities

- Municipalities provide their local companies with various support services for overseas business expansion, including information provision and subsidies. Some municipalities have begun to consider infrastructure development abroad to support overseas business expansion.
- The Project will work together with these local governments to attract companies to do business in Vietnam.
- The Project is currently discussing relevant matters and exchanging information with the following municipalities.

Table 6-6: Discussion with Municipalities for Partnership

Discussion with	Matters under discussion
Prefecture A	・ Discussion commenced for overseas business expansion of SMEs and participation in infrastructure projects in Vietnam. ・ Provisional proposal is under consideration for master lease of certain areas by the prefecture itself. ・ The Project and the prefecture reached an agreement to continue close discussion in future.
Prefecture B	・ The Study Team is currently approaching the prefecture.
Prefecture C	・ Discussion is in progress through a public interest incorporated foundation. ・ The prefecture used to pay no attention to overseas business expansion, though it had 5,000 SMEs. But it is aware of the recent climate and now exchanging relevant information with the Project.
Prefecture D	・ The prefecture is investigating candidate sites of a prefectural techno park. It is considering Ba Thien 2 Industrial Park as a candidate for business expansion of SMEs for the prefecture. ・ The prefecture intends to mainly focus on non-infrastructure support for SMEs.

* The Project will proactively commit itself to partnership with other local governments.

(Prepared by the Study Team)

(2) Partnership with Financial Institutions (Regional Banks, Shinkin Banks, etc.)

- Japan's regional banks and shinkin banks (cooperative regional financial institutions) are actively supporting SMEs to make overseas business expansion. Specifically, they provide SMEs with indirect support including overseas business information, support to export products, holding of exhibitions and trade shows and business matching services, as well as support to launch factories abroad through so-called "parent-subsidiary loans".
- The Project will engage in activities to attract SMEs in collaboration with these regional banks, shinkin banks and other organizations.
- The following table lists financial institutions with whom the Project is currently discussing and exchanging information. For details of discussions with regional banks, see Section 4.3.2 "Needs and Other Market Surveys to Major Regional Banks".
- The Project is currently conducting a feasibility study (F/S) and has not actualize the form of a special purpose company (SPC), so the Study Team can do nothing more than exchanging information. But

the team receives enthusiastic response and sees that these financial institutions are very much interested in and pay high attention to the Project, which is supported by JICA.

Table 6-7: Progress of Discussion with Financial Institution over Partnership

Discussion with	Progress of discussion
Financial Institution A	・ When receiving inquires about overseas business expansion from SMEs, the financial institution introduces them to relevant shinkin banks. It will be able to introduce such SMEs to the consortium, if such needs arise. ・ It will be able to work together with the consortium if any seminar will be held.
Financial Institution B	・ The financial institution invests in the Vie-Pan Techno Park, an industrial park in Ho Chi Minh designed for Japanese SMEs. It has many client SMEs having difficulty in building supply chains and expanding sales channels, and is considering launching more specific support services such as business matching. ・ The Project is seeking ways of partnership with the financial institution, such as small seminars and study sessions with the consortium. The Project and the financial institution are making adjustment with an eye to the conclusion of a partnership agreement.
Financial Institution C	・ The Project will conduct a presentation at a regular study session of the financial institution.
Financial Institution D	・ The financial institution will continue to support client SMEs and other SMEs in the prefecture when they make overseas business expansion. ・ It held a seminar on March 3, 2014.
Financial Institution E	・ The financial institution has business with 70-80 SMEs which have already expanded into Vietnam. ・ The number of SMEs expanding into Vietnam peaked in 2012, and remained more or less unchanged in 2013. The financial institution expected that the number will be more or less the same as FY2013 in future. ・ The financial institution will be able to guide client companies to Vietnam if any industrial park involving Japanese companies is developed near Hanoi.
Financial Institution F	・ The financial institution has business with about 100 companies which have already expanded into Vietnam (of which 40 companies are SMEs). ・ The financial institution will be able to guide client companies to Vietnam if any SME-friendly industrial park is developed in the country. ・ It cannot jointly hold any seminar with the Project.
Financial Institution G	・ The financial institution has business with about 50 companies which have already expanded into Vietnam. ・ It assumes that an increasing number of Japanese companies will wish to establish their affiliated companies in Vietnam. ・ The financial institution will be able to guide client companies to Vietnam if any industrial park involving Japanese companies is developed near Hanoi. ・ The financial institution is willing to hold seminars jointly with the Project, but assumes that seminars on industrial parks will be unattractive to its clients.
Financial Institution H	・ The financial institution has business with about 40 companies which have already expanded into Vietnam. ・ The financial institution will be able to guide client companies to Vietnam if any industrial park involving Japanese companies is developed near Hanoi. ・ The financial institution is willing to hold seminars jointly with the Project if the topics are attractive enough, but may not be able to hold joint seminars on projects in which it is not involved.
Financial Institution I	・ The financial institution has business with about 30 companies which have already expanded into Vietnam. ・ The financial institution is willing to hold seminars jointly with the Project, but

Discussion with	Progress of discussion
	assumes that seminars on industrial parks are not attractive enough and thus need to be made more attractive.
Financial Institution J	・The financial institution offers business matching services for SMEs in the prefecture that wish to expand overseas sales channels. ・Not so many of its client companies consider overseas business expansion, but will continue to hold the relationship with the consortium with an eye to more specific collaboration in future.

(Prepared by the Study Team)

(3) Partnership with Large Companies, etc.

- Some large companies provide related companies, etc. with assistance to overseas business expansion (seminars, provision of know-hows, etc.) as part of their strategies to enhance their supply chains or as services to client companies.
- The Project will engage in activities to attract SMEs in collaboration with these large companies.
- The following table lists large companies, etc. with whom the Project is currently discussing and exchanging information (or has discussed and exchanged information).

Table 6-8: Progress of Discussion with Large Companies, etc. over Partnership

Discussion with	Progress of discussion
Company A	・The company has its own factories in China, Thailand and western countries. It is a global leading company with sales amount of 1 trillion and more. ・It conducts seminars on overseas business expansion because they have been consulted by an increasing number of its sales destination companies (approx. 200,000 companies) in recent years. Personnel of the consortium have also presented lectures on its seminars. ・The purposes of Company A are to expand its sales to companies expanding into foreign countries and participate in IT-related services. To this end, it is considering providing one-stop services, too. It forecasts that the number of SMEs expanding into foreign countries will substantially increase. In hearing surveys, personnel at its branch in Ho Chi Minh emphasized the business performance of the company in the previous several years. ・The Project will continue discussing with the company with an eye to request for investment and master lease.
Company B	・The company was planning to expand into other industrial park, so the Project gave up discussion with it.
Company C	・The company has a total of 18 local suppliers, Tier 1, in Vietnam, of which 14 companies are Japanese affiliates. It is assumed that Tier 2 suppliers total about 200 companies. ・The company states that the market in Vietnam is small but it has the largest share of the market with about 30,000 vehicles. It hopes that the motorization will advance in Vietnam. ・The company will be able to provide Tier 1 companies with information about the Project. The Project will continue the relationship with Company C.
Trading companies, etc.	・The Project has not had any specific negotiations with trading and other companies, and intends to deepen the partnerships with trading companies and large companies that have had no rental factory business but are interested in it. In this regard, the Project will increase the number of companies that can offer financial cooperation, introduce SMEs interested in rental factories in Vietnam, and offer any forms of partnership.

(Prepared by the Study Group)

(4) Partnership with Companies Doing Rental Factory Business in Vietnam

- Quite a few companies have developed rental factory business in Vietnam particularly in recent years. Currently, there are a number of companies that promote Japanese companies to rent factories in Vietnam, and that offer rental factories and related services. The Project will work together with these companies to attract Japanese companies and share the know-hows of operating rental factories.
- The following table gives a company with whom the Project is currently discussing and exchanging information.

Table 6-9: Progress of Discussion with a Company Doing Rental Factory Business in Vietnam

Discussion with	Progress of discussion
Company E	・The company specializes in attracting SMEs exclusively to Vietnam and has already arranged business expansion of about 80 companies. ・ It has solid connections with shinkin banks, depending on the connections for most of the successful business expansion of SMEs. ・All the SMEs expanding into Vietnam through Company E rented factories in industrial parks near Ho Chi Minh (Long Hau Industrial Park and Kizuna Rental Factories), but Company E has an intention to expand its business into Northern Vietnam and agreed to conclude a partnership with the Project in future. ・Company E is relatively well known in Vietnam and receives high reputation from Japanese banks in Ho Chi Minh. ・It has a branch office in Ho Chi Minh, which is staffed by Japanese employees and several Vietnamese fluent in Japanese.

(Prepared by the Study Group)

(5) Partnership with the Central and Other Governments, and Partner Companies in Vietnam

- Since February 2014, presentations on the rental factories have been given at seminars in which Vinh Phuc Province, Vina CPK or any member of the consortium is involved for the purpose of finding potential tenants. (For the seminars held, see Section 4.3.1 “Needs and Other Market Surveys to Japanese SMEs”.)
- The Project will analyze information from seminar participants to see if they intend to rent factories and promote the rental factories to SMEs having intentions to rent them.
- The Project will continue to work together with Vinh Phuc Province and Vina CPK to hold seminars, arrange site tours for potential tenants and engage in various other activities to find potential tenants.

6.4 Expected Demand (Target Number of Tenant Companies)

6.4.1 Overview of Expected Demand (Target Number of Tenant Companies)

This section is an overview of demand forecasting. Please refer to the following sections for detailed information about each forecast.

For macroeconomic projections, demand was calculated based on an estimated 304 cases of direct Japanese investment in Vietnam per year (an average of the past two years, with 317 cases in 2012 and 291 cases in 2013). As a result, demand of approximately five cases per year is expected. (See Section 6.4(2) for details)

For further macroeconomic projections, demand was calculated based on an estimated increase in FDI for Vinh Phuc Province of 1.45 billion USD per year in order to move from 1.92 billion USD, the cumulative FDI for the province from 2005 to 2011, to the province's stated goal of 15 billion USD by 2020 at a set rate. As a result, demand of 15 to 16 cases per year is expected. (See Section 6.4(3) for details)

In addition, demand was calculated from a microeconomic standpoint in light of the status of coordination with assistance for SME expansion from other institutions described in Section 6.3. As a result, total demand of 9-11 cases per year is projected: three to four cases per year from coordination with municipalities, two cases per year from coordination with financial institutions, two cases per year from coordination with major corporations, one to two cases per year from coordination with Vietnamese rental factory business implementation companies, and one case per year each from coordination with local governments and partner companies. (See Section 6.4(4) for details)

The actual number of cases of Japanese investment in Vietnam is approximately five per year, and FDI is expected to increase significantly in upcoming years.[11] The province aims to attract 15 to 16 cases of FDI per year, and microeconomic demand of nine to 11 cases per year is expected. Given these projections, the target number of companies the Project should attract per year has been set at 10. Similar rental factories have experienced an average of 15 new tenants per year, and Vinh Phuc Province investment environment improvement experts believe that approximately 10 cases per year is an appropriate figure. Thus, the results of this demand forecasting are generally appropriate.

Table 6-10: Expected Demand (target number of tenant companies)

Type	Mindset and Approach	Perspective Demand
Macroeconomic demand forecast	Expected demand in reference to the number of investment programs of Japanese companies in Vietnam	Approx. 5 tenants/year *Increase projected
	Expected demand in reference to the target investment amount set by Vinh Phuc Province	Approx. 15-16 tenants/year
Microeconomic demand forecast	Expected demand based on future partnerships with other organizations supporting overseas business expansion of SMEs	Approx. 9-11 tenants/year
(Reference)	Occupancy statistics from similar rental factories (Kizuna Rental Factories)	Average of approx. 15 cases/year
	Vinh Phuc Province investment environment improvement expert opinions	10 cases/year is appropriate
Target number of tenant companies under the Project		**Approx. 10 tenants/year**

(Prepared by the Study Team)

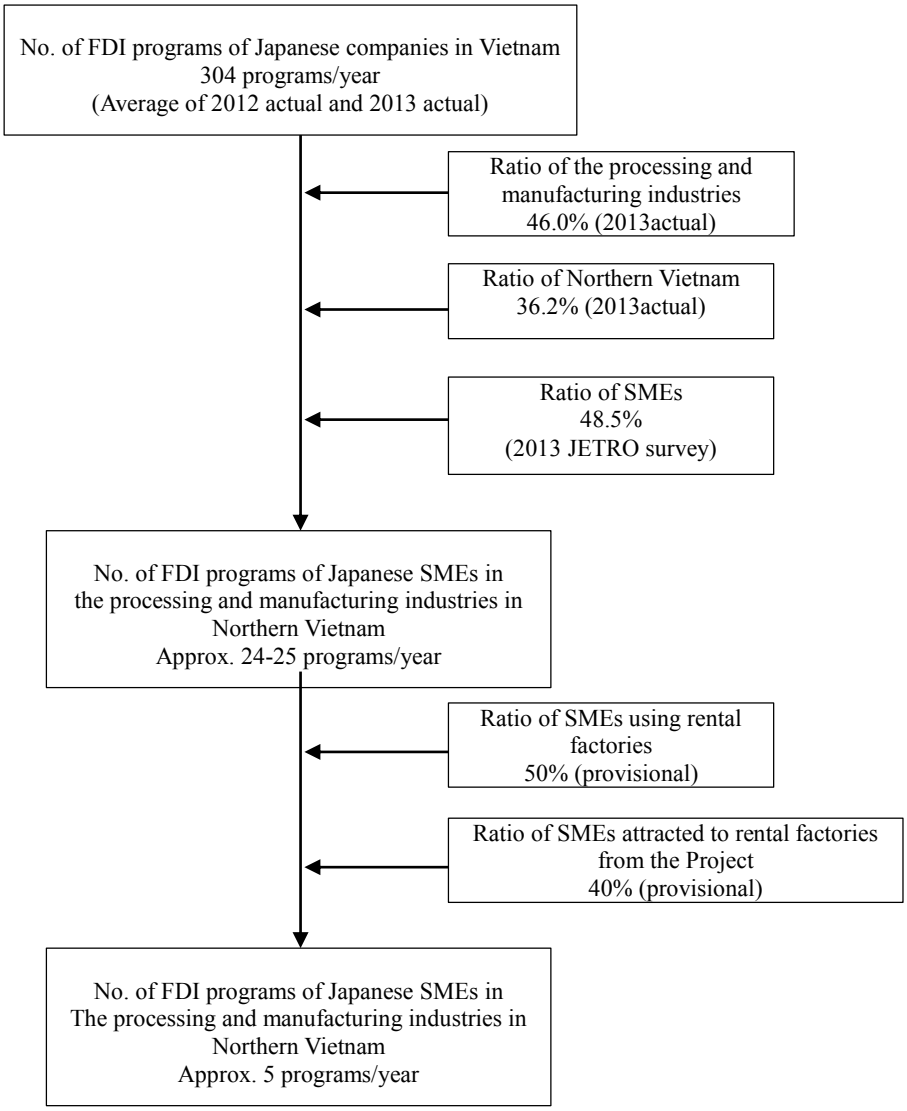
6.4.2 Expected Demand in Reference to the Number of Investment Programs of Japanese Companies in Vietnam

In this section, demand forecasts are calculated based on the flow on a subsequent page using statistics such as those presented in Section 6.1.

First, the annual average number of cases of direct Japanese investment in Vietnam per year was set at 304 (there were 317 cases in 2012 and 291 cases in 2013). Three hundred four (304) cases of direct investment in Vietnam per year are expected in 2014 and onward because Japanese businesses have invested heavily in Vietnam in recent years, given that 46.0% was invested in manufacturing and processing (2013 actual), 36.2%

[11] See Section 6.1 and the next page footnote for more details.

in expansion into Northern Vietnam (2013 actual) and 48.5% in SMEs (from 2013 JETRO survey), 24 to 25 cases of FDI by Japanese SMEs in manufacturing and processing in Northern Vietnam are expected. Assuming 50% of those cases will involve the use of rental factories, and that 40% of those will involve companies attracted to rental factories from the Project,[12] approximately five Japanese SMEs in manufacturing and processing are expected to move into rental factories from the Project per year.



(Prepared by the Study Team)

Figure 6-7: Demand Forecast Flow from Macro Viewpoint (in reference to the number of investment programs of Japanese companies in Vietnam)

[12] There were three cases of FDI in Vinh Phuc Province as of 2013, but as described in Section 6, in light of findings by Vinh Phuc Province investment environment improvement experts, JETRO and others and because of the potential this region holds (improved infrastructure in surrounding areas, an abundant workforce, etc.), that number is expected to increase.

6.4.3 Expected Demand in Reference to the Target Investment Amount Set by Vinh Phuc Province

In this section, demand forecasts are calculated based on the flow on a subsequent page. The following is a summary.

(1) Estimate of New FDI (Amounts) in Target Years

The General Statistics Office of Vietnam announced a total FDI of 1.92 billion USD in Vinh Phuc Province from 2005 to 2011.[13] The province's stated goal is 15 billion USD by 2020.[14] To reach the goal at a set rate of increase per year, the FDI must increase 1.45 billion USD each year. Thus, an estimated 2.90 billion USD (1.45 x 2 years) of new FDI will be provided from 2017 to 2018.

(2) Estimate of New FDI (Amounts) from the Japanese Manufacturing Industry

The amount of new FDI from the Japanese manufacturing industry was estimated by applying the percentage of manufacturing from the new FDI calculated in (1) above and the proportion of investment from Japan. The actual percentage of manufacturing in Vinh Phuc Province in 2012 was 53.4%,[16] and, assuming an increase at a set rate per year to the province's stated goal of 61.5%[16] by 2020, figures of 57.5% in 2016, 58.5% in 2017 and 59.5% in 2018 were used. The percentage of investment from Japan was assumed to be a set rate of 27.1%, which is the actual percentage in Vinh Phuc Province in 2011.[16]

As a result, an estimated 520 million USD of new FDI will be provided by Japanese manufacturers from 2017 to 2018.

(3) Estimate of New FDI (Number of Cases) from SMEs in the Japanese Manufacturing Industry

Assuming that 23.6% of new FDI from the Japanese manufacturing industry calculated in (2) above as provide by SMEs[15] (based on actual investment amount averages in Vinh Phuc Province as of 2014), an estimated 120 million USD of new FDI will be provided by SMEs in the Japanese manufacturing industry from 2017 to 2018.

Further assuming an investment amount of 2 million USD per SME (derived from actual figures for Japanese SMEs[16]), there will be approximately 61 cases of new FDI from SMEs in the Japanese manufacturing industry from 2017 to 2018.

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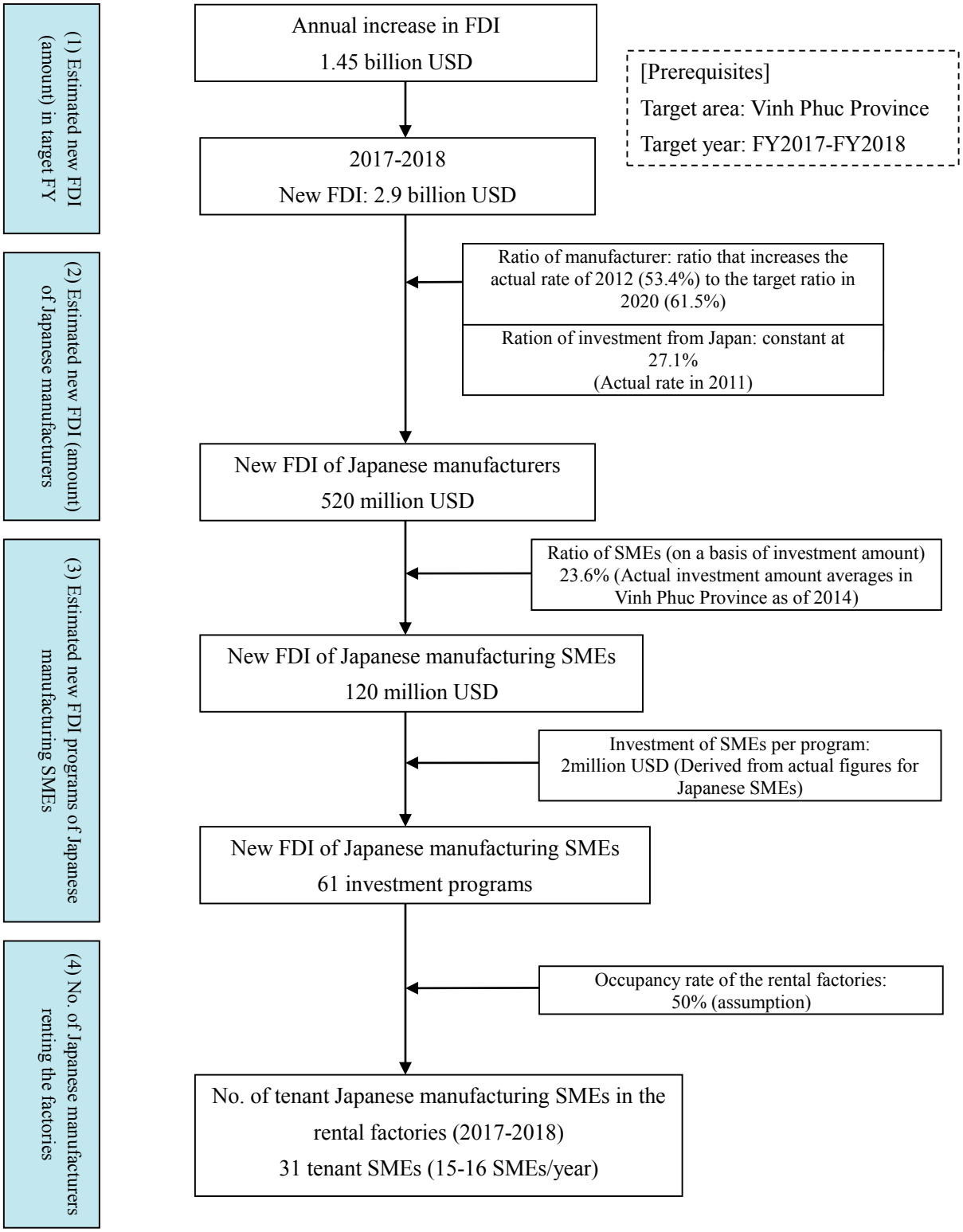
[13] General Statistics Office of Vietnam (http://www.gso.gov.vn/default_en.aspx?tabid=491)
[14] "Vinh Phuc: Parts Industry Paradise" from materials distributed at the Vietnam Business Latest Information Seminar in Vinh Phuc Province in April 2013.
[15] Data for number of employees was available for 90 of the 109 cases of FDI in Vinh Phuc Province managed and supervised by the Vinh Phuc Province IZMB. Fifty-six companies had fewer than 300 employees, while 34 companies had 300 or more employees. Investment in the 56 companies with fewer than 300 employees was 23.6% of the total (Compal VN, which has suspended development, was excluded from this calculation).
[16] The average expense of 216.92 million JPY spent by 143 Japanese SMEs before operations began (August 2012 survey by Japan Finance Corporation, General Research Division)

(4) Estimate of Japanese Manufacturers (Number of Companies) to Move into these Rental Factories

Applying an occupancy rate of 50% to these rental factories for the 61 cases of new FDI from SMEs in the Japanese manufacturing industry projected in (3) above, approximately 31 Japanese manufacturing companies in total (15 to 16 per year) will move into these rental factories from 2017 to 2018. As explained previously, there are hardly any rental factories exclusively for use by Japanese SMEs in Northern Vietnam similar to these rental factories, and none at all exist within Vinh Phuc Province. A majority of SMEs in the Japanese manufacturing industry moving into Vinh Phuc Province are expected to move into these rental factories; thus, the occupancy rate of 50% is considered appropriate.



(Prepared by the Study Team)

Figure 6-8: Demand Forecast Flow from Macro Viewpoint (in reference to the target investment amount set by Vinh Phuc Province)

6.4.4 Expected Demand Based on Future Partnerships with Other Organizations Supporting Overseas Business Expansion of SMEs

In this section, demand forecasts are calculated based on the status of coordination with assistance for SMEs expansion from other institutions described in Section 6.3. As a result, demand of 9 to 11 cases per year is expected, as shown in the table below.

Table 6-11: Demand Forecasting Based on Coordination with Assistance for SME Expansion from Other Institutions

Coordination partner	Demand forecast
1. Municipalities	Municipalities actively assist the expansion of local SMEs into non-Japanese countries. Two municipalities are proactively moving forward with discussions about the possibility of coordinating with the Project. Discussions about master leases are also moving forward. In light of these developments, demand from three to four companies per year is expected.
2. Financial institutions	As of November 2014, discussions about the expansion of one company into this industrial park are progressing due to the intermediation of a financial institution coordinating with the Project. Assuming the expectation of further intermediation and more discussions in the future resulting from coordination with other financial institutions, demand from approximately two companies per year is expected.
3. Large corporations	Major corporations actively assist the expansion of their affiliates into non-Japanese countries, and if this is coordinated with the Project, demand from approximately two companies per year is expected.
4. Companies doing rental factory business in Vietnam	Coordination with companies with experience attracting Japanese companies to rental factories is expected, and from their experience with similar rental factories (Kizuna Rental Factories), they attract approximately 15 companies per year. Even considering the location, services provided and cost competitiveness of these rental factories, demand from approximately one to two companies per year is expected.
5. Local governments and partner companies in Vietnam	Coordination with local partner Vina CPK continues in the form of hosting seminars and corresponding with local inspection teams. Nippon Paint moved into a factory in June 2014. From then until now (November 2014), Vina CPK's work has resulted in the confirmation of two more companies moving into these rental factories, and continuing negotiations with three more companies. In light of these developments, demand from approximately one company per year is expected.
Total	**9–11 cases/year**

(Prepared by the study team)

The estimated numbers of companies to be attracted from 2017 to 2024 shown on the table below were calculated based on the annual demand forecasts provided above. Years past 2024 have not been investigated, but increased demand for that period is expected.

Table 6-12: Expected Demand Based on Future Partnerships with Other Organizations Supporting Overseas Business Expansion of SMEs (2017-2024)

FY	2017-2018	2019-2020	2021-2022	2023-2024
Municipalities	6-8 tenant SMEs	6-8 tenant SMEs	9-13 tenant SMEs	8-13 tenant SMEs
Financial institutions	4 tenant SMEs	4 tenant SMEs	4 tenant SMEs	4 tenant SMEs
Large companies	4 tenant SMEs	4 tenant SMEs	4 tenant SMEs	4-5 tenant SMEs
Companies doing rental factory business in Vietnam	2-4 tenant SMEs	2-4 tenant SMEs	2 tenant SMEs	2 tenant SMEs
Local governments and partner companies in Vietnam	2 tenant SMEs	2 tenant SMEs	2 tenant SMEs	2 tenant SMEs
Subtotal	18-22 tenant SMEs	18-22 tenant SMEs	21-28 tenant SMEs	20-27 tenant SMEs
Total	18-22 tenant SMEs	36-44 tenant SMEs	57-72 tenant SMEs	77-99 tenant SMEs

(Prepared by the Study Team)

6.5 Future Prospect of Impact of Anti-China Protests

Following protests and riots in response to China's oil drilling work in the South China Sea, Vietnamese people started on May 13, 2014, protests against Chinese companies across the country. This section sorts out information about the impact on Japanese companies in Vietnam and those considering business expansion to Vietnam, the current state of affairs, and future prospects.

6.5.1 Impact on Japanese Companies in Vietnam and the State of Affairs

According to JETRO Hanoi and Ho Chi Minh Offices, as of May 19, 2014, the offices of the Japan Business Association in Vietnam (JBA) in the Cities of Hanoi and Da Nang, and the branch office of JBA in Hai Phong received no particular information about damage to their member companies. JETRO confirmed no protesting activities affecting the administration companies of Japanese industrial parks, either.

The JBA Ho Chi Minh Office, on the other hand, received some 20 reports on damages to window glasses and gates at three industrial parks each in southern Binh Duong and Dong Nai Provinces. However, these damages were not attributable to protests against Japanese companies but caused accidentally when protestors requested workers at factories in the industrial parks to join protests. The unrests ended by May 14, 2014.

Some Japanese companies in Vietnam provisionally stopped the operation of their factories immediately after the outbreak of protests but resumed the operation immediately, so the impact seemed to be minor.

6.5.2 Impact on Japanese Companies Considering Business Expansion to Vietnam and Future Prospect

There was concern for negative impact on Japanese companies considering business expansion to Vietnam, but Japan's investment in the country seems to continue to be steady because anti-China protests settled within several days and also because there was little damage to Japanese companies showing the national flag. Abundant labor force, low wages, pro-Japanese attitude and diligence are all attractive to Japanese companies. In addition, there is no potential replacement of Vietnam in the region: Thailand has high political risk, Indonesia sees ongoing wage inflation, and Myanmar's infrastructure is yet underdeveloped.

Chapter 7 Outline Design and Cost Estimation

7.1 Setting of Designing Conditions

7.1.1 Site Conditions

(1) Ba Thien 2 Industrial Park

1) Site

Ba Thien 2 Industrial Park is located in Vinh Phuc Province, 45km in the northwest of the Central Hanoi. The land of 308ha is currently under development. For the natural conditions and traffic infrastructure around the project site, see Chapter 2.

2) Basic Plan

The following figure illustrates the Master plan of the industrial park in the bask plan. The main gate, administrative office, infrastructure facilities are placed on the southern road, and factory sites on the premises are partitioned by trunk roads.

(Source: Pamphlet for Ba Thien 2 Industrial Park)

Figure 7-1: Basic Plan for Ba Thien 2 Industrial Park: Master Plan

3) Land use plan

Approximately 71% of the land will be used for factories, approximately 5% for the administrative office and service areas, and approximately 4% for green space. The following table lists the land use plan in the basic plan.

Table 7-1 Basic Plan of Ba Thien 2 Industrial Park: Land Use Plan

Facilities	Area (ha)	Proportion
Factories	220.512	71.40%
Administrative office and service areas	15.114	4.89%
Green space	42.974	13.91%
Infrastructure facilities	4.211	1.37%
Trunk roads	26.046	8.43%
Total	308.830	100%

(Source: Pamphlet for Ba Thien 2 Industrial Park)

4) Phased Development and Progress of the Development

The development of the industrial park is in progress in a step-by-step manner by Vina CPK Co., Ltd. For the time being, one third on the western side of the entire area of approximately 308ha is been developed under Phases 1 and 2. As of July 2014, the development of roads, water supply and sewerage, electricity facilities in this area was completed more or less as scheduled. Construction of effluent treatment facilities will be completed by around December 2014 for this area, and expanded from time to time in future. The remaining part of the industrial park will be developed under Phases 3 and 4 after factory sites developed in Phases 1 and 2 are sold.

5) Occupancy Status

To date, three companies have obtained factories in the industrial park. Nippon Paint Co., Ltd. and a South Korean company launched a factory in the area developed under Phase 1, and Suzukaku Co., Ltd. in the area developed under Phase 2.

The land area developed under Phase 2 totaled approximately 48ha The remaining 33ha excluding land for roads, green space and leasing is available for factory area.

* Nippon Paint Co., Ltd. (Phase-1 area)
*1 South Korean company (Phase-1 area)
*2 Suzukaku Co., Ltd. (Phase-2 area)

Figure 7-2: Ba Thien 2 Industrial Park

6) Current Status of Development of Utilities

The following table lists utilities of the industrial park, the main bodies responsible, and the current status of the utilities.

Table 7-2 Current Status of Development of Utilities in the Industrial Park

Infrastructure	Body	Scope	Current status
Electricity power supply	North service power company (EVN)	Outside to Tenant (by the boundary)	Capacity: 110/22KV Power is relayed to Ba Thien 2 Industrial Park through transformer stations in two locations, Vinh Yen and Thien Ke, thus forming a highly reliable, looped power supply system.
	IP	Transformer substation in IP (for common lighting)	Capacity: 2 transformers: 400kva for water pump station & street lighting and 100kva for street lighting Under construction: 320kva for waste water plant and 400kva for new office & street lighting.
Water supply	Vinh Phuc Water Supply JSC (authority share holder)	Outside to IP	The BA Hien WPP Distribution Pump Station is the main facility for supplying water to the industrial park, and two other facilities supply water in emergencies: (1) 350-mm pipes from the BA Hien WPP Distribution Pump Station (main water supply) (2) 160-mm pipes from the PHUC Yen WPP Distribution Pump Station/Dai Lai Booster Pump ST Relay Pump Station (emergency water supply) (3) 160-mm pipes from the VIET XUAN WPP Distribution Pump Station (emergency water supply) ・The BA Hien and PHUC Yen facilities connect to each other at a 160-mm grid located about 1.8 km away from the industrial park.
	IP	Water tank	Capacity: - Currently: 1 x 500m3 - In 3 months: 2 x 500m3 in 3 months - Total 20 tanks eventually Water pump: 1 bar = 100 000 Pa Water pipe: 250Φ, Supply: 40m3/ha/day
	Tenant	Water tank	Recommend to have own tank by tenant. (all tenant holds their own tank in IP)
Wastewater treatment facility	DONRE	IP	Inspection twice a year. Bring a report including sample of water to DONRE
	IP	IP to Outside	Capacity: 2,500m3 Total 10,000m3 eventually Drainpipe: 0.6～1.5mΦ concrete Type A: IP to Outside(QCVN40:2011/BTNMT) Wastewater passes through treatment facilities at each

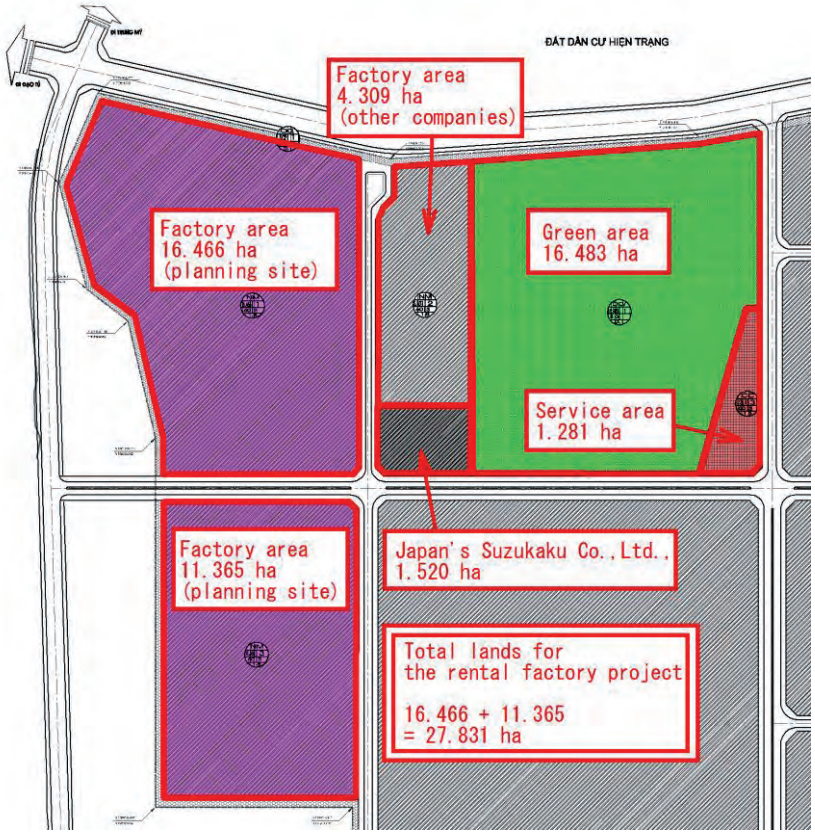
Infrastructure	Body	Scope	Current status
			plant to industrial park sewage-treatment plant (IP STP) before being discharged into the nearest river (the Song Tranh). Wastewater needs to be re-treated by IP STP to satisfy the Category A as IP regulation. And each tenants need to treat up to Category B approximately to drain water out into IP STP.
Communication supply	VNPT	Outside to Tenant (by the boundary)	Optical line
Waste treatment	MONRE	Tenant	License holder manages waste treatment by tenant. ○Waste treatments required license ・General waste：disposal ・Hazardous waste：collection, delivery, disposal
Gas supply	Tenant	Tenant	No gas line in Vinh Phuc Province. Set gas cylinder by tenant as necessary

(Prepared by the Study Team)

(2) Selection of Project Site

1) Summary of the Development Plan in Phase 2 and Selection of Project Site

According to information from Vina CPK Co., Ltd., the total area developed in Phase 2 is 48ha, of which land of 33.66ha is for factories, while the remaining area is used for green space, service areas and trunk roads. A part of the land developed in Phase 2 has been acquired by Japan's Suzukaku Co., Ltd., and the area in the north will be sold to other companies, so that land of a total of 27.83ha can be developed at the moment. The Project will thus consider developing the land of 27.83ha for rental factories. However, development areas need to be carefully determined in accordance with the status of development of the industrial park.



(Prepared by the Study Team)

Figure 7-3: Summary of the Plan of Phase 2

2) Current Status of Phase 2

Land reclamation has been completed in the north (approx. 16ha) and the south (approx. 11ha) of the project site. No surplus soil remains on land in the south of the project site, where sewerage, electricity and other utilities have already been more or less completed.

Piling will not be needed for the construction of rental factories because the ground is relatively solid and also because the preliminary survey found that the construction of the factory of Nippon Paint Co. required no piling work.

7.1.2 Conditions for Designing

(1) Permits and Approvals

Three permits will be needed prior to construction: that is, environmental, fire prevention and building permits. Construction can commence after applying for and acquiring these permits. In principle, environmental and fire prevention permits need to be acquired before application for a building permit, but in practice it seems possible to simultaneously apply for all. Since detailed designs are required for prior consultation about application for the permits, the parties concerned need to confirm such designs later at the basic designing stage or early at the construction designing stage.

Table 7-3: Construction-related Permits and Approvals

Permit/approval	Presiding governmental office	Documents required
Environmental permit Environmental impact assessment	DONRE	1. Investment permit; 2. Project plan; and 3. certified registration of environmental standard
Fire prevention permit	Department of Fire Preventing and Fighting Police	1. Application form; 2. Investment permit; 3. Layout plan; 4. Plan view; 5. Diagram of the electrical system; 6. Diagram of lightening conductors; 7. Diagram of fire prevention facilities; and 8. Systematic diagram
Building permit 1) Building plan	Vinh Phuc IZMB	1. Application form; 2. Investment permit; 3. Project plan; 4: Land use permit; 5. Building plan; and 6. License of the architect office
2) Building technology assessment	It depends on size. Vinh Phuc IZMB or Department of Construction.	1. Application form; 2. Investment permit; 3. Land use permit; 4. Fire prevention permit; 5. Environmental impact assessment; 6. Building plan (design, structure and facilities); 7. Boring data; 8. Structural calculation sheet; and 9. Building assessment report; and 10. License of the architect office
3) Registration of contractor	Department of Construction	1. Application form; 2. Company overview: 3. Work history; 4. Contract with the client or the letter of intent

(Prepared by the Study Team)

(2) Major Design Conditions in Related to Permits and Approvals

To obtain the necessary permits, it is necessary to comply with the Regulations of Fire Fighting, Vietnam Building Code and Industrial Park Regulation approved by the Department of Construction. Some provisions of the Industrial Park Regulation are linked to the Regulations of Fire Fighting and Vietnam Building Code. Setback lines, construction density and green area ratio need to be determined in compliance with community rules.

The following table outlines provisional major design conditions for rental factories. Details need to be discussed and confirmed from time to time among the parties concerned at the basic and construction designing stages.

Table 7-4: Major Design Conditions in relation to Permits and Approvals

Item	Content	Law, regulation etc.
Set back lines	・ There is a regulation on setback lines – that is, the size of space in front of the front roads. For front road with 19.5m in width, it is necessary to secure a setback line of 7m or more between the boundary of the premises and factory buildings, of which green areas need to be placed for 3m or more in width. ・ A setback line of 5m or more needs to be placed in front of neighboring lands, of which green areas need to be placed for 2m or more in width.	Ba Thien2 Industrial Park Regulation Setback line detail Table 2.2
	・ A fire prevention road of 3.5m or wider need to be placed on one side of a building with less than 18m in width. Such roads need to be placed on both sides of a building with 18m or more in width. ・ The effective height of such roads need to be 4.25m or higher. ・ A no through road needs to be less than 150m in depth, and have a space for U-turn. ・ A regular-triangle U-turn space needs to have 7m or more on one side; a regular-quadrangle U-turn space needs to have 12m or more on one side; and a round U-turn space needs to have a diameter of 10m or more.	Regulations of Fire Fighting
Construction density	・ The construction density is regulated in accordance with the relative relationship between the floor area and the building height. For example, for a building with the floor area of 10,000m^2 or less and the height of 10m or less, the construction density needs	Vietnam Building Code QCXDVN 01:2008/BXD (Table 2.4)

Item	Content	Law, regulation etc.
	to be 70% or less. The construction density becomes smaller for a higher building with a greater floor area.	
	・ But the Industrial Park Regulation stipulates that the construction density will be 60% or less, the maximum density applicable to the Project will be 60%.	Ba Thien2 Industrial Park Regulation
Building height	・ There is no particular regulation other than the regulation linked to the construction density described above.	Vietnam Building Code QCXDVN 01:2008/BXD (Table 2.4)
Floor area ratio	・ No particular regulation.	N/A
Green area ratio	・ The green area ration needs to be 20% or more. “Green” has to be grass or trees, but there is no particular regulation on types of trees.	Vietnam Building Code QCXDVN 01:2008/BXD (Table 2.8)
Evacuation routes	○ Emergency stairs: for two-storied buildings only ・ At least one staircase needs to be installed for less than 50 people, and two or more staircases for 50 or more people. ○ Emergency evacuation from the first floor ・ People inside will evacuate from doors, shutters, etc., which need to be open to a safe direction and have a sign of “EXIT”. ・ Doors to a room for less than 15 people are not subject to the regulations. ・ The relevant provision is in Clause 3.2.10. ○ Regulations of doors on emergency evacuation routes ・ Doors need to have a height of 1900mm or more, a width of 1200mm or more for 50 people or 800mm or more for less than 50 people. Doors need to be designed to be unlockable from inside. ○ Regulations of interior ・ No particular standard is set out. ○ Fireproof area ・ Emergency evacuation routes need to be made fireproof. ・ The relevant provision is in Clause 3.3.4.	Vietnam Building Code on Fire Safety of Building QCVN06：2010/BXD
Ventilation	・ No particular technical guidance is provided.	N/A

Item	Content	Law, regulation etc.
Daylight	・ The building plan is not subject to any smoke ventilation standard.	N/A
Interior finish	・ No particular technical guidance is provided.	N/A
Firewall	・ Types of buildings are defined according to their structures and materials used. Different regulations of firewalls are applicable to different types of buildings, accordingly. The buildings of the Project are presumably classified as Type II, but this should be confirmed. In either case, firewalls satisfying the Japanese standards will satisfy any local standards.	TCVN 2622:1995
Firefighting equipment	○ Automatic fire alarm ・ Automatic fire alarms need to be installed. ○ Sprinkler ・ Sprinklers need to be installed for certain production types. Confirmation needs to be made for paper, wood, apparel and other products using inflammable materials. ○ Indoor fire hydrant ・ Indoor fire hydrants need to be installed for certain production types. For a building of 500 – 2,500m^2, hose reels need to be installed at two points. ○ Outdoor fire hydrant ・ Outdoor fire hydrants need to be installed.	TCVN 3890: 2009
Water tank	・ Different types of water tanks are needed for different types of products, so consultation to relevant parties is needed. If inflammable materials are used in the project, for example, a tank releasing water of 10 – 15 litters/sec will be needed. The capacity of a water tank includes the capacity of water for sprinklers and indoor fire hydrants.	TCVN 2622: 2009
Installed capacity	・ Permits of the Department of Fire Preventing and Fighting Police are needed for installation of boilers. Details will be discussed and confirmed.	The Department of Fire Preventing and Fighting Police

(Prepared by the Study Team)

7.2 Outline Design (Layout, floor, section, facility and Other Planning)

7.2.1 Outline Design of Rental Factories

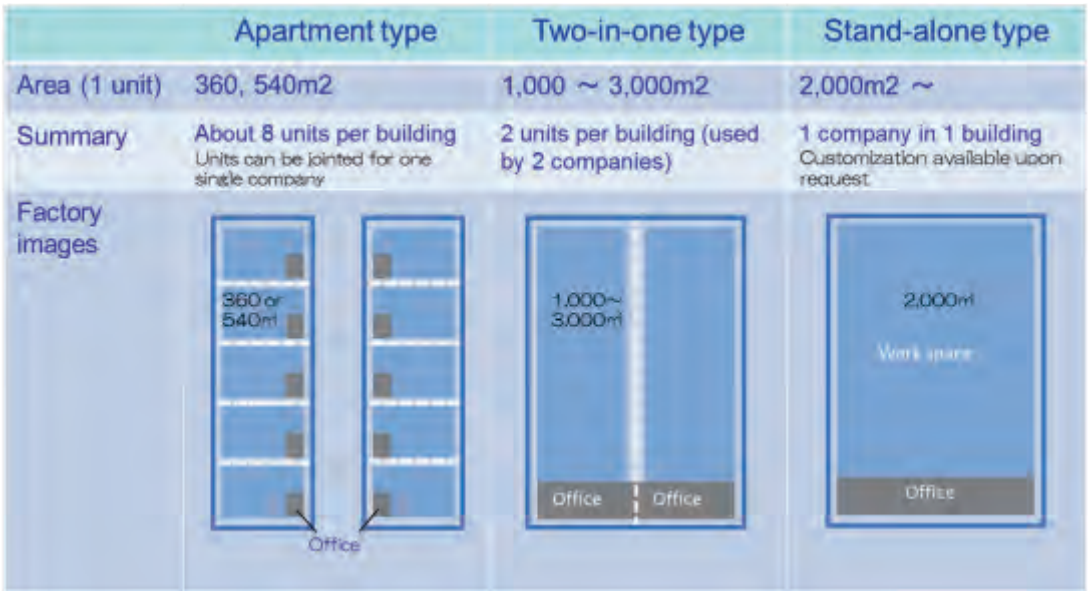
(1) Setting of Rental Factories

1) Size

According to the preliminary survey, the floor areas of rental factories range between approximately 500m^2 and 3,000m^2. But most of the rental factories are 500 – 1,500m^2 in size. The Project chiefly aims at SMEs, and based on demand forecasting, so the project will build smaller factories with the floor area of approximately 300m^2, as well as factories of the common size.

2) Type

To meet the demand for various sized factories, the project will build three types of rental factories. "Apartment-type" factories are buildings that can accommodate many small factories. In this type, Units can be put together into a larger unit, if necessary. "Two-in-one" factories are a building that is divided into two relatively large units. This type of rental factories seems to be the most common, according to the preliminary survey. "Stand-alone" factories are a factory which uses the entire building for a single tenant, and is highly independent of other factory units.



(Prepared by the Study Team)

Figure 7-4: Types of Rental Factories

3) Assumed Specifications and Other Conditions

Based on the preliminary survey, steel structure building will be adopted. As for interior and facilities, only minimum work will be conducted because the interior and facility demand substantially varies depending on the type of industries of tenant companies, so tenant companies will conduct interior and facility work afterwards if necessary. However, the SPC will plan electricity supply and transforming facilities, as well as septic tanks, in individual factory units if necessary.

Table 7-5: Assumed Conditions for Designing of Rental Factories

Conditions	Descriptions
[Building work]	
Structure	Cast-in-place concrete will be applied to the major structural parts including the foundation and underground beams, while steel structure will be applied to pillars and roofs. For buildings with administrative offices on the second floor, concrete will be applied to pillars on the first floor and floors on the second floor. For buildings with administrative offices on the first floor, steel structure will be applied to pillars.
Piling work	No piling work will be conducted.
Floor loading capacity	The floor loading capacity of factory areas will be 2-3 tons/m^2, and that of offices will be 0.3tons/m^2.
Factory building	Painted concrete block walls will be applied to the lower part, and folded-plates will be applied to exterior walls.
Factory area	Concrete direct finishing will be applied to floors.
Office area	Vinyl tile flooring, soft skirting boards, painted concrete block walls (mortar underbed and gypsum plaster board), and ceiling of painted board with aluminum T-bars will be applied.
Layout of office area	Because different tenants are likely to want different layouts of partition walls, the minimum number of partition walls will be installed in office area.
	An entrance and toilets (Vietnam style) for factory workers, as well as free space that tenants can freely use, will be placed on the first floor.
	One each western-style toilet for men and women will be placed, and no other partition will be placed on the second floor. Ceiling will be finished, but floors will be finished with concrete spreading only.
	Staircases will be completely finished.
[Exterior work]	
Paving	Asphalt paving will be applied.
Green area	Lawn will be laid. No tree will be planted.
Rainwater drainage	Concrete pits, concrete drainpipes, open ditches and grating lids will be placed, and the drainage will be connected to the main drainage of the industrial park on the side facing the front road.
Fence	Steel fences will be placed on the side of the front road, and net fences on the other sides. Both types of fences will be made 2m high.
Gate	Steel-made automatic doors will be placed. The width will be 8,000-10,000mm and the height will be 1,600mm.
Flagpole	Flagpoles will be made of stainless with the height of approximately 8,000mm.
Guard house	The guard house will be a one-storied reinforced concrete structure with the floor area of 20-60m^2 with a toilet facility).
Pump room	The pump room will be a one-storied reinforced concrete structure with the floor area of approximately 30m^2.
Parking	Concrete pavement will be applied.
Bike parking	Concrete pavement will be applied. Motorcycle shelters will have a roof.
Garbage area	Common garbage area will be placed on the premises of terraced buildings.
Septic tank	Fiber reinforced plastic septic tank with the capacity of approximately 80m^2 will be placed.
Water tank	Concrete water tank with the capacity of approximately 240m^2 will be placed.
[Installation work]	
Electricity facilities	A manhole will be placed on the road in front of the premises to draw in power cables, and underground pipes will be laid up to the electric room. Power supply work and installation of transformers will not be included.
	The secondary work from MSB installed for each tenant will be covered.
Air conditioning	A necessary minimum number of air conditioners will be installed, because factory layouts vary among tenants.
Ventilation	A monitor will be placed on the roof for natural ventilation.
	Ventilation louvers will be placed on the exterior walls of apartment-type building.
Water supply	No water tank will be placed on the premises. Water for general use and fire extinguishing will be supplied directly from outside. Branch valves will be attached to water pipes of the indoor toilets for future use.
Sewerage	Because the industrial park is equipped with water purification facilities, only septic tanks will be placed on the premises of each factory building. They will be connected to the nearest soil water basin.

(Prepared by the Study Team)

(2) Outline Drawings

An outline design has been formulated based on design conditions set forth in the previous section, which is summarized in the following table.

計 画 概 要 書 Specification Summary

工事名称 Project Name		第2バ・ティエン工業地レンタル工場プロジェクト Rental Factory Project in Ba Thien 2 Industrial Park	外構仕様 External	構内道路 Road	アスファルト舗装道路 (幅員7.5m) Reinforced concrete Road (7.5 metres wide)
敷地概要 Site Summary	計画場所 Location	ベトナム ビンフック省 バーティエン2工業団地 Ba Thien 2 Industrial Park, Binh Xuyen District, Vinh Phuc Province, Vietnam		構内排水 Storm / Sewage Drainage	(雨水) 鉄筋コンクリート管、マンホール、排水ピットを設置 ・ (汚水)塩ビ管、排水ピットを設置 Storm: Reinforced concrete pipes with manholes and inspection pit / Sewage: PVC pipes with manholes and inspection pit
	第2期敷地面積 The Phase 2 Area	48ha		門扉・フェンス Gate / Fence	スライディング式スチールゲート (W=8.0m) ・ スチールフェンス (H=2.0m) Sliding steel gate (8 metres wide) / Steel fence (2 meters high)
	道路幅員 Road Width	22.5m~39.0m 2車線~6車線道路 two-lane to six-lane road		守衛所 Guard house	鉄筋コンクリート構造 (トイレ完備) Reinforced concrete structure (with toilet facility)
				バイク駐車場上屋 Motorcycle Shelters	鉄骨構造 、 金属折版屋根 Steel structure, Metal sheet roofing

建物仕様 Building Specification

工場エリア Factory Area	基礎構造 Substructure	直接基礎 Spread foundation	事務所エリア Office Area	基礎構造 Substructure	直接基礎 Spread foundation
	床 Floor	鉄筋コンクリートスラブ こて仕上げ ー 床耐荷重 1,000kg/㎡ Reinforced concrete slab with steel trowel finish ー Floor Loading Capacity 1,000 kg/sq.m		床 Floor	鉄筋コンクリートスラブ 300角ホモジニアス硬質タイル ー 床耐荷重 300kg/㎡ Reinforced concrete slab with homogeneous tile finish ー Floor Loading Capacity 300 kg/sq.m
	壁 Walls	腰壁:コンクリートブロック積み 塗装仕上げ h=1,200 Lower part: Painted concrete block walls (1.2 metres high)		壁 Walls	コンクリートブロック積み Painted concrete block walls
		上部:金属板張り (カラーガルバリューム鋼板) Upper part: Metal sheet wall (Color galvalume steel)			LGS下地 石膏ボード張り 塗装仕上げ LSG gypsum wall board, painted finish
	屋根 Roof	カラーガルバリューム鋼板折版屋根 断熱材張り (グラスウール12kg品)、ルーフモニター (自然換気口) Galvalume metal roofing colors with insulation (fiber glass insulation 12kg), Natural ventilation on the roof top		屋根 Roof	カラーガルバリューム鋼板折版屋根 内側断熱材張り Galvalume metal roofing colors with insulation
	開口部 Doors	スチールドア 、 スチールシャッター 、 アルミサッシ Steel door, Steel shutters, Aluminum sash		開口部 Doors	スチールドア 、 アルミサッシ Steel door, Aluminum sash
	天井 Ceiling	天井表し Exposed		天井 Ceiling	岩綿吸音板 600角 Tバー補強構造 600 x 600 Acoustical tile with T-bars, paint finish
	照明設備 Lighting Fixtures	照明制御装置内臓型の高圧水銀ランプ照明 High pressure mercury lighting fixtures with built-in control gear		照明設備 Lighting Fixtures	天井埋め込み式蛍光灯 Recessed ceiling mounted lighting fixtures with fluorescent lamps
	給排水衛生設備 Plumbing Fixtures	トイレ衛生機器 、給水設備 、排水設備 Toilet facility, Water supply system, Drainage equipment		給排水衛生設備 Plumbing Fixtures	トイレ衛生機器 、給水設備 、給湯設備 、排水設備 Toilet facility, Water supply system, Hot-water supply equipment, Drainage equipment
	空調換気設備 Airconditioning Fixtures	換気設備 Ventilating facilities		空調換気設備 Airconditioning Fixtures	換気設備 Ventilating facilities

タイプ別面積表 Area Schedule

□ 1棟建てタイプ Type: Stand alone

敷地面積 Site Area	3,870㎡			
建築面積 Floor Area	1,820㎡	計画建物建ペイ率 Building Coverage Ratio	47.02 %	
延べ床面積 Gross Floor Area	2,020㎡	計画建物容積率 Floor Area Ratio	52.19 %	
	生産エリア Factory Area	事務室エリア Office Area	守衛所 Guard house	合 計 Total
諸室面積 Breakdown	1,800㎡ ×1棟 x 1 unit	200㎡ ×1棟 x 1 unit	20㎡ ×1棟 x 1 unit	
計 Total	1,800㎡	200㎡	20㎡	2,020㎡
駐車場 Parking	駐車場 ー 9台 、バイク駐車場 ー 29台 9 Car Parkings, 29 Motorcycle Parkings			
植栽エリア Green Area (Ratio)	550㎡ (14.21%)			
通路(舗装面積) Road / Paving	車路及び駐車場面積 1,115㎡ 、歩行通路面積 200㎡ Road and Parking Are, Pavement Area			

□ 2分割タイプ Type: Two in One

敷地面積 Site Area	3,520㎡			
建築面積 Floor Area	1,741㎡	計画建物建ペイ率 Building Coverage Ratio	49.46%	
延べ床面積 Gross Floor Area	2,011㎡	計画建物容積率 Floor Area Ratio	57.13 %	
	生産エリア Factory Area	事務室エリア Office Area	守衛所 Guard house	合 計 Total
諸室面積 Breakdown	865㎡ ×2棟 x 2 units	135㎡ ×2棟 x 2 units	5.5㎡ ×2棟 x 2 units	
計 Total	1,730㎡	270㎡	11㎡	2,011㎡
駐車場等 Parking	駐車場 ー 6台 ×2敷地 、バイク駐車場 ー 11台 ×2敷地 6 Car Parkings x 2 lots, 11 Motorcycle Parkings x 2 lots			
植栽エリア Green Area (Ratio)	330㎡ ×2敷地 = 660㎡ (20.4%) 330 sq.m x 2 lots = 660 sq.m (20.4%)			
通路(舗装面積) Road / Paving	車路及び駐車場面積 365㎡ ×2敷地 、歩行通路面積 80㎡ ×2敷地 Road and Parking Area 365 sq.m x 2 lots , Pavement Area 80 sq.m x 2 lots			

□ アパートメントタイプ Type: Apartment

敷地面積 Site Area	12,520㎡			
建築面積 Floor Area	7,190㎡	計画建物建ペイ率 Building Coverage Ratio	49.28 %	
延べ床面積 Gross Floor Area	7,190㎡	計画建物容積率 Floor Area Ratio	39.69 %	
	生産エリア Factory Area	事務室エリア Office Area	バイク駐車場・守衛所 Motorcycle Parkings・Guard house	合 計 Total
諸室面積 Type A Breakdown	300㎡ ×8棟 x 8 units	60㎡ ×8棟 x 8 units	1020㎡ ×1棟 x 1 units	
諸室面積 Type B Breakdown	450㎡ ×6棟 x 6 units	90㎡ ×6棟 x 6 units	50㎡ ×1棟 x 1 units	
計 Total	5,100㎡	1,020㎡	1,070㎡	7,190㎡
駐車場等 Parking	駐車場 ー 16台、屋根付きバイク駐車場 ー 600台(1020㎡) 16 Car Parkings, 600 Motorcycle Parkings (1020 sq.m)			
植栽エリア Green Area (Ratio)	1200㎡ (9.6%)			
通路(舗装面積) Road / Paving	車路及び駐車場面積 3,970㎡ Road and Parking Are			

Figure 7-5: Outline Design: Building Specifications

1) Apartment Type

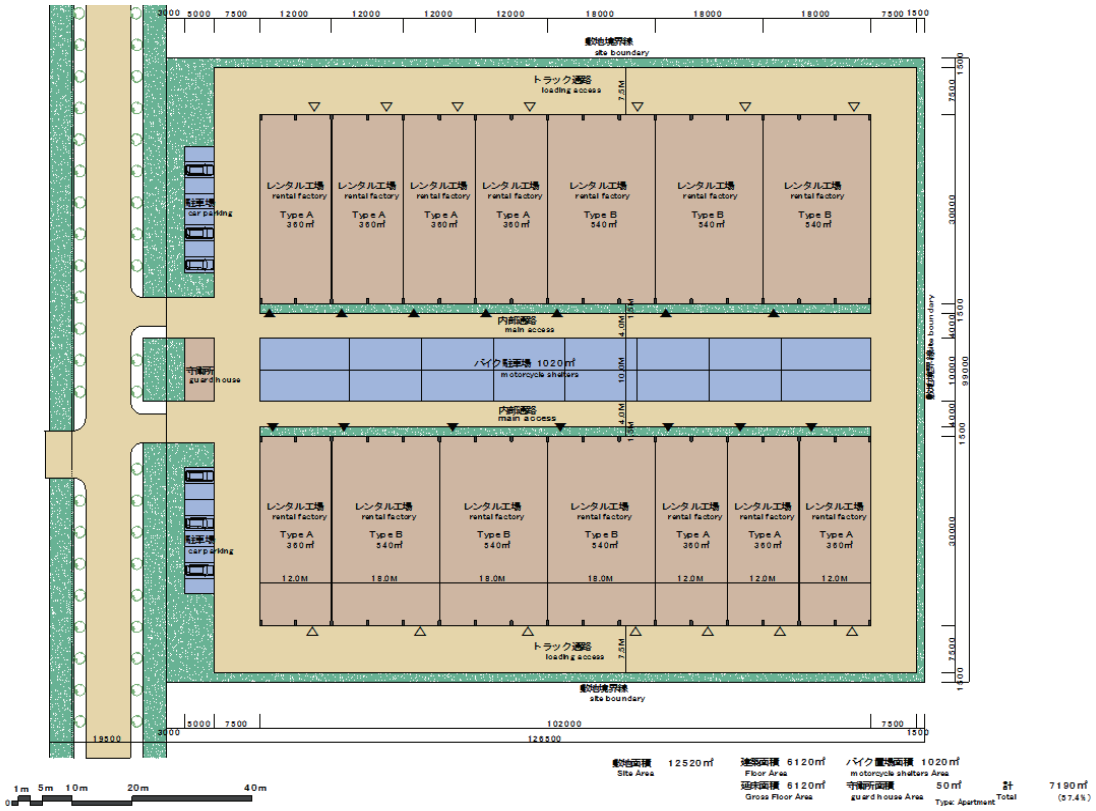


Figure 7-6: Outline Design: Apartment Type

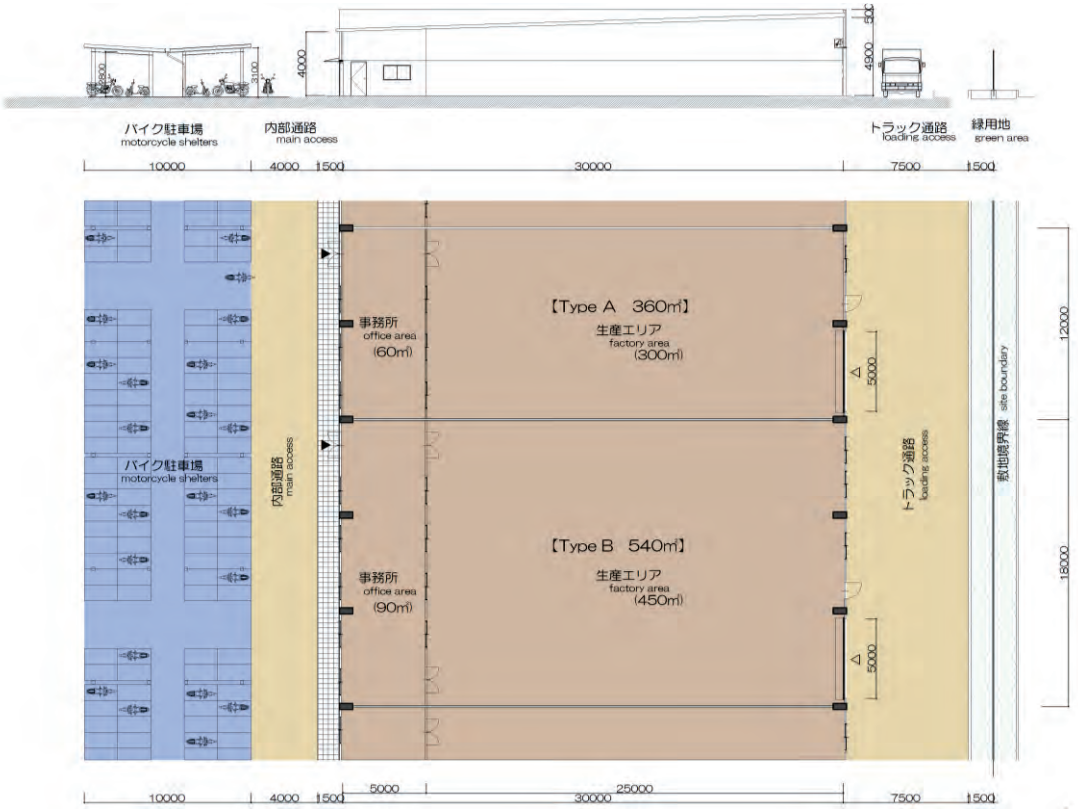


Figure 7-7: Outline Design: Apartment Type (details in part)

2) Two-in-one Type

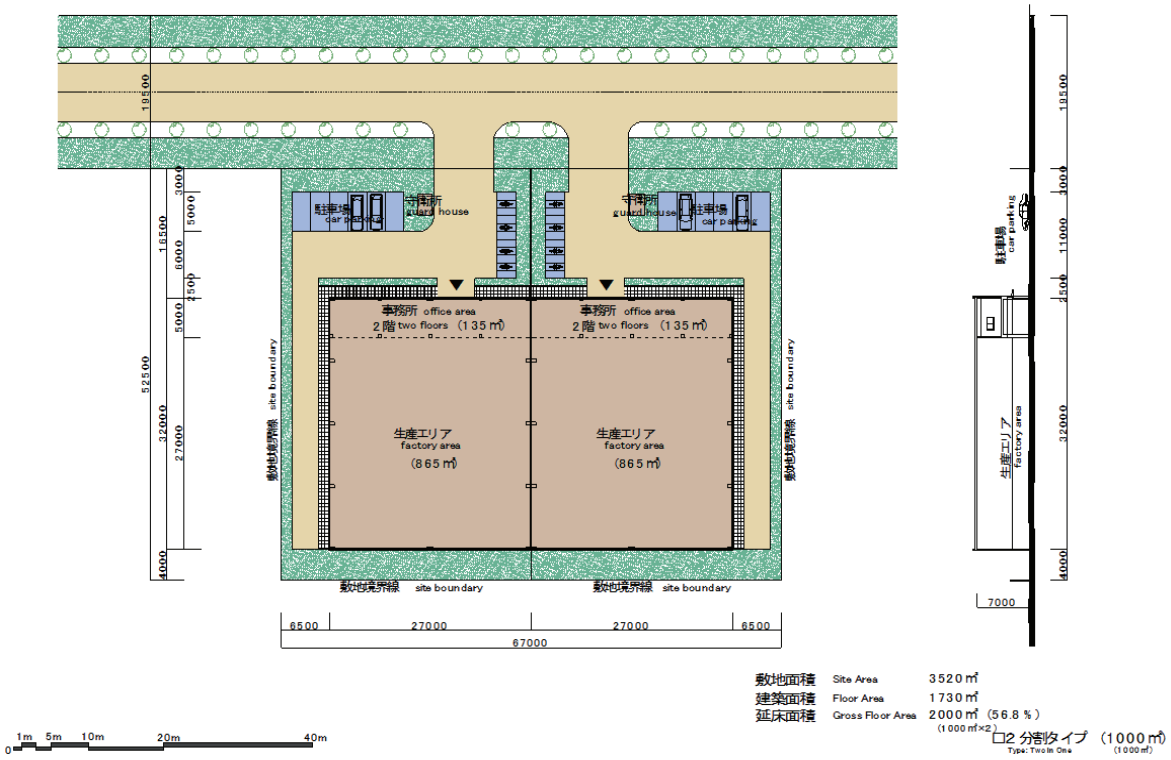


Figure 7-8: Outline Design: Two-in-One Type

3) Stand-alone Type

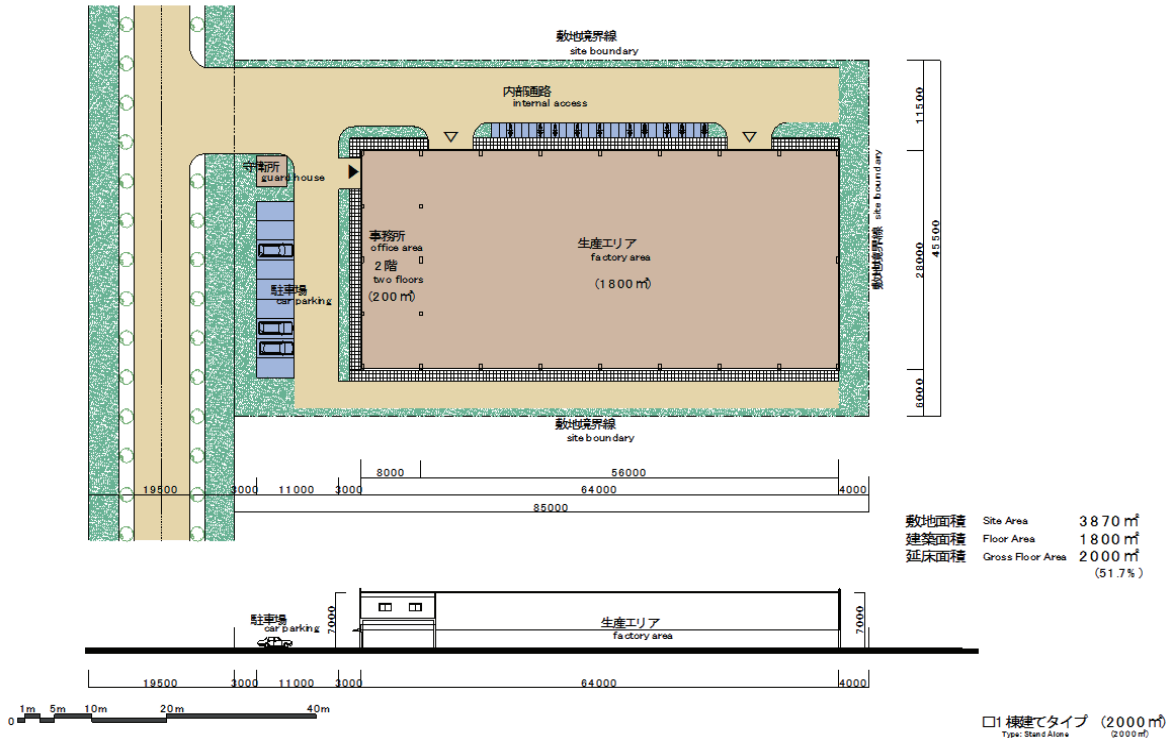


Figure 7-9: Outline Design: Stand-Alone Type

7.2.2 Overall Layout Plan

(1) Step-by-step Development to Meet Demand Forecast

The overall plan will aim to satisfy the project revenue and expenditure plan and buildings will be built in a long term in accordance with the step-by-step development plan in section 11.4.

(2) Layout Plan

Three types of factories will be developed on the project site of 27.83ha Based on the demand forecast, approximately 60% of the project area will be allocated for the apartment-type buildings, and the remaining 40% for stand-alone and two-in-one type factories. Land for rental factories will be divided into small units ranging between 4,000m^2 and 12,000m^2, so additional roads need to be developed. But the floor area of the factory buildings will be maximized by minimizing land for such roads. At the time of the development of the model zone in Phase 1, the administrative office will be developed to face the trunk road.

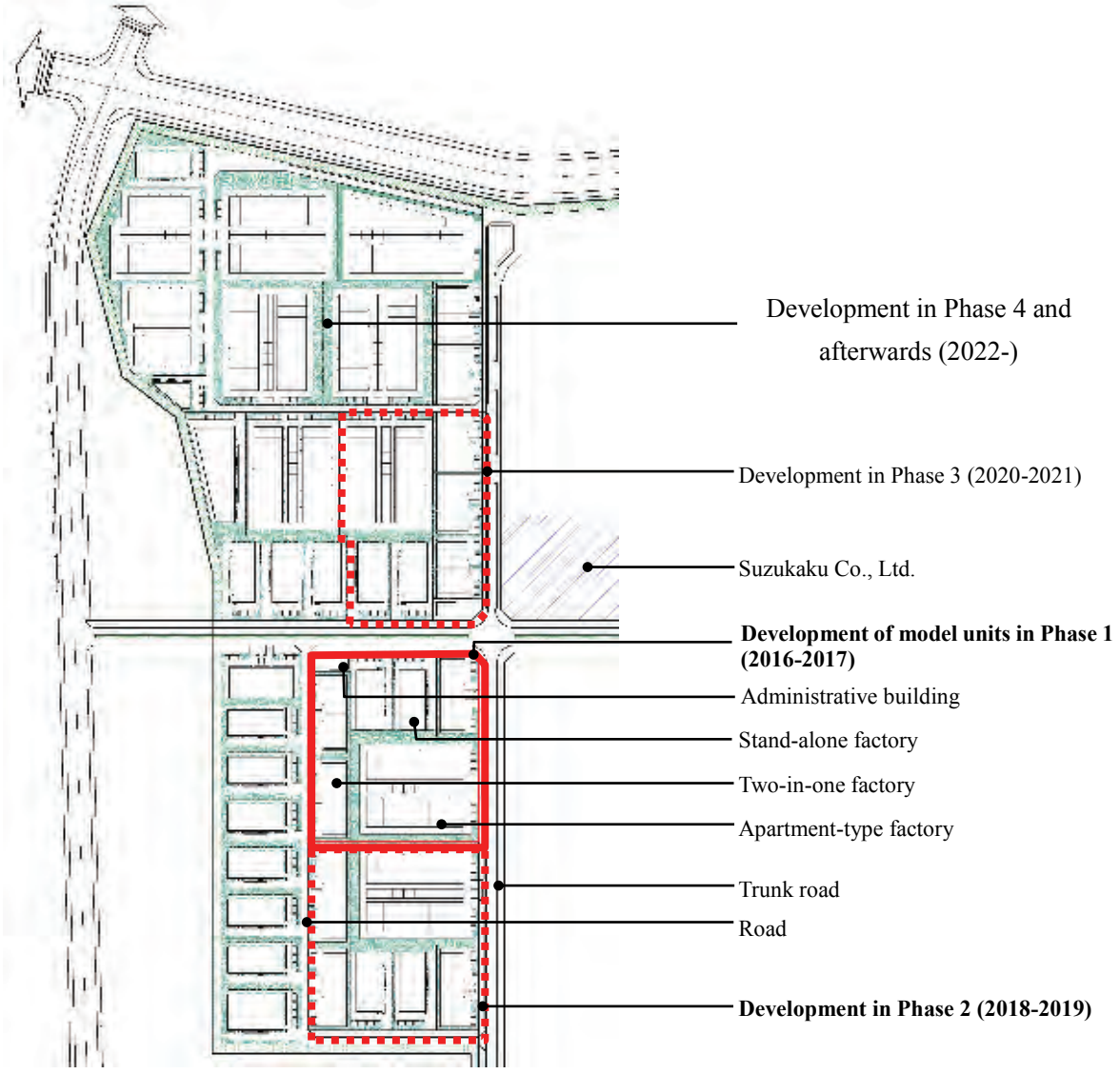


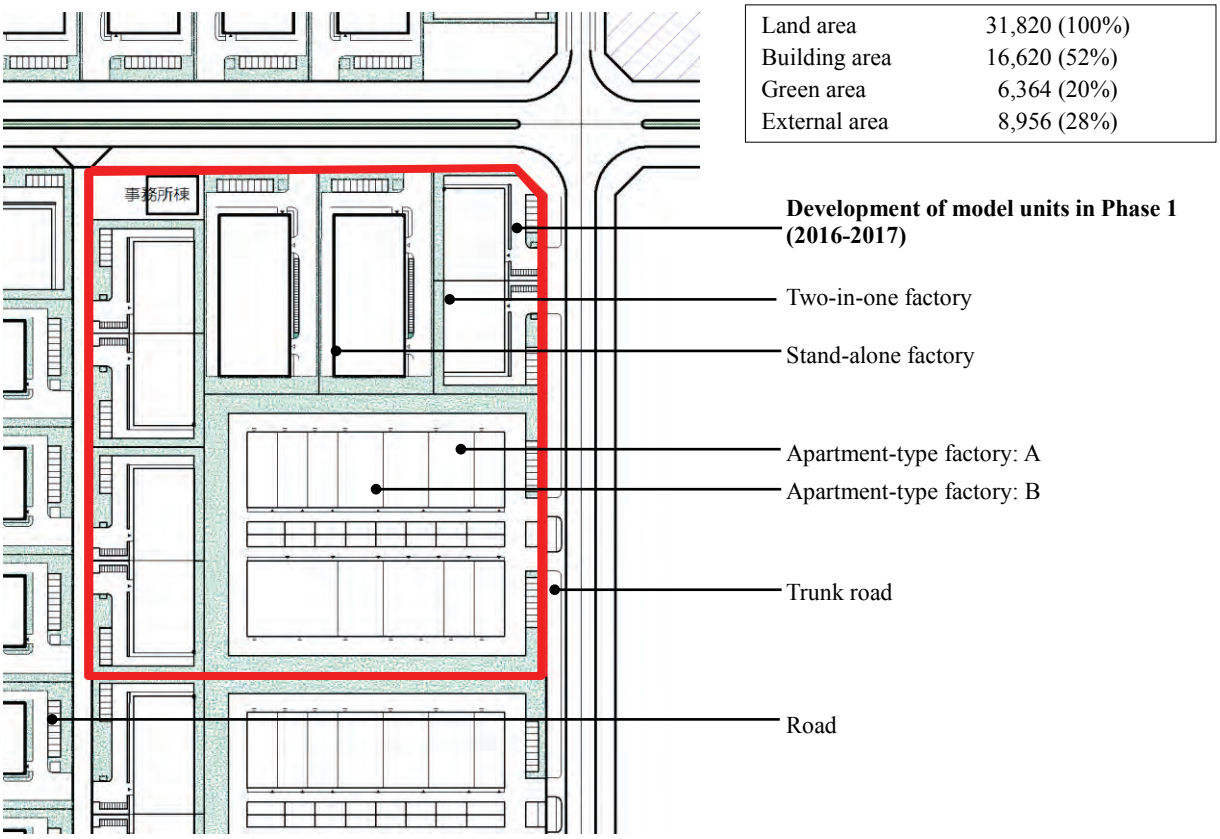
Figure 7-10: Overall Layout Plan

(3) Phase-1 Model Units

Phase 1 (2016-2017) will be designed to develop model units, aiming at the floor area of approximately 1.6ha on the land area of approximately 3.2ha This will include the administrative building, which will be located adjacent to the trunk road for convenience.

Table 7-6: Planning of Model Units

	Building area (m^2)	Land area (m^2)	Planned No. of buildings	No. of units	Factory unit area (m^2)	Ratio of leasable area to land area (%)
Rental factory						
・Apartment-type	6120	12520	1	14		49
- Units A				*8*	*360*	
- Units B				*6*	*540*	
・ Two-in-one	6000	10560	3	2		57
- Two-in-one units				*6*	*1000*	
・ Stand-alone	4000	7740	2	1		52
- Stand-alone units				*2*	*2000*	
Subtotal	**16120**	**30820**				**52**
Administrative building						
・ Administrative building	500	1000	1			50
Overall planned buildings						
Total	**16620**	**31820**				**52**



7.3 Formulation of Construction Plan

7.3.1 Construction Plan

Based on the findings of the preliminary survey to local contractors, the outline work schedule will secure approximately four months for basic designing and construction designing, and approximately seven months for construction. The total period will be approximately a year for a cycle of designing and construction work. To stick to the schedule above, the entire schedule needs to take into account “teto” (the Lunar New Year: late January – early February) and the rainy season (May – September). The procedures for permits and approvals will require four months or so and they will be obtained during the basic and construction designing periods.

The project site is reclaimed, so there is no problem with the temporary building plan. At the same time, the preliminary survey has confirmed that there is no particular problem with procurement of construction materials.

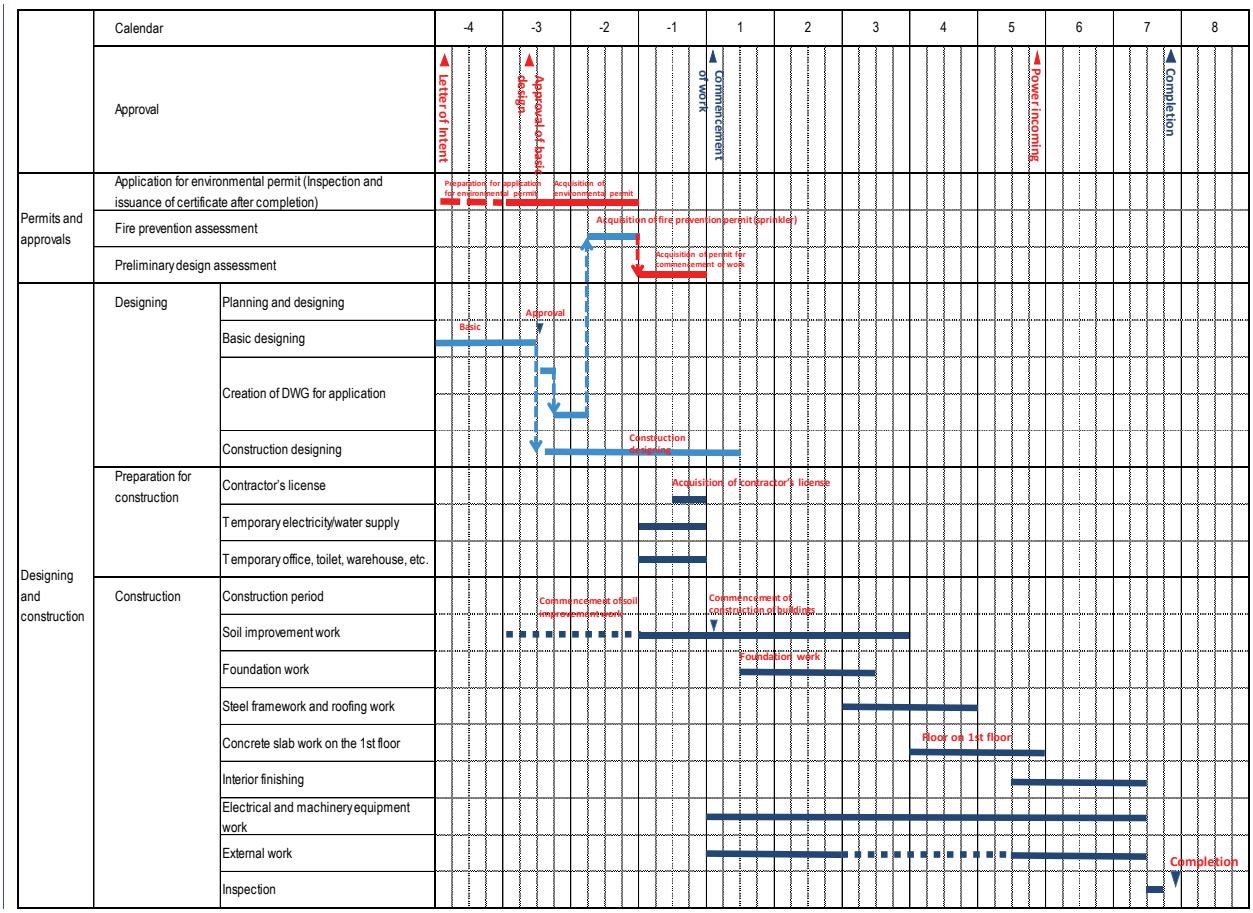


Figure 7-11: Construction Time Schedule

7.3.2 Step-by-Step Construction Plan

The overall plan above will aim to satisfy the project revenue and expenditure plan and the buildings concerned will be built in a long term. Basically, land of 1.5ha will be developed each year to complete

the development of the entire land of 27.83ha by 2034. Details of the step-by-step construction plan will be considered in accordance with the project plan.

7.4 Project Cost Estimation

7.4.1 Prerequisites for Cost Estimation

The project cost will be estimated approximately. It is realistically impossible and unnecessary to formulate drawings and adopt the cost accumulation method at the stage of feasibility study. Therefore, this study will adopt approximate estimations and estimate a number of project costs.

7.4.2 Conditions of Cost Estimation

The project cost will be estimated according to the outline design presented in the previous section. It will be divided into the construction cost and the design cost, and the cost of application for general permits and approvals will be included in the latter.

Requests were made to four Japanese companies, five Vietnamese (local) companies and one Taiwanese (foreign) company to estimate the project cost.

7.4.3 Cost Estimation

(1) Results of Cost Estimations

According to the cost estimations from the companies cited above, the unit construction cost per square meter is approximately USD300 – USD400. (Cost estimations not received from one Japanese company and one Vietnamese (local) company.) Because of the allocation of facilities and equipment, the construction cost of a stand-alone factory turns out to be the highest, followed by a two-in-one factory and an apartment-type factory. Cost estimations made by Japanese companies are slightly high, while the Taiwanese and local companies gave lower cost estimations.

		Company A (Japanese)	Company B (Japanese)	Company C (Japanese)	Company D (Japanese)	Company E (Local)	Company F (Local)	Company G (Local)	Company H (Local)	Company I (Local)	Company J (Taiwanese)
[Stand Alone Type]											
1-1	Common temporary work	48,364	117,959	11,800			15,000	51,209		82,349	6,700
1-2	Building work	477,567				739,203	565,600	356,430		692,377	407,000
	Foundation work, Earth work		148,435	57,500							
	Structure works		277,800	325,700							
	External finishing works		77,557	94,160							
	Internal finishing works		179,532	1,180							
1-3	External works	176,094	393,576	221,400		Included in building work		186,870		Included in building work	128,000
1-4	Electrical works	69,499	34,100	34,500		226,224	269,685	149,532		303,998	267,118
1-5	Plumbing sanitary work	98,613	97,898	16,270		Included in building work	21,498	40,294		Included in electrical works	Included in electrical works
1-6	Mechanical works	25,358	142,102	36,550		Included in electrical works	38,746	99,797		Included in electrical works	123,000
1-7	Other works	115,612	59,000	27,100		Included in electrical works	66,720			Included in electrical works	8,000
1-8	Miscellaneous expense	263,632	82,743	82,600		39,000				119,535	10,800
	Subtotal	1,274,738	1,610,700	908,760		1,004,427	977,250	884,132		1,198,259	943,918
2	Construction design	25,130	49,000	17,350			35,000	30,820		21,225	12,000
	Total	1,299,868	1,659,700	926,110		1,004,427	1,012,250	914,953		1,219,484	955,918
	Gross Floor Area	3,080	3,080	3,080		3,080	3,080	3,080		3,080	3,080
	Cost per square meters	422	539	301		326	329	297		396	310
3	Notes	1USD = 21,090VND				Fire prevention facility to be included in electrical work	Fire prevention facility to be included in electrical work	Fire prevention facility to be included in electrical work 1USD = 21,090VND			Fire prevention facility to be included in electrical work
[Two in One Type]											
1-1	Common temporary work	47,416	113,579	8,840			15,000	50,744		79,675	6,700
1-2	Building work	445,497				710,203	477,160	324,573		624,260	398,000
	Foundation work, Earth work		159,902	59,900							
	Structure works		292,038	330,650							
	External finishing works		143,207	51,840							
	Internal finishing works		99,277	1,580							
1-3	External works	172,630	341,071	282,520		Included in building work		141,388		Included in building work	123,900
1-4	Electrical works	68,681	39,500	29,750		214,526	237,375	139,105		276,872	261,601
1-5	Plumbing sanitary work	117,407	114,797	15,750		Included in electrical works	18,923	40,294		Included in electrical works	Included in electrical works
1-6	Mechanical works	21,811	141,403	31,950		Included in electrical works	34,104	82,471		Included in electrical works	128,931
1-7	Other works	112,998	59,000	23,870		Included in electrical works	62,400			Included in electrical works	8,000
1-8	Miscellaneous expense	263,158	81,227	84,000		37,000				109,076	10,800
	Subtotal	1,249,597	1,585,000	920,650		961,729	844,962	778,575		1,089,883	937,932
2	Construction design	25,130	43,800	17,600			35,000	24,780		21,225	12,000
	Total	1,274,727	1,628,800	938,250		961,729	879,962	803,354		1,111,108	949,932
	Gross Floor Area	2,711	2,711	2,711		2,711	2,711	2,711		2,711	2,666
	Cost per square meters	470	601	346		355	325	296		410	356
3	Notes					Fire prevention facility to be included in electrical work	Fire prevention facility to be included in electrical work	Fire prevention facility to be included in electrical work 1USD = 21,090VND			Fire prevention facility to be included in electrical work
[Apartment Type]											
1-1	Common temporary work	64,960	144,592	17,200			15,000	66,430		182,997	6,700
1-2	Building work	892,775				1,583,795	1,378,530	885,822		1,633,908	735,000
	Foundation work, Earth work		274,143	83,000							
	Structure works		442,514	644,900							
	External finishing works		175,748	166,500							
	Internal finishing works		343,959	2,670							
1-3	External works	434,313	1,028,588	343,000		Included in building work		498,878		Included in building work	327,000
1-4	Electrical works	130,181	92,300	53,500		637,249	504,346	254,220		635,917	389,119
1-5	Plumbing sanitary work	187,158	182,938	14,450		Included in electrical works	40,205	45,266		Included in electrical works	Included in electrical works
1-6	Mechanical works	66,788	266,262	35,600		Included in electrical works	72,461	156,742		Included in electrical works	180,572
1-7	Other works	197,724	66,110	44,000		Included in electrical works	108,400			Included in electrical works	8,000
1-8	Miscellaneous expense	269,322	162,147	140,000		67,000				247,404	10,800
	Subtotal	2,243,221	3,179,300	1,544,820		2,288,044	2,118,942	1,907,358		2,700,226	1,657,191
2	Construction design	27,027	67,500	29,500			40,000	55,477		21,225	14,000
	Total	2,270,248	3,246,800	1,574,320		2,288,044	2,158,942	1,962,835		2,721,451	1,671,191
	Gross Floor Area	5,760	5,760	5,760		5,760	5,760	5,760		5,760	5,746
	Cost per square meters	394	564	273		397	375	341		472	291
3	Notes					Fire prevention facility to be included in electrical work	Fire prevention facility to be included in electrical work	Fire prevention facility to be included in electrical work 1USD = 21,090VND			Fire prevention facility to be included in electrical work

* Construction design cost includes cost of application procedures.

A ~ D: Japanese companies, E ~ I: Local companies, J: Taiwanese company

Figure 7-12: Construction Cost Estimations Comparison Table

(2) Construction Cost Estimation

The Study Team heard an opinion during the field survey that it would be desirable to use a Japanese company to secure the quality. But because construction of rental factories requires no particular special specifications, it is considered that construction companies other than Japanese companies will be able to satisfy the project requirements.

At the actual project implementation stage, the construction cost is expected to be reduced because of the principle of competition, so that the reasonable construction cost should be USD 300/m^2. But it is still likely that the cost will fall more, and thus USD 270/ m^2 will be used for financial analysis.

The following table shows the breakdown of the construction cost of the model units under Phase 1.

Table 7-7: Breakdown of Construction Cost of Model Units

Construction of model units in Phase 1 (total area: 16,120ha)		USD	Proportion (%)
Temporary work		**304,668**	**6.3%**
	Common temporary facilities	*130,572*	*2.7%*
	Temporary works	*174,096*	*3.6%*
Earthwork and foundation work		**217,620**	**4.5%**
Construction of structure		**1,740,960**	**36.0%**
Finishing		**783,432**	**16.2%**
	Waterproofing	*19,586*	*0.4%*
	Masonry construction	*0*	*0.0%*
	Tiling	*0*	*0.0%*
	Wood work	*0*	*0.0%*
	Metal work	*250,698*	*5.2%*
	Plastering	*47,006*	*1.0%*
	Wood fittings	*0*	*0.0%*
	Metal fittings	*148,852*	*3.1%*
	Glass	*15,669*	*0.3%*
	Painting and spraying	*47,006*	*1.0%*
	Interior and exterior work	*156,686*	*3.2%*
	Miscellaneous	*97,929*	*2.0%*
Exterior and other works		**652,860**	**13.5%**
Electricity		**174,096**	**3.6%**
	Incoming and transforming	*48,747*	*1.0%*
	In-house power generation	*8,705*	*0.2%*
	Batteries	*0*	*0.0%*
	Boards	*29,596*	*0.6%*
	Light electrical equipment	*6,964*	*0.1%*
	Fire prevention equipment	*8,705*	*0.2%*
	Lighting fixtures	*40,042*	*0.8%*
	Cables and pipes	*31,337*	*0.6%*

Construction of model units in Phase 1 (total area: 16,120ha)		USD	Proportion (%)
Sanitary facilities		**261,144**	**5.4%**
	Tanks	*31,337*	*0.6%*
	Cans	*7,834*	*0.2%*
	Pumps	*20,892*	*0.4%*
	Boilers	*15,669*	*0.3%*
	Sanitary fixtures	*36,560*	*0.8%*
	Hydrants	*28,726*	*0.6%*
	Special fire extinguishers	*10,446*	*0.2%*
	Pipes	*88,789*	*1.8%*
	Valves and meters	*20,892*	*0.4%*
	Gas work	*0*	*0.0%*
Air conditioning		**217,620**	**4.5%**
	Boilers	*0*	*0.0%*
	Freezers	*0*	*0.0%*
	Cooling towers	*0*	*0.0%*
	Air conditioners	*108,810*	*2.3%*
	Fans	*32,643*	*0.7%*
	Ducts	*28,291*	*0.6%*
	Piping materials	*13,057*	*0.3%*
	Automatic control	*21,762*	*0.5%*
	Diffusers	*13,057*	*0.3%*
Total of contemporary and construction costs		**4,352,400**	**90.0%**
Site overhead expenses		**483,600**	**10.0%**
Total construction cost		**4,836,000**	**100.0%**
Total floor area		16,120	16,120
Unit cost per square meter		300	300

(Prepared by the Study Team)

Chapter 8 Facility Maintenance Plans and Cost Estimation

8.1 Drafting Maintenance Plans

8.1.1 Envisioning Maintenance Plans

Facility maintenance plans have been divided into two major categories (maintenance and management, and repairs and updates) as they continue to be considered. Maintenance and management are paid for by administrative costs and cover the security, maintenance inspections, exterior maintenance and other daily, routine work on common areas. Repairs and updates are paid for by rents and cover the regular repairs and replacement of facility materials, machinery and equipment and parts.

Table 8-1: Policy for Drafting Maintenance Plans

Expenditure	Maintenance Work		Drafting Policy
Administrative costs	Maintenance, management	Security	Accidents will be dealt with and irregularities discovered as soon as possible to maintain safety on a 24-hour basis. Patrols of rental factory grounds and other appropriate security plans are being drafted. An automated security system will be established to complement security guards.
		Exterior maintenance	The cleaning of dedicated parking lots, watering of trees and other exterior maintenance on rental factory grounds will be implemented regularly.
		Maintenance, inspections	Inspections and maintenance inspections of buildings and construction facilities will be performed regularly for preservation and problem prevention.
Rents	Repairs, updates	Repair	Repairs and reinforcement of building materials, facilities and parts too difficult to be a part of daily maintenance will be implemented.
		Update	Building materials, facilities and parts will be completely replaced and otherwise reinstalled to ensure the same functions as original levels.

(Prepared by the Study Team)

Legal regulations, procedures and other matters related to the maintenance work described above must be studied continuously.

8.1.2 Classifying Maintenance Work

Maintenance work is classified into work for which tenant companies, SPC and an industrial parks' operator (Vina CPK) are responsible. The table below is an overview of maintenance work classifications.

Table 8-2: Classifying Maintenance Work

Maintenance Work	Tenant Company	SPC	Vina CPK
Security	Within facilities	On rental factory grounds	Common industrial park areas
Exterior maintenance	None	On rental factory grounds	Common industrial park areas
Maintenance, inspections, repairs, updates	Additional interiors and facility machinery and equipment installed by individual tenant companies	Factory machinery housing, exteriors and facility machinery and equipment installed by SPC	Shared facilities, exteriors and facility machinery and equipment installed by industrial parks

(Prepared by the Study Team)

8.2 Estimating Maintenance Fees

8.2.1 Envisioning Maintenance Fees

Below is the envisioned maintenance for the Phase 1 construction model section.

・One team of two security guards on duty 24 hours (three shifts). An automated security system is required to complement the security guards.

・Planting trees and cleaning will be done for exteriors other than those of buildings.

・M&E engineers will perform maintenance inspections of facility machinery and equipment at the expense of SPC, and operators will assist the engineers with that work.

・Examples of utility expenses for common exterior areas include electricity fees for exterior lighting and water fees for trees.

・Other maintenance expenditures include security for machinery and consumable supplies.

・SPC must pay management fees of 0.3 USD/m^2 to the industrial parks.

8.2.2 Estimating Maintenance Fees

Maintenance fees for the model section are 5,840 USD/month, which, divided by building area of 16,620 m^2 is 0.36 USD/m^2. The table below shows a detailed breakdown of maintenance fees for the model section.

Table 8-3: Maintenance Plans

	Unit Price	Number	Cost	Notes
Security Guards	250 USD/month	6 person	1,500 USD/month	24 hours; 2 person x 8 hours x 3 times
Planting/Cleaning	150 USD/month	8 person	1,200 USD/month	2,000 m^2/person; 15,350 m^2/2,000 m^2 = 8 persons
M&E Engineer	500 USD/month	2 person	1,000 USD/month	
Operator	300 USD/month	2 person	600 USD/month	
Utilities (Lighting or Watering Plants)			500 USD/month	Lighting 260USD: 0.06USD kw/h x 60 lights x 0.2kw x 12h x 30days Watering plants 100USD: 0.52USD/t x 200t/month (green area 6394 m^2 x 1little/ m^2 x dry season 6 months=1150t) Other 140USD
Sub total			4,800 USD/month	
Other Expenses	Subtotal x 5%		240 USD/month	
Total			5,040 USD/month	
Management Fee to Vina CPK	0.3 USD/ m^2/year	31,820 m^2	800 USD/month	0.3 USD/ m^2/year x 31,820 m^2 = 9,546 USD/year
Total Costs			**5,840 USD/month**	
Building Area			**16,620 m^2**	
Total Costs / m^2			**0.36 USD/month/ m^2**	5,840 / 16,620 = 0.36 USD/month/ m^2

(Prepared by the Study Team)

8.3 Estimating Repair and Update Costs

8.3.1 Envisioning Repair and Update Cycles

A case study of repair and update cycles in Vietnam revealed that they are 50 to 70 percent shorter overall than standard Japanese cycles. Reasons for this include material quality, construction management techniques and weather conditions in Vietnam. The table below shows update cycles for materials. Common Japanese standards have been included to facilitate comparison.

Table 8-4: Update Cycles (Years)

	Vietnam	Japan
■Framework	30	50
■Finishing - Waterproofing	10	20
- Stonework, stone arrangement	15	50
- Tile	15	50
- Woodwork	15	30
- Metalwork	15	30
- Plasterwork	10	30
- Wooden fittings	10	30
- Metal fittings	10	40
- Glass	10	50
- Coating/spraying	5	15
- Interior and exterior design	10	15
- Miscellaneous	10	15
■Exterior - Asphalt pavement, etc.	10	20
■Electrical – Power receiving and transmission	15	25
- Private power generation	10	25
- Storage batteries	10	25
- Boards	7	25
- Light electrical equipment	10	20
- Disaster prevention equipment	10	20
- Lighting equipment	7	20
- Wire/pipe material	10	30
■Sanitation - Water tanks	15	20
- Canning equipment	15	20
- Pumps	8	15
- Boilers	10	20
- Plumbing equipment	15	30
- Fire hydrants	15	30
- Special firefighting equipment	15	20
- Pipes	10	20
- Valves and gauges	15	20
- Gas work	10	20
■Air Conditioning - Boilers	10	20
- Refrigerators	15	20
- Cooling towers	15	20
- Air conditioning equipment	7	15
- Fans	7	20
- Ducts	15	20
- Pipe material	10	20
- Automated controls	10	15
- Diffusers	10	15

(Prepared by the Study Team)

8.3.2 Estimating Repair and Update Costs

Repair and update costs for the Phase 1 model section were estimated over a 45-year period.

・Repair costs are regularly incurred every year.

・Update costs are incurred according to the cycles for each material shown on Table 8-4 above. The range eligible for updates is envisioned to be about 80 percent of the whole.

・The service life of buildings is expected to be 30 years, thus planned facilities built in the first year must be demolished in the 30th year, and facilities must be newly constructed twice – once in the first year, and once in the 30th year.

The table below is an overview of repair and update costs.

Table 8-5: Overview of Repair and Update Costs for Model Section (USD)

Phase 1 model section (45 years)	Factory Group	Management Building	Total
Total repair costs	317,020	43,296	360,316
Total update costs	4,321,763	576,626	4,898,389
Total repair and update costs (45 years)	4,638,783	619,922	5,258,705
Total cost of new construction (2 times)	9,672,000	500,000	10,172,000
Demolition costs (1 time)	483,600	50,000	533,600
Total cost of new construction, repairs, updates and demolition	14,794,383	1,169,922	15,964,305

(Prepared by the Study Team)

(1) Ratio of Repair and Update Costs to Construction Costs in Light of Update Period

・Total repair and update costs are 5,258,705 USD, which are approximately 50% of the cost of new construction, which is 10,672,000 USD, and demolition costs, which are 533,600 USD.

・The total cost of machinery housing materials, facility machinery and equipment and other items varies significantly depending on the length of update cycles. Careful consideration is required for the setting of appropriate update cycles based on phased development and demand forecasts.

Table 8-6: Maintenance Plans for Model Section

BT2 Model Factory Building Group Long-Term Repair Plans (30-year) Building Area 16,120 ㎡ — Land 30,820㎡ developed — New construction cost, 300 USD/㎡ — Unit: USD

New construction

	USD	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
■Update costs (temporary facilities, total construction costs)	4,352,400		0	0	0	0	0	0	39,974	135,096	74,936	0	41,640	322,058	346,995	174,886	0	143,980	190,801	75,136	133,246	0
■Update costs (site overhead expenses)	483,600		0	0	0	0	0	0	3,760	12,709	7,068	0	3,917	30,297	32,643	16,452	0	13,545	17,949	7,068	12,535	0
■Total update costs	4,836,000		0	0	0	0	0	0	43,734	147,805	82,004	0	45,557	352,355	379,638	191,338	0	157,524	208,750	82,204	145,781	0
■■Cumulative total update costs			0	0	0	0	0	0	43,734	191,539	273,544	273,544	319,100	671,455	1,051,093	1,242,431	1,242,431	1,399,955	1,608,705	1,690,910	1,836,691	1,836,691
■Repair costs			7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205
■■Cumulative total repair costs			7,205	14,410	21,615	28,820	36,025	43,230	50,435	57,640	64,845	72,050	79,255	86,460	93,665	100,870	108,075	115,280	122,485	129,690	136,895	144,100
■Total update and repair costs			7,205	7,205	7,205	7,205	7,205	7,205	50,939	155,010	89,209	7,205	52,762	359,560	386,843	198,543	7,205	164,729	215,955	89,409	152,986	7,205
■■Cumulative total update and repair costs			7,205	14,410	21,615	28,820	36,025	43,230	94,169	249,179	338,389	345,594	398,355	757,915	1,144,758	1,343,301	1,350,506	1,515,235	1,731,190	1,820,600	1,973,586	1,980,791
■Total cost of first new construction	4,836,000	4,836,000																				
(New construction cost of 300 USD/㎡)																						

BT2 Management Building Long-Term Repair Plans (30-year) Building Area 500㎡ — Land 1,000㎡ developed — New construction cost, 1,000 USD/㎡ — Unit: USD

	USD	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
■Update costs (temporary facilities, total construction costs)	445,220		0	0	0	0	0	0	4,278	27,394	13,655	0	5,804	50,365	11,810	33,855	0	27,394	24,763	13,655	19,751	0
■Update costs (site overhead expenses)	54,780		0	0	0	0	0	0	402	2,577	1,285	0	546	4,738	1,111	3,185	0	2,577	2,330	1,285	1,858	0
■Total update costs	500,000		0	0	0	0	0	0	4,680	29,971	14,940	0	6,350	55,103	12,921	37,040	0	29,971	27,093	14,940	21,609	0
■■Cumulative total update costs							0	0	4,680	34,651	49,591	49,591	55,941	111,044	123,965	161,005	161,005	190,976	218,068	233,008	254,617	254,617
■Repair costs			984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984	984
■■Cumulative total repair costs			984	1,968	2,952	3,936	4,920	5,904	6,888	7,872	8,856	9,840	10,824	11,808	12,792	13,776	14,760	15,744	16,728	17,712	18,696	19,680
■Total update and repair costs			984	984	984	984	984	984	5,664	30,955	15,924	984	7,334	56,087	13,905	38,024	984	30,955	28,077	15,924	22,593	984
■■Cumulative total update and repair costs			984	1,968	2,952	3,936	4,920	5,904	11,568	42,523	58,447	59,431	66,765	122,852	136,757	174,781	175,765	206,720	234,796	250,720	273,313	274,297
■Total cost of first new construction	500,000	500,000																				
(New construction cost of 1,000 USD/㎡)																						

Demolition/new construction

Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40	Year 41	Year 42	Year 43	Year 44	Year 45	
39,974	41,650	0	457,155	0	346,995	75,136	174,886	0	0	0	0	0	0	0	0	0	39,974	135,096	74,936	0	41,640	322,058	346,995	174,886	
3,760	3,917	0	43,006	0	32,643	7,068	16,452	0	0	0	0	0	0	0	0	0	3,760	12,709	7,068	0	3,917	30,297	32,643	16,452	
43,734	45,567	0	500,161	0	379,638	82,204	191,338	0	0	0	0	0	0	0	0	0	43,734	147,805	82,004	0	45,557	352,355	379,638	191,338	
1,880,425	1,925,992	1,925,992	2,426,152	2,426,152	2,805,790	2,887,995	3,079,332	3,079,332	3,079,332	3,079,332	3,079,332	3,079,332	3,079,332	3,079,332	3,079,332	3,079,332	3,123,067	3,270,872	3,352,876	3,352,876	3,398,433	3,750,787	4,130,425	4,321,763	
7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	0	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	7,205	
151,305	158,510	165,715	172,920	180,125	187,330	194,535	201,740	208,945	216,150	216,150	7,205	14,410	21,615	28,820	36,025	43,230	50,435	57,640	64,845	72,050	79,255	86,460	93,665	100,870	
50,939	52,772	7,205	507,366	7,205	386,843	89,409	198,543	7,205	7,205	0	7,205	7,205	7,205	7,205	7,205	7,205	50,939	155,010	89,209	7,205	52,762	359,560	386,843	198,543	
2,031,730	2,084,502	2,091,707	2,599,072	2,606,277	2,993,120	3,082,530	3,281,072	3,288,277	3,295,482	3,295,482	3,302,687	3,309,892	3,317,097	3,324,302	3,331,507	3,338,712	3,389,652	3,544,662	3,633,871	3,641,076	3,693,838	4,053,397	4,440,240	4,638,783	

% of Construction costs	68.1%	Total repair and update costs (45 years)	4,638,783
■Total cost of second new construction	4,836,000	Total cost of new construction (2 times)	9,672,000
■Demolition/planning costs (10% of new construction)	483,600	Demolition costs (1 time)	483,600
		Total cost of new construction, repairs, updates and demolition (45-year period)	14,794,383

Demolition/new construction

Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40	Year 41	Year 42	Year 43	Year 44	Year 45	
4,278	5,804	0	77,758	0	11,810	13,655	33,855	0	0	0	0	0	0	0	0	0	4,278	27,394	13,655	0	5,804	50,365	11,810	33,855	
402	546	0	7,315	0	1,111	1,285	3,185	0	0	0	0	0	0	0	0	0	428	2,739	1,366	0	580	5,037	1,181	3,386	
4,680	6,350	0	85,073	0	12,921	14,940	37,040	0	0	0	0	0	0	0	0	0	4,680	29,971	14,940	0	6,350	55,103	12,921	37,040	
259,297	265,647	265,647	350,720	350,720	363,641	378,581	415,621	415,621	415,621	415,621	415,621	415,621	415,621	415,621	415,621	415,621	420,301	450,272	465,212	465,212	471,562	526,665	539,586	576,626	
984	984	984	984	984	984	984	984	984	984	0	984	984	984	984	984	984	984	984	984	984	984	984	984	984	
20,664	21,648	22,632	23,616	24,600	25,584	26,568	27,552	28,536	29,520	29,520	30,504	31,488	32,472	33,456	34,440	35,424	36,408	37,392	38,376	39,360	40,344	41,328	42,312	43,296	
5,664	7,334	984	86,057	984	13,905	15,924	38,024	984	984	0	984	984	984	984	984	984	5,664	30,955	15,924	984	7,334	56,087	13,905	38,024	
279,961	287,295	288,279	374,336	375,320	389,225	405,149	443,173	444,157	445,141	445,141	446,125	447,109	448,093	449,077	450,061	451,045	456,709	487,664	503,588	504,572	511,906	567,993	581,898	619,922	

% of Construction costs	89.0%	Total repair and update costs (45 years)	619,922
■Total cost of second new construction	500,000	Total cost of new construction (2 times)	500,000
■Demolition/planning costs (10% of new construction)	50,000	Demolition costs (1 time)	50,000
		Total cost of new construction, repairs, updates and demolition (45-year period)	1,169,922

Chapter 9 Operational Plan (Services) and Cost

9.1 Considered Services

The lack of sufficient services provided for operating environments has been pointed out as a factor that makes it difficult for Japanese SMEs to expand into Vietnam. Similar studies revealed a definite desire for services, particularly from companies that have recently expanded into Vietnam.

To meet these needs, the following services were considered.

9.1.1 Expansion Assistance Services (Services for Permits, Approvals and Procedures)

The biggest obstacles against Japanese SMEs expanding into Vietnam are systems unique to Vietnam and the Vietnamese language. Many SMEs find it difficult enough to communicate in English let alone Vietnamese, and this is a major reason why SMEs in particular are hesitant to expand into Vietnam.

To overcome these obstacles, expansion assistance services will be provided in Japanese to SMEs seeking to expand into Vietnam. These services range from consulting services for expanding into foreign countries to assistance with acquiring investment development permission, building permits and fire permits, and with EIA documents and operation.

(1) Specific Details, Sales Points and Other Information about Services

The table below is the envisioned main menu of expansion assistance services, provided so that Japanese SMEs can receive all services in Japanese in one place.

Table 9-1: Main Menu of Expansion Assistance Services

Service menu	Details	Executing agency	Estimated cost
1 Overseas expansion consulting services	・Preliminary consultation in Japan ・Assistance with creating project plans ・Local inspection services ・Business matching	・SPC ・Expansion assistance consulting companies	・Vinh Phuc Province offers incentives for preliminary consultations.
2 Investment development permission acquisition services	・Investment certificate acquisition ・Company seal/tax code acquisition ・Land-use rights certificate acquisition	・SPC ・Expansion assistance consulting companies	・500,000 to 800,000 JPY per case ・Vinh Phuc Province offers incentives for fee assistance.
3 Building permit acquisition services	・Construction applications, building permits * Includes utility permits	・Specialized consulting companies ・Construction companies	・10,000,0000 VND per case (approx. 473 USD per case)
4 Fire permit acquisition services	・Fire applications, fire permits	・Specialized consulting companies ・Construction companies	・20,000,000 VND per case (approx. 946 USD per case)

Service menu	Details	Executing agency	Estimated cost
5 EIA document assistance services	・EIA report creation assistance ・Environmental applications, environmental permits	・Specialized consulting companies ・Construction companies	・120,000,000 VND per case (approx. 5,676 USD per case)
6 Moving preparation assistance services	・Activity announcements ・Work permit acquisition ・Temporary visa/working visa acquisition ・Wage schedule registration ・Compulsory insurance declaration/payment ・Employment regulation registration ・Introduction to workers ・Vocational training assistance ・EPE acquisition	・SPC ・Expansion assistance consulting companies ・Accounting offices, etc. ・Vocational schools	・Work permit acquisition assistance is about 100,000 JPY per person ・Vinh Phuc Province offers incentives for vocational training assistance.

(Prepared by the study team)

The table below shows the results of a comparison of prices for providing expansion assistance services. The market price for each acquisition of an investment certificate, including the acquisition of a company seal, tax code, etc., is thought to be approximately 5,000 USD. The market price for the acquisition of a work permit for each person is thought to be approximately 100,000 JPY. Thus, setting the price of providing investment development permission acquisition services within a range between 500,000 JPY and 800,000 JPY per company, and the acquisition of work permits at 100,000 JPY per person as well as having SPC or expansion assistance consulting companies provide the services are considered appropriate for the Project. However, services for acquisitions of investment certificates and work permits are highly required by SMEs. Therefore, in the Project, it is thought to be appropriate that SPC should provide these services to companies at no charge or for a fee close to actual costs as basic services.

For the acquisition of building permits and fire permits and for assistance with EIA documents, associations will be formed with specialized consulting companies, construction companies, etc. to provide services according to Vinh Phuc Province's base prices for providing services.

Table 9-2：Comparison of Prices for Providing Expansion Assistance Services

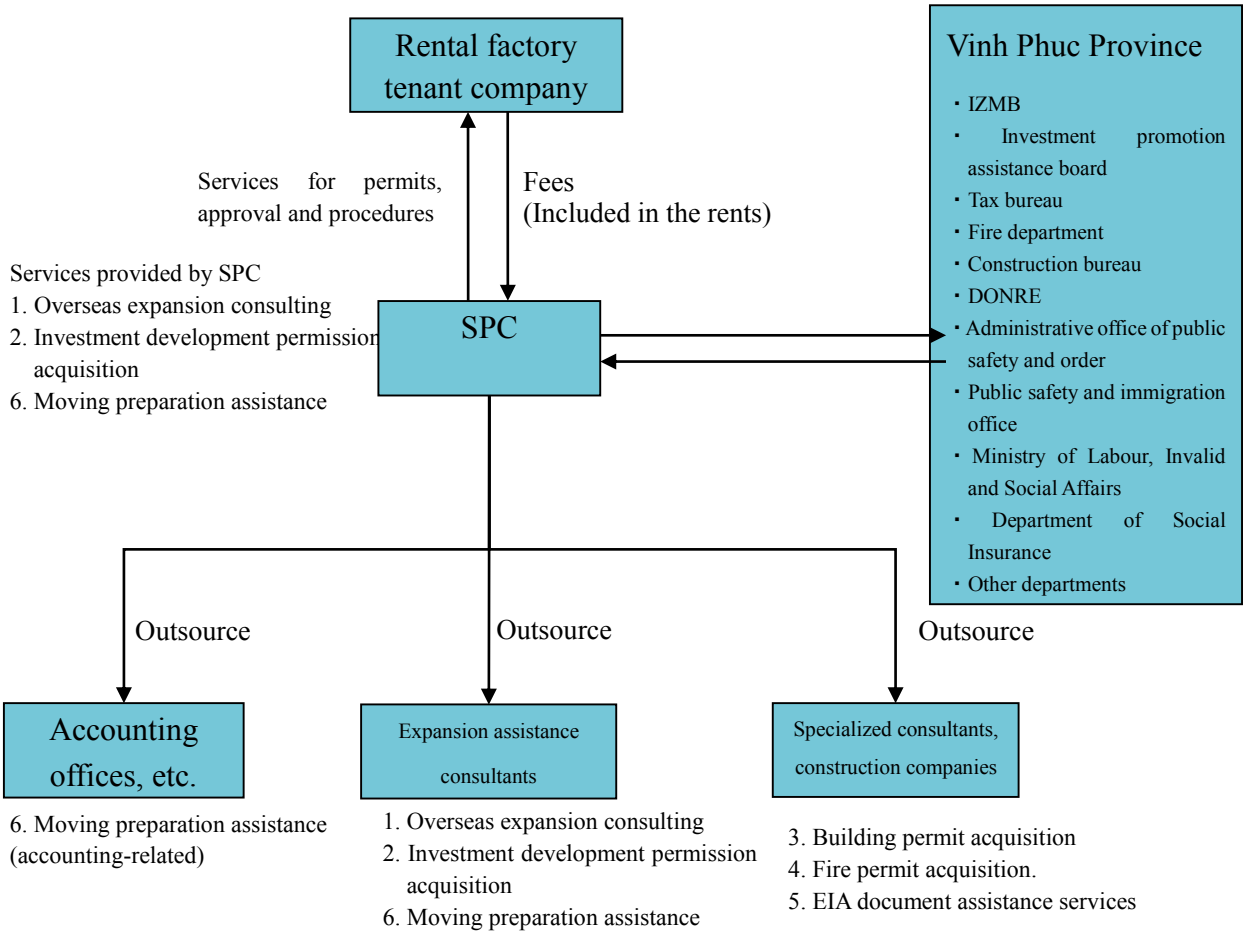
Case study/information source	Included services	Price of provided services
Interview with Company B (Vietnam market prices)	1) Permit, approval and procedure document creation	1) Approx. 5,000 USD per case
Interview with Company V	1) Investment certificate acquisition, company seal/tax code acquisition, company establishment announcement, bank account opening 2) Work permit acquisition	1) Approx. 500,000 to 800,000 JPY per case 2) Approx. 100,000 JPY per person
Company G documents	1) Investment certificate acquisition, company seal/tax code acquisition 2) Work permit acquisition	1) Approx. 4,720 USD per case 2) Approx. 944 USD per case
Vina CPK offer price	1) Permit and approval acquisition assistance	1) Approx. 5,000 USD per case
Vinh Phuc Province Base price for providing services	1) Investment certificate acquisition (investment certificate issuance, company seal/tax code, company establishment announcement 2) Building permit acquisition 3) Fire permit acquisition 4) EIA document creation 5) Work permit acquisition	1) 4,999 USD per case 2) 473 USD per case 3) 946 USD per case 4) 5,676 USD per case 5) 71 USD per case
The Project	1) Investment development permission acquisition 2) Work permit acquisition	1) Approx. 500,000 to 800,000 JPY per case 2) Approx. 100,000 JPY per person

(Prepared by the study team based on interviews, documents obtained in the local area, various pamphlets, etc.)

(2) Implementation System

Expansion assistance services are integrated with industrial park operation, thus SPC itself will provide them during the Project. However, outsourcing the part of operations that requires advanced expertise reduces the risk of SPC.

The current vision for providing these services to tenant companies is for the accounting part of moving preparation assistance to be outsourced to experienced accounting offices, and for overseas expansion consulting and investment development permission acquisition to be outsourced to Operation Company V, which is to invest in SPC, and Vina CPK.



(Prepared by the study team)

Figure 9-1: Implementation System for Expansion Assistance Services

(3) Scale of Implementation, Phased Plan (Scale in the Initial Phase, etc.)

Expansion assistance services are absolutely necessary for some companies expanding into Vietnam and should be provided from the start of operations regardless of the profitability of the services themselves.

It is important for these companies to become very familiar with systems in Vinh Phuc Province and to build associations with relevant institutions there.

(4) Project Projections (Revenue, Costs, Fees, etc.)

Services will be provided to companies expanding into Vietnam either at no charge or for a fee close to actual costs. However, fees will be charged for the content of services provided for building permits, fire permits, EIA documents, etc. that differ for each company. These fees will result in a reasonable profit for consultants' work based on estimates (personnel costs and indirect costs).

(5) Challenges for Implementation, etc.

Amassing know-how in Vinh Phuc Province by strengthening associations with the province IZMB and Department of Planning and Investment is a challenge.

9.1.2 Operational Assistance Services after Expansion into Vietnam

(1) Specific Details, Sales Points and Other Information about Services

The table below describes the employment, accounting, legal and other operational assistance services to be provided to tenant companies. SMEs have such a great need for these services that the services are a major factor in their decision of whether or not to expand into Vietnam. Therefore, operational assistance services absolutely must be provided and also promoted as a sales point of the Project.

Table 9-3: Main Menu of Operational Assistance Services After Expansion into Vietnam

Service	Major details	Notes
Employment	・Wage calculation, social insurance work ・Providing continuous education and training opportunities	
Accounting	・Accounting work ・Financial statement preparation (closing) ・Accounting audit assistance ・Assistance with tax affairs	The work does not include account auditing
Legal	・Assistance related to Vietnamese law	
Other	・Environmental assistance (environmental report creation, etc.)	Depending on the type of industry and wastewater situation, companies must regularly create environmental reports and submit them to the government.
	・Assistance with securing a workforce	(See 11.1)
	・Introduction of possible tie-up partner companies	Introduction of local affiliated companies
	・Business matching assistance	Finding and introducing companies to purchase from, sell to, etc.

(Prepared by the study team based on the results of field surveys)

The table below is a comparison of prices for providing operational assistance services after expansion into Vietnam. Prices depend heavily on which services are included, but the market price for accounting services is thought to be between 500 and 1,000 USD per month, thus 600 to 1,000 USD per month is a competitive price for the employment, accounting, legal and other services provided under the Project.

Table 9-4：Comparison of Prices for Providing Operational Assistance Services After Expansion into Vietnam

Case study/information source	Included services	Price of provided services
Interview with Company B (Vietnam market prices)	Accounting	500 to 1,000 USD/month
Interview with Company V (has experience providing services in Vietnam)	Accounting, employment, etc.	600 USD/month
Company G documents	1) Financial statement preparation 2) Chief accountant services 3) Ledger, tax declaration	1) Approx. 590 USD/month 2) Approx. 1,416 USD/month 3) 300 USD/month
Vie-Pan Techno Park (publicized documents)	Human resources/general administration, accounting, importing/exporting, etc.	5 USD/m^2/month *10 USD/m^2/month including rents *2,500 USD/month for 500 m^2
The Project	Employment, accounting, legal, etc. (See Table 9-2)	600 to 1,000/month

(Prepared by the study team based on interviews, various pamphlets, etc.)

(2) Implementation System

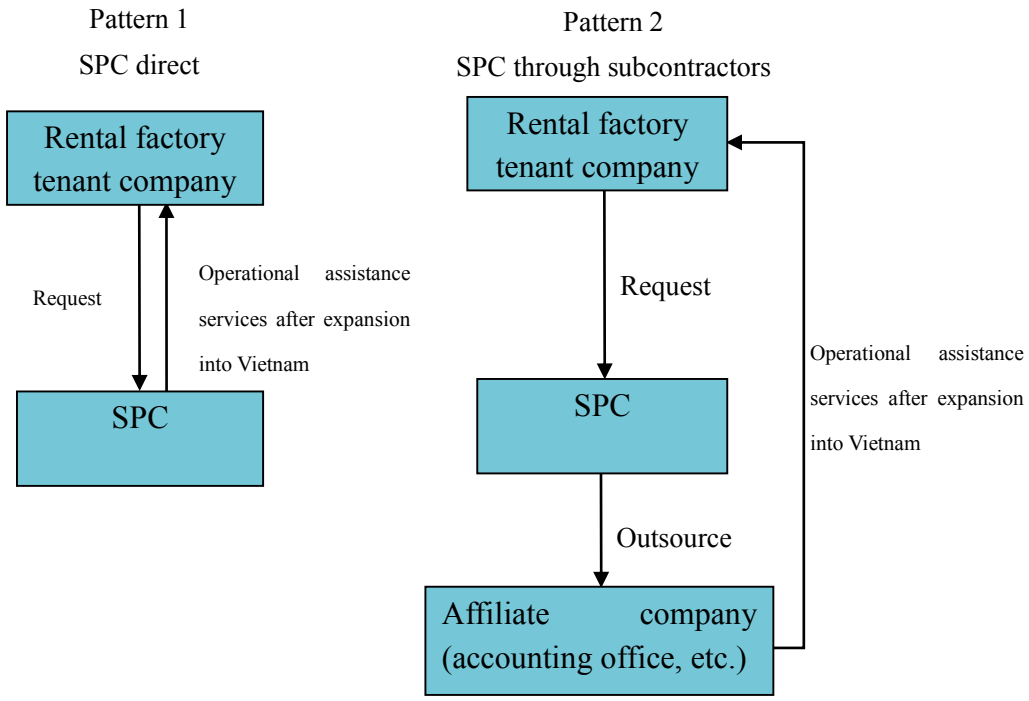
The implementation system for these services will fall into one of two patterns: either SPC provides services directly (Pattern 1) or through subcontractors (Pattern 2). Pattern 2 will be used because each operational assistance service requires advanced expertise, and permits and approval are required to provide services, and because a certain volume is required for SPC to provide services directly.

1) Pattern 1: SPC Provides Services Directly

SPC receives requests from tenant companies and provide services to them.

2) Pattern 2: SPC Provides Services through Subcontractors

SPC outsources service work to affiliate companies and provide services to tenant companies as a package. **Note that some staff members of affiliate companies are permanently stationed within SPC.**



(Prepared by the study team)

Figure 9-2: Pattern for Providing Operational Assistance Services after Expansion into Vietnam

(3) Scale of Implementation, Phased Plan (Scale in the Initial Phase, etc.)

These services are additional services that should be provided from Phase 1 on.

(4) Project Projections (Revenue, Costs, Fees, etc.)

Breaking away from the SPC's main project as to avoid impact on the main project, and SPC will generate revenue from part of the fees they collect as proxies.

Other services will be provided at the request of tenant companies. Each request will be answered with an estimate.

(5) Challenges for Implementation, etc.

If operational assistance services after expansion into Vietnam can achieve the projected profitability, they can provide numerous benefits to both SPC and tenant companies. Below are the advantages and disadvantages of operational assistance services.

1) Advantages

・Tenant companies can receive services promptly
・SPC can gain know-how to utilize for further development

2) Disadvantages

・SPC would lose money due to lack of volume
・SPC providing services directly will have difficulty handling demand fluctuation risk
・Tenant companies will not gain know-how in Vietnam

9.1.3 Meal Services

(1) Meal Service Situation in Vietnam

Factories in industrial parks in Vietnam generally feature cafeterias for providing meals to employees. Companies bear the entire cost of the food; employees do not pay for the food.

The meals have such a major impact on the employment of local people that they are next to wages in terms of their effect on hiring and turnover. Workers have transferred to companies with the best meals and even organized strikes over dissatisfaction with meals.

Behind these circumstances is the fact that the lunch a worker eats at the factory plays a critical role in his or her nutrition as the biggest meal he or she eats all day.

(2) Ways of Providing Meals

Large factories at which 500 or more people are employed generally feature an on-site employee cafeteria and kitchen that provides food cooked in the local style. Some small and medium-sized factories also employ this approach, but others have only a cafeteria and arrange for the delivery of lunches prepared offsite. Note that the Japanese approach of having central kitchens and meal preparation centers has not yet taken hold in Vietnam.

(3) Price of Providing Meals

The average price of providing meals is approximately 15,000 to 17,000 VND per meal in Southern Vietnam and 18,000 to 20,000 VND in Northern Vietnam, and is rising approximately 10% per year in conjunction with cost-of-living increases in Vietnam.

(4) Permits and Approval Required for Meal Services

Food safety and hygiene certification from the Vietnamese Food Safety Administration is required for providing meal services. Each cafeteria requires its own certification, and all companies to which meal preparation is outsourced must acquire the certification as well.

Note that the certification is the only permit or approval required for cafeteria operations.

In addition, a phytosanitary certificate issued by the Vietnamese Department of Phytosanitation is required when purchasing 50 or more kilograms of meat.

(5) Meal Service Industry in Vietnam

Some companies provide meals on their own, but most outsource the work to meal preparation companies. The Brother Plant in Hai Duong Province and Cholimex (acquired by Nichirei) near Ho Chi Minh City are examples of companies that do the work on their own. Cholimex provided meals to employees when it was a state-run company and has continued to do so since it were privatized. Brother outsourced the work to a private company until 2012 and switched to doing the work itself when private meal preparation companies could no longer met their meal service needs.

Hoa Mai is the largest meal preparation company in Vietnam, and it provides meals under a brand called Kizuna. Hoa Mai operates in Southern Vietnam and provides about 200,000 meals per day, far and away above any other company. Though their brand is called Kizuna, they are not owned by any Japanese entity.

As for involvement by Japanese companies, major Japanese meal preparation company Shidax owns 35% of Galaxy Shidax, and Green House, another major Japanese meal preparation company, owns 50% of Green Goco. Galaxy Shidax earned permission to invest in March 2013 and is currently operating with headquarters in Ho Chi Minh, Hanoi and Hai Phong. The company provides about 54,000 meals per day as well as services in association with industrial parks to be explained later, mechanized cooking using steam convection, which is a rarity in Vietnam, and other advanced services befitting a Japanese company.

Green Goco is another meal preparation company partly owned by a Japanese company. Green House, a major Japanese meal preparation company, and Goco Vina, a medium-sized Vietnamese meal preparation company, each own a 50% stake in Green Goco. The joint-venture company received a business permit in July 2013, and its headquarters is located in Northern Bac Ninh Province. It started actual meal preparation operations in April 2014.

Increasing expansion into Northern Vietnam by South Korean companies, namely Samsung Electronics, has increased the power of South Korean companies Foseca and CJ Fresh way.

Other companies with foreign investment include Dussmann (German) and ADEN (French), both of which were operating in Vietnam prior to that country joining WTO. Dussmann began as a laundry cleaning company while ADEN was originally an office cleaning company, and now both receive a lot of outsourced business in addition to meal preparation work.

There are many medium-sized meal preparation companies in Vietnam whose areas are limited to approximately 20,000 to 30,000 meals per day. Major meal preparation companies will probably take over more and more of the market as competition becomes fiercer and modernization progresses.

(6) Envisioned Meal Service Support at Project Rental Factories

The standard for rental factories in this industrial park is eight 300-m^2 buildings per lot, and many small factories are expected as tenants. It costs a lot for each small tenant company to have its own kitchen and provide meals. One solution is to build a meal preparation center on-site and send meals from the center to each tenant company.

Models of this solution exist in Vietnam. Thang Long 2 Industrial Park in Hung Yen Province in Northern Vietnam delivers meals from the cafeteria in the administrative building to factories that want them. An employee cafeteria was built at the rear of the administrative building at Long Duc Industrial

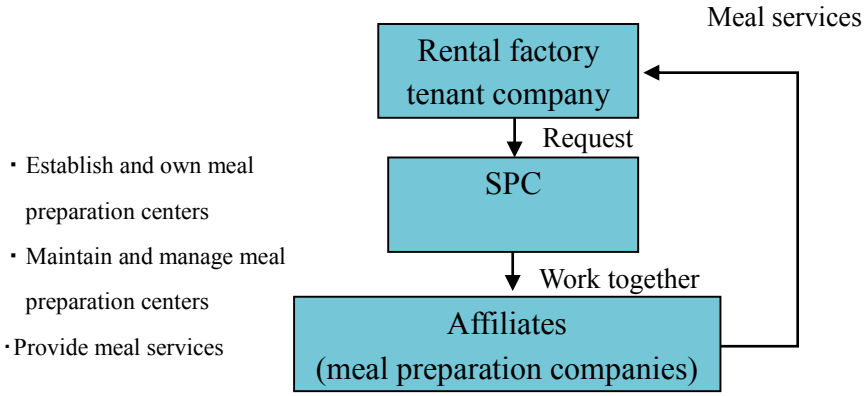
Park in Dong Nai Province on the outskirts of Ho Chi Minh City, and that cafeteria serves meals to employees in the administrative building but also delivers meals to nearby factories. Long Duc Industrial Park also works with Galaxy Shidax to provide meals all at once to tenant companies in an effort to reduce the cost to the general affairs departments of each company.

One way to build and operate a meal preparation center is to establish an SPC for providing meal services. For the Project, the BOO method of putting an SPC in charge of everything from meal preparation center design, construction, maintenance and management to taking responsibility of each company's meals and delivering them to each company can also result in improved profitability for the SPC as well. Establishing SPC to operate meal preparation centers is a well-known practice in Japan.

However, it will be difficult to make a profit due to the small scale of the Project, which targets 20 hectares and approximately 100 SMEs. The target would likely have to be expanded to include all of Ba Thien 2 Industrial Park and nearby industrial parks within 30 minutes, which is close enough to maintain food safety.

(7) Implementation System

An implementation system in which SPC works together with meal preparation companies that are affiliates is envisioned. The meal preparation companies will establish, own and maintain meal preparation centers and provide meal services to tenant companies.



(Prepared by the study team)

Figure 9-3: Implementation System for Food Services

(8) Project Prospects (Revenue, Costs, Fees, etc.)

A project simulation was implemented in order to fully understand project prospects if meal services are provided.

1) Service Fees

Set at the maximum price for small-scale factories in Northern Vietnam of 150 JPY per meal multiplied by the number of meals (the approximate number of employees).

2) Service Conditions

Service conditions are as follows.

・Establish a meal preparation center and deliver the meals made there to each company
・Delivery only; no arrangement, heating or processing at each company

3) Demand and Sales with the Cook Service Method (only at Room Temperature; No Refrigerating or Freezing)

As shown on the table below, the number of factory operating days was set at 26 per month, the number of companies at 140 and the number of employees per company at 15. Using these figures, the cost of meal services was estimated to be about 820,000 JPY per month.

Table 9-5: Monthly Food Service Sales

Factory operation days	26/month
Meal price	150 JPY
Number of companies	140
Employees per company	15
Monthly sales	8,190,000 JPY

(Prepared by the study team)

4) Costs

Initial investment costs for real estate, facilities and other items in the course of establishing meal services total about 240 million JPY, with five-year depreciation costs set at 63 million JPY per year and maintenance and operation costs (including interest payments, etc.) set at 3.5 million JPY per month.

5) Project Income and Expenditures

The project simulation run based on these prerequisites revealed that the Project would lose a significant amount of money (8.99 million JPY per month). Thus, it is likely difficult to include meal services in the Project under these conditions, and measures must be taken to improve them so that they can be included in Project implementation.

(9) Challenges for Implementation

1) Expanding Delivery Area

For this simulation, the number of employees per SME was set at 15 and the number of companies at 140, resulting in meal services for a total of 2,100 people. However, this total is probably too small if a meal preparation center is to be used. Since Ba Thien 1 Industrial Park and Ba Thien 2 Industrial Park are located nearby, one way to increase the total is to target a delivery area larger than the rental factories alone – an area of up to 30 minutes from the center, which is close enough to maintain food safety. Profitability of the project should improve if the center is able to secure orders for approximately 12,000 to 14,000 meals per day.

2) Optimizing the Implementation System

The Project will post significant losses, but if depreciation and maintenance costs of 8,750,000 JPY are excluded, the Project loses only 240,000 JPY per month, which is approximately the break-even point of meal preparation companies. Thus, it could be practical to provide meal services if the industrial park management company covers the building and maintenance of the meal preparation center and affiliated meal preparation companies cover the operation of the center. In addition, it is conceivable that local companies provide meal services to tenant companies, and SPC supervises and instructs the local companies as necessary as a way to reach the total of approximately 12,000 to 14,000 meals per day described above.

9.1.4 Vehicle Services

(1) Envisioned Vehicle Services

The table below shows the envisioned vehicles service to be provided to rental factories.

Table 9-6：Envisioned Vehicle Services

Service	Overview
(1) Courtesy cars for company presidents and other directors	Resident directors of non-Vietnamese companies and Vietnamese directors of Vietnamese companies will use these cars. There is a major gap between rich and poor in Vietnam; many Vietnamese companies own cars and many people employ drivers. These cars will be used for commuting to work as well as for family or personal matters such as shopping or transporting children.
(2) Courtesy cars for resident employees	It is common for even general-level resident employees to be transported by drivers in courtesy cars. This is because many companies are reluctant to bear the risk of accidents if they make resident employees drive themselves. In many cases, multiple employees ride in the same car together. There is no distinction between these cars or those for company presidents and other directors; many companies transport general-level resident employees in the same cars they use for Vietnamese company presidents.
(3) Courtesy buses for local staff	Securing a workforce is a common challenge at industrial parks because companies within the parks are competing for the same people. Some companies send buses to communities far removed from industrial parks. SMEs that are the target of the Project would incur significant costs to provide their own company's bus for transporting employees to and from work. By sharing a bus with other companies from the same industrial park, SMEs can hire the best people from remote communities.

Service	Overview
(4) Buses and passenger cars for business travelers and inspection parties	Hosting business travelers from Japanese headquarters and customer audits is the duty of resident employees. SMEs have few employees and are busy with the actual audits and other reasons for those visits, and they often do not have time to arrange transportation for visitors. Subcontracting this spot work can reduce the workload on companies that expand into Vietnam. While a single company may have several of these visits per year, combining all companies in an industrial park is advantageous to companies expanding into Vietnam since it can improve cost performance by boosting the frequency and efficiency of the use of these vehicles.

(Prepared by the study team)

(2) Differences between Japanese and Vietnamese Vehicle Services

The table below shows differences between Japanese and Vietnamese vehicle services. Risks to companies expanding into Vietnam are low because, unlike in Japan, vehicle service companies in Vietnam own the vehicles.

Table 9-7：Differences Between Japanese and Vietnamese Vehicles Services

	Vietnam	Japan
Vehicle ownership	Not owned by the requesting company Companies request cars from vehicle service companies *Among wealthy Vietnamese, some cars are owned by the requesting company or individually	Owned by the requesting company
Accident liability	Requesting company *Handled through insurance purchased in advance. Vehicle service companies act as intermediaries for insurance procedures, etc. *Clients are responsible for amounts not covered by insurance	Vehicle service companies

(Prepared by the study team)

(3) Price of Vehicle Services

As explained above the table, vehicle service companies own vehicles in a majority of cases, and in most cases requesting companies are billed a monthly amount that includes items such as the price of renting the vehicle and personnel costs for drivers. The main costs included in the monthly amounts are the price of renting the vehicle, fuel costs, insurance costs, labor expenses (drivers), management fees and vehicle service company profits. Invoices often include a separate charge for transportation fees.

As shown on the table below, Japanese vehicle services cost nearly twice what Vietnamese vehicle services cost. The monthly amount for these services for the Project is 150,000 JPY per month. The profit margin is projected to be approximately 10%.

Table 9-8：Prices by Type of Company

Company		Monthly cost	Insurance	Notes
Japanese	Logitem Vietnam	About 200,000 JPY	Passenger insurance: about 23.25 million JPY/seat Other: Bodily injury and property insurance	・All drivers can speak simple English ・Maximum insurance coverage allowed under Vietnamese law is used

Company		Monthly cost	Insurance	Notes
Local Vietnamese	Southern Company	About 132,000 JPY	Passenger insurance: about 810,000 JPY/seat	・All drivers can speak simple English
Individual contract	Individual contract drivers	About 126,000 JPY	Passenger insurance: about 1.05 million JPY/seat	・Proficient in English Interview drivers who have set out on their own after working for Logitem Vietnam.

(Prepared by the study team)

(4) Vehicle Service Companies in Vietnam

Logitem Vietnam is the only Japanese company that has a license to charter vehicles (rental cars with drivers). The company's main business in Japan is logistics, but chartering vehicles in Vietnam is a major part of their business. Logitem Vietnam gives its employees language and etiquette training and touts its quality service to maintain a healthy share of the market for non-Vietnamese companies (namely Japanese companies) despite costing nearly twice the cost of local companies' services. The company operates throughout all of Vietnam and can serve Ba Thien 2 Industrial Park as well. The other vehicle service companies are local Vietnamese companies.

(5) Viability of Vehicle Services in Vietnam

Since there is already a Japanese company that touts language and etiquette training for drivers to capture demand from non-Vietnamese companies despite charging nearly twice the price of local companies, a vehicle service company that can provide comprehensive services at a high level including education, insurance and after-care services to Ba Thien 2 Industrial Park should be profitable.

9.1.5 IT Services

This study examined aspects of IT services needed for Internet connectivity, etc. by Japanese SMEs (tenants) in rental factories, including the potential to provide all services in Japanese in one place, service details, implementation systems and project prospects.

(1) Specific Details, Sales Points and Other Information about Provided Services

1) Investigation Targets

- This study investigated the IT services needed by tenants of rental factories for a basic Internet-connected environment (information systems).
- This study did not investigate unique information systems of specific tenants.
- Ba Thien 2 Industrial Park is connected to the Internet via a fiber-optic line owned by VNPT, a telecommunications company owned by the Vietnamese government. Because the line is available to tenants, the study did not investigate selection of a telecommunications provider or installation of a connection to rental factories from the outside.

・ The figure below shows the IT services investigated by this study, as well as the configuration of components in the information system.

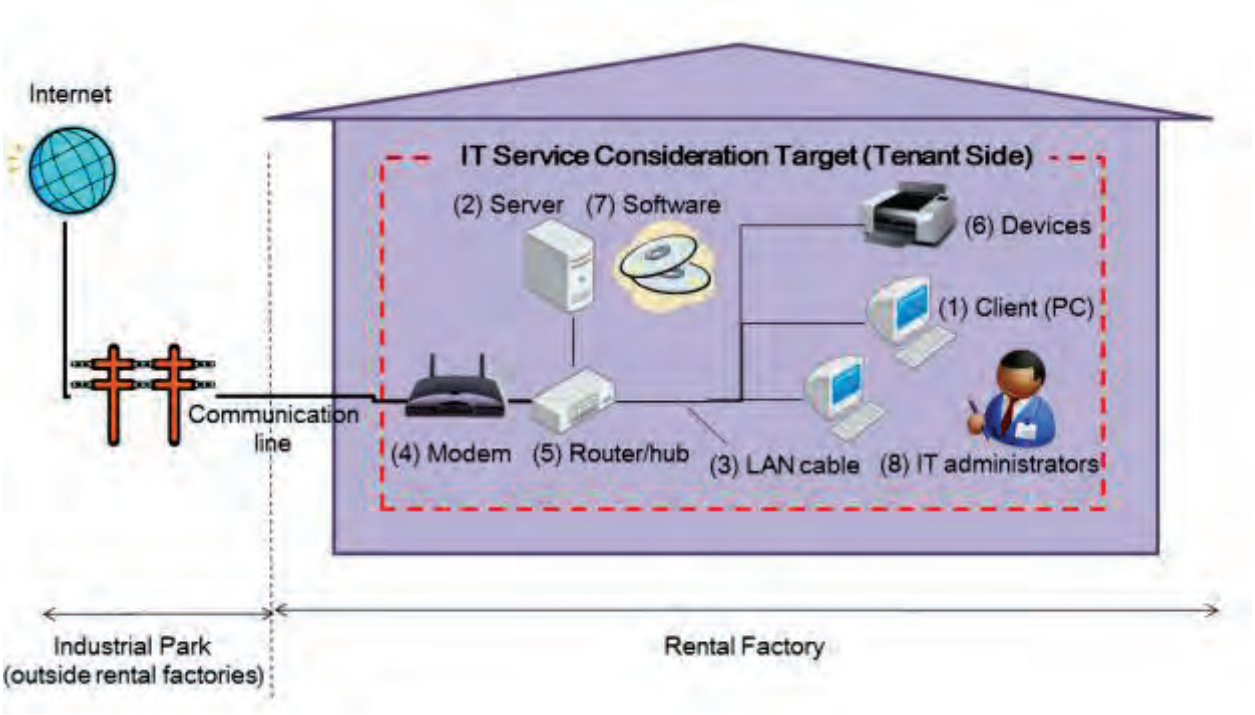


Figure 9-4: IT Services Investigated by the Study

Table 9-9：Information System Configuration

Component	Description
Client (PC)	Computers used by employees for work
Server	Computer that provides clients with various programs and data
LAN cable	Network cables that connect clients to a server and other devices. Sometimes a wireless LAN is used instead.
Modem	A device that formats data for transmission between a LAN and the Internet. A modem is used for ADSL connections, while a fiber-media converter is used for fiber-optic connections.
Router/hub	A device used to connect LANs to the Internet or each other. A router assigns unique private IP addresses to each client and server in a LAN.
Devices	Printers, photocopiers, and other networked devices
Software	Basic software like Windows and essential packaged enterprise software
IT administrators	Staff in charge of IT for tenants in rental factories

(Prepared by the study team)

2) IT Service Needs

A survey was conducted to determine the IT service needs of rental factory tenants. The survey was conducted via face-to-face interviews with representatives of Japanese companies that had already expanded into Vietnam. The table below shows needs described by each company as well as a summary of responses.

Table 9-10：IT Service Needs and Summary of Interview Responses

Needs	Summary of responses
IT operational support	As the industrial park management company provides no support for internal IT systems, tenants handle it themselves. Japanese-speaking Vietnamese staff members run the IT systems.
	Vietnamese staff members run the IT systems. High personnel costs make it difficult to employ Japanese IT personnel. Some maintenance is outsourced to local companies.
Faster connections and quicker response to downtimes	Some maintenance is outsourced to local companies, but slow connection speeds and frequent system failures are disappointing. A Japanese company would be preferable.
	Tenants need better Internet connectivity. The speeds are slow and the network often goes down. It sometimes takes more than half a day to restore the connection, affecting operations.
Support for physical maintenance of internal LAN	Tenants outsourced the re-installation of LAN cabling during factory renovation to a Japanese interior construction company.
Software	Tenants use payroll-management software, and although it has been proposed that they switch to a cloud-based service, they have not done so because current connection speeds would make it difficult to use.

(Prepared by the study team)

3) IT Service Menu and Details

The table below shows a menu of IT services that would fulfill the needs listed above. This menu is based on an interview with an IT vendor near Hanoi with relevant experience and the ability to provide support in Japanese.

Table 9-11：IT Service Menu and Details, and the Needs Fulfilled by Each Service

Service menu	Details	Needs fulfilled
(a) IT consulting service	・Consultation by phone or e-mail ・Application by proxy for Internet/phone lines ・Registration and management of domain names, etc.	Support for IT operations
(b) IT operation and maintenance service	・ Operational and maintenance support by IT personnel (IT personnel in rental factories around the clock)	Improvements to connection speed, quick response to network problems
(c) Network quality control service	・ High-speed fiber-optic connections in rental factories	
(d) IT environment setup service	・ Install in-factory LANs and telephone networks (including setting up computers, servers, routers, and other network devices, and photocopiers and fax machines) ・Phone/TV conferencing system ・Setup of security systems, etc.	Support for installation of a company LAN
(e) IT device rental service	・Provide IT devices used for (d) via renting, rather than sale	
(f) Software sale/cloud service	Provide the services below via sale of software or on the cloud: ・Groupware ・Accounting, payroll system ・Server hosting, etc.	Provision of software

(Prepared by the study team)

(2) Information and Telecommunications Legislation Pertaining to Foreign Investment

The following are legal instruments pertaining to use of IT services:

- Law on Information Technology, No. 67/2006/QH1, June 29, 2006
- Law on Electronic Transactions, No. 52/2005/QH11, November 29, 2005
- Law on High Technologies, No. 21/2008/QH12, November 13, 2008
- Law on Investment, No. 59/2005/QH11, November 29, 2005
- Law on Value-Added Tax, No. 13/2008/QH1, June 3, 2008
- Law on Enterprise Income Tax, No. 32/2013/QH13, June 19, 2013
- Decision No. 49/2010/QĐ-TTg dated July 29, 2010 of the Prime Minister approving the list of high technologies prioritized for development investment and the list of hi-tech products eligible for development promotion
- Decision No. 15/2007/QĐ-BBCVT dated June 15, 2007 of the Ministry of Post and Telecommunications approving the planning on information technology and communication development in the Northern key economic region to 2010 and orientations towards 2020
- Information and telecommunications development plan of Vinh Phuc Province through 2010, with a vision toward 2030
- Government decree No. 54/2013/NĐ-CP dated November 8, 2013, regulating information and telecommunication systems in industrial parks

This study did not find any particular restrictions on foreign investment in the area of IT services other than the following points:

- In order to sell software and cloud services and rent IT devices, permission must be obtained from the regulating agencies for each type of item being sold, which takes some time.
- These cloud services may be subject to restrictions.

(3) Implementation System

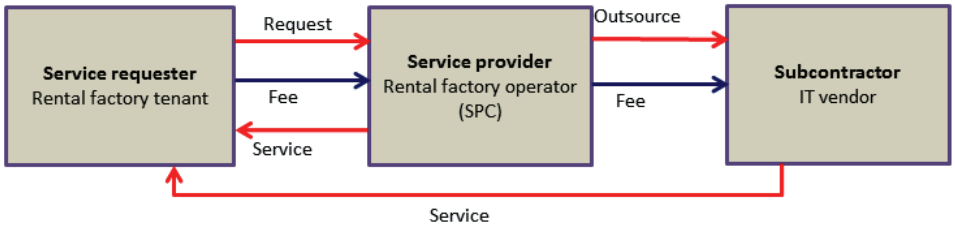
1) Envisioned Scenarios

There are two conceivable methods of providing IT services: either SPC provides them directly, or they introduce another company to provide them. In the latter case, there are again two possible options: SPC provides some services as subcontractors, or SPC acts only as intermediaries for service requests. The chart below shows these three scenarios.

This investigation of implementation systems assumes the following:

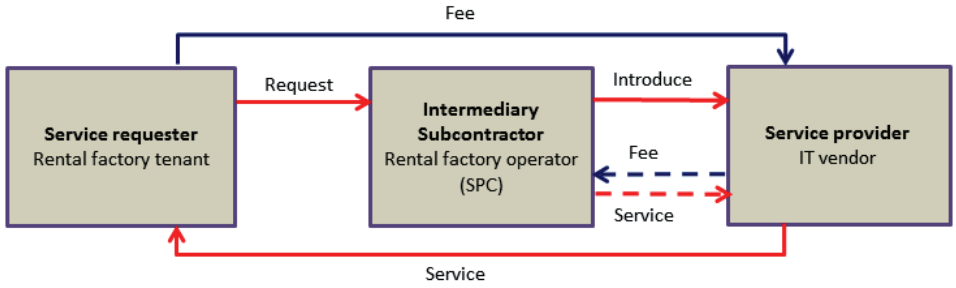
- Use of these services will be available to tenants of the rental factories.
- SPC can obtain the necessary licenses to perform these services.
- None of the companies planning to form SPC are able to provide these services at Ba Thien 2 Industrial Park. Thus, assistance will be needed from IT vendors or other companies capable of providing these services, especially in the early stages of the Project.

① SPC Provides Service Directly

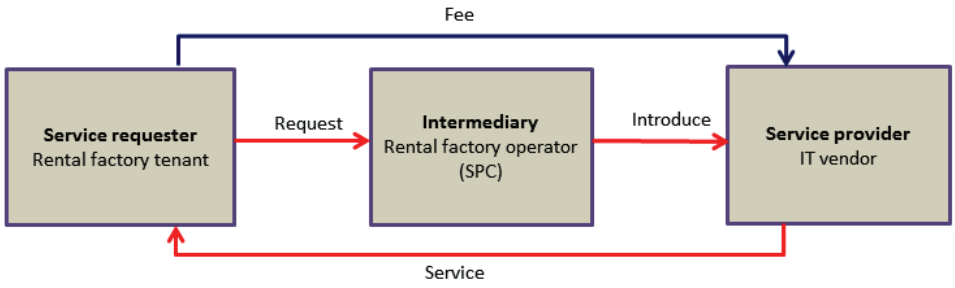


② SPC Introduces Other Companies to Provide Services

(a) SPC Provides Some Services as Subcontractors



(b) SPC Only Acts as Intermediaries for Service Requests



(Prepared by the study team)

Figure 9-5: Implementation System for IT Services

2) Commentary

When examining similar projects, this study found that companies operating an industrial park or rental factories generally did not provide IT services, or only did so with an SPC as an intermediary as in Pattern (2b). One exception is the Kizuna rental factory; however, Kizuna itself employed IT specialists to perform services related to Internet and telephone connectivity. The absence of any case in which an SPC provides IT services directly, as in Pattern (1) above, is mainly due to the following reasons.

- Service fees paid by tenants are insufficient to cover the costs.
- Operators cannot outcompete other IT service providers in terms of pricing.
- Operators see it as advantageous to have an IT service provider as a tenant.

None of the companies planning to form SPC can provide the IT services needed at Ba Thien 2 Industrial Park. Therefore, Pattern (1) (SPC provides services directly) is not realistic from the perspective of the project budget, as is confirmed by past examination of similar projects.

On the other hand, the following comments, recorded during interviews with IT vendors, show what vendors need in terms of an implementation system:

- They would prefer SPC representatives to be present during meetings with tenants.
- Collection of service fees can be complex, and they would prefer for SPC to do it.
- It would be best to lump together the fees for IT services common to all tenants into a single administration fee, collected by SPC.

The study confirmed that IT vendors expect SPC to perform certain functions related to the provision of services. By performing these functions, SPC could assist IT vendors and not only gain new sources of revenue, but also provide IT services that better meet tenants' requirements. The implementation system should therefore take into account the needs of IT vendors.

Consequently, this study finds that Pattern (2a), in which SPC introduces other companies to provide the services and perform some services as subcontractors, is the most appropriate implementation system.

(4) Scale of Implementation, Phased Plan (Scale in the Initial Phase, etc.)

1) Projected Demand in the Initial Phase

For a private contractor to provide IT services, there must be a minimum level of demand. In this service, there are service menus which presuppose a fixed number and scale of tenants. Table 11-4: Phased Development Plan shows the zoned development plan of rental factories into which tenants will move. Based on that plan, the table below shows the projected number of tenants in each year.

Note that these projections assume tenants will move into approximately 90% of the development zones (rounded off after the decimal point) upon completion of construction, and each tenant will continue to occupy the factories for the duration of the project period. The tenants are expected to employ an average of 15 people each, and comprise manufacturers of parts for automobiles, other four-wheeled vehicles, and electronics.

Table 9-12：Projected Number of Tenants

FY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
New	13	7	10	10	10	10	20	20	20	20
Cumulative total	13	20	30	40	50	60	80	100	120	140

(Prepared by the study team)

The number of tenants is expected to increase in stages over a number of years following the start of the Project. In fiscal year 2017, the first year of the project, 13 tenants are projected to move in; only seven are projected to move in the following year.

2) Scale of the Project in the Initial Phase

Interviews were conducted with local IT vendors to confirm their ability to provide IT services in the initial phase based on the results of projected demand described in the previous section. The interviews verified that IT vendors are generally able to provide all specified services starting from when the first tenants moved in. However, the IT vendors may need assistance from the SPC that operate the rental factories to provide certain services from the menu. Below are comments from the IT vendors.

- Vendors will need to make an initial investment and pay fixed costs in order to provide services for IT operation and maintenance and network quality control (listed in the service menu) at Ba Thien 2 Industrial Park. The initial cost will put the vendors into the red from the start.
- One IT vendor said at least 20 tenants are required for them to achieve a profit providing IT operation and maintenance services; and at least 50 tenants are required for network quality control services.
- The IT vendors see advantages in providing tenants with services from the start. Therefore they are generally willing to shoulder the initial investment and fixed costs of providing the services even if it puts them into the red.
- If the initial costs are too great a burden for IT vendors, SPC assistance may be needed. For example, SPC could help in the following ways:
  - -SPC could provide spaces free of charge for the use of IT personnel stationed in the rental factories.
  - -SPC could include services common to all tenants in the contract between SPC and the tenants.

For the following reasons, it should be possible to make all IT services available to tenants from the start.

- IT vendors confirmed that they would generally be able to provide tenants with all the services from the start.
- Even if there is insufficient demand from the start, assistance from SPC has the potential to mitigate the problem.

The necessity and specifics of the form of assistance from SPC will be investigated in the future. Additionally, assistance from SPC is seen as important for the following reasons:

- IT services should be available from the start so that tenants can concentrate on their actual work.
- The rental factories need to have a complete suite of IT services available from the start, for SPC to attract tenants and differentiate the factories from competing facilities.

(5) Project Prospects (Revenue, Costs, Fees, etc.)

The following project simulation for IT services was implemented in order to fully understand prospects for revenue and costs to SPC if they provide these services.

1) Assumptions

① Service Fees

The service fees below were based on interviews with IT vendors.

Table 9-13:IT Service Fees

Service menu	Category	Description	Estimated fee
Basic package for all tenants	-	○IT consulting services ・IT telephone support ・Support for problems with cellular phones, landlines and cellular carriers ○IT operation and maintenance services ・Phone Monday through Friday from 8:30 to 16:30, up to three field service visits per month ・Up to 10 computers ・Up to one basic hub ・Up to one Wi-Fi router ・Up to 20 LAN cables	250 USD/month
(a) IT consulting service	One-time	(1) Application by proxy for cellular phone service	250 USD/time
		(2) Application by proxy for landline/fax service	250 USD/time
		(3) Application by proxy for Internet connection, support with installation	250 USD/time
		(4) E-mail setup, application, domain registration	250 USD/time
	Monthly	(1) Support for problems with Internet connection	250 USD/month
		(2) Support for problems with e-mail services	120 USD/month
(b) IT operation and maintenance service	Technicians	(1) Phone Monday through Friday from 8:30 to 16:30, up to six field service visits per month	250 USD/month
		(2) On-site Vietnamese engineer, Monday through Friday, 8:30-16:30	2,400 USD/month
	Devices	(1) Additional computer	25 USD/unit/month
		(2) Additional basic hub	12 USD/unit/month
		(3) Additional Wi-Fi router	12 USD/unit/month
		(4) 10 additional LAN cables	12 USD/unit/month
		(5) NAS (basic server)	60 USD/unit/month
		(6) Server	250 USD/unit/month
		(7) Router	25 USD/unit/month
		(8) Switch	25 USD/unit/month
		(9) Firewall	25 USD/unit/month
(c) Network quality control service	-	(1) Initial installation of fiber-optic cables	360 USD
		(2) Maintenance of fiber-optic cables	35 USD/month
(d) IT environment setup service	-	Basic setup package Desktop PC x 10, UPS x 10, Hub x 1, Wi-Fi AP1, Wi-Fi router x 1, LAN Cable x 10, MFP (color), basic software (Windows7/8, Office, Virus Scan) x 10	35,000 USD

Service menu	Category	Description	Estimated fee
(e) IT device rental service	-	Basic setup package above	1,200 USD/month (3 year contract)
(f) Software sale/cloud service	-	(1) Groupware (schedule sharing, document sharing, internal memo system)	120 USD/month (3-year contract for this and the three items below.)
		(2) Accounting system (basic specifications)	900 USD/month
		(3) Payroll system (basic specifications)	900 USD/month
		(4) Server hosting (rental) service	300 USD/month

(Prepared by the study team)

② Projected Utilization of Services

Table 9-14 shows the projected utilization of services by each tenant based on interviews with IT vendors. The utilization rate is the percentage of tenants projected to use each service. Tenants are expected to employ an average of 15 people each, and comprise manufacturers of parts for automobiles, other four-wheeled vehicles, and electronics.

Table 9-14：Projected Utilization of IT Services by Each Tenant

Service menu	Category	Description	Estimated fee	Rate of use	Cost per tenant (USD)	
					Initial	Operating (per month)
Basic package for all tenants	-		250 USD/time	80%	0	200
(a) IT consulting service	One-time	(1) Application by proxy for cellular phone service	250 USD/time	80%	200	0
		(2) Application by proxy for landline/fax service	250 USD/time	80%	200	0
		(3) Application by proxy for Internet connection, support with installation	250 USD/time	80%	200	0
		(4) E-mail setup, application, domain registration	250 USD/time	10%	25	0
	Monthly	(1) Support for problems with Internet connection	250 USD/month	10%	0	25
		(2) Support for problems with e-mail services	120 USD/month	10%	0	12
(b) IT operation and maintenance service	Technicians	(1) Phone Monday through Friday from 8:30 to 16:30, up to six field service visits per month	250 USD/month	10%	0	25
		(2) On-site Vietnamese engineer, Monday through Friday, 8:30-16:30	2,400 USD/month	0%	0	0
	Devices	(1) Additional computer	25 USD/unit/month	0%	0	0
		(2) Additional basic hub	12 USD/unit/month	0%	0	0
		(3) Additional Wi-Fi router	12 USD/unit/month	0%	0	0

Service menu	Category	Description	Estimated fee	Rate of use	Cost per tenant (USD)	
					Initial	Operating (per month)
		(4) 10 additional LAN cables	12 USD/unit/month	0%	0	0
		(5) NAS (basic server)	60 USD/unit/month	10%	0	6
		(6) Server	250 USD/unit/month	10%	0	25
		(7) Router	25 USD/unit/month	0%	0	0
		(8) Switch	25 USD/unit/month	10%	0	3
		(9) Firewall	25 USD/unit/month	10%	0	3
(c) Network quality control service	-	(1) Initial installation of fiber-optic cables	360 USD	80%	288	0
		(2) Maintenance of fiber-optic cables	35 USD/month	80%	0	28
(d) IT environment setup service	-	Basic setup package Desktop PC x 10, UPS x 10, Hub x 1, Wi-Fi AP1, Wi-Fi router x 1, LAN Cable x 10, MFP (color), basic software (Windows7/8, Office, Virus Scan) x 10	35,000 USD	10%	3,500	0
(e) IT device rental service	-	Basic setup package above	1,200 USD/month (3 year contract)	10%	0	120
(f) Software sale/cloud service	-	(1) Groupware (schedule sharing, document sharing, internal memo system)	120 USD/month (3-year contract for this and the three items below.)	5%	0	6
		(2) Accounting system (basic specifications)	900 USD/month	5%	0	45
		(3) Payroll system (basic specifications)	900 USD/month	5%	0	45
		(4) Server hosting (rental) service	300 USD/month	5%	0	15
			Total cost per tenant		4,413	557

(Prepared by the study team)

③ Service Implementation System

- The service implementation system will be as described in (2a) from (3) Implementation system.
- The value of services provided by SPC as subcontractors is estimated at 10% of the total fees paid by tenants for IT services.
- SPC will not need to employ IT specialists to provide any services.

④ Demand for Services

Table 9-15 shows the projected number of rental factory tenants. Demand for services during operation is based on the total number of tenants occupying the rental factories in the previous year.

Table 9-15：Projected Demand for IT Services (for project simulation)

FY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Initial	13	7	10	10	10	10	20	20	20	20
Operating	0	13	20	30	40	50	60	80	100	120

(Prepared by the study team)

2) Project Prospects

- Table 9-16 shows projected revenue of SPC.
- Expenses incurred by SPC are not considered, as it is assumed SPC will not need to employ IT specialists; the rental factories will cover the cost from their common budget.

Table 9-16：SPC Revenue from Providing IT Services

(Unit: USD)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Initial	57,369	30,891	44,130	44,130	44,130	44,130	88,260	88,260	88,260	88,260
Operating	0	86,892	133,680	200,520	267,360	334,200	401,040	534,720	668,400	802,080
Total fees for IT services	57,369	117,783	177,810	244,650	311,490	378,330	489,300	622,980	756,660	890,340
Total SPC revenue	5,737	11,778	17,781	24,465	31,149	37,833	48,930	62,298	75,666	89,034

(Prepared by the study team)

(6) Challenges for Implementation, etc.

1) Avoiding Obsolescence of the Service Menu

This service menu was developed in response to the current needs of tenants and includes only services that currently can be provided. The services will not actually start until more than two years from now. IT technology develops very rapidly, so in the future tenants could have different requirements and different services could be available. In the implementation phase as well, the service menu will need to be re-examined in order to provide services that best meet tenants' needs.

2) Optimizing the IT Service Implementation System

In (3) Implementation system, it was found that the optimal method of providing IT services is Pattern (2a) in which SPC introduces other companies to provide the services and perform some services as subcontractors. However, SPC will likely provide some services directly in response to requests from IT vendors as in Pattern (1). For example, SPC may bundle service fees into an administration fee they collect from tenants. The service menu should be re-evaluated as necessary in order to optimize the implementation system.

3) Considering Assistance for IT Vendors at the Start of the Project

In principle, IT vendors will bear the initial investment and fixed costs of providing IT services. However, if the initial costs are too great a burden for IT vendors, SPC may need to offer assistance. Upon developing detailed plans for the rental factories, there is a need to determine the initial investment and fixed costs of providing IT services, and to consider whether or not assistance will be needed from SPC, and if so what type of assistance

9.1.6 Logistics Services

(1) Envisioned Logistics Services

The table below shows envisioned logistics services. Estimated prices differ depending on the scope of the work and volume of goods.

Table 9-17：Envisioned Logistics Services

Name	Overview	Major service details
(1) Shipping Services for Facilities, Machinery and Fixtures for Factories	・Advance consultation and confirmation of laws and regulations as to whether or not facilities, machinery and fixtures for production and manufacturing can be imported and exported. ・ Total arrangement of disassembly, packaging, customs clearance and ocean and air transport from Japan and elsewhere, and import customs clearance, shipping and assembly on the Vietnam side. ・Conduct all services in Japanese.	・ Advance consultation and confirmation of laws and regulations as to possibility of import and export ・ Free-on-board (FOB) work from facility disassembly and export packaging to ship loading and air transport ・Ocean and air transport ・Vietnamese import procedures and shipping ・ Opening, assembly, leveling and installation at factories
(2) Shipping Services for Material Procurement	・Total support for shipping for material procurement from Japan, inside and outside Vietnam and elsewhere for everything from materials for trials to procuring materials for mass production. ・Shipping confirmation with non-Vietnamese vendors, etc., ocean and air transport, import customs clearance, storage and shipping services for materials from outside Vietnam. Also handle deals and shipping with Vietnamese vendors. ・Conduct all services in Japanese.	・ Shipping confirmation and making deals with non-Vietnamese vendors ・Vietnamese import procedures and shipping ・ Deals and shipping with Vietnamese vendors
(3) Product Shipping Services	・ Total shipping to customers inside and outside Vietnam. ・Truck transport as well as milk run transport organized by suppliers is being considered for deliveries to customers in Vietnam. ・Ocean and air, and overland transport services will be provided from factory shipping to customers' doors for customers in Japan and outside Vietnam. ・It should be possible to provide overland shipping between Hanoi/HAIFON and South China (between China and Vietnam), between Hanoi/HAIFON and Bangkok (East-West Corridor) and other established services.	・Export work ・Total ocean and air transport ・Domestic product transport
(4) Storage Services	・ Build warehouses to temporarily store fixtures, materials, products and other items required at rental factories. ・ Various responses to domestic cargo for general warehouses and bonded warehouses for non-resident inventory.	・Non-resident inventory storage ・General warehouse storage ・ Stock operation (VMI also being considered)

Name	Overview	Major service details
	・ Envisioning operations at existing external warehouses in the initial phase given the scale of rental factories and number of tenant companies.	
(5) Personal Moving Services for Resident Employees	・ Provide complete door-to-door personal moving services for resident employees, from their homes in Japan to company housing in Vietnam.	・ Temporary packaging and pickup at resident employees' homes ・ Packaging for shipping, shipping ・Ocean and air transport ・Customs clearance preparation on the Vietnam side ・ Import customs clearance in Vietnam ・Delivery to company housing in Vietnam

(Prepared by the study team)

(2) Envisioned Transport Modes, Routes and Reference Prices

The table below shows envisioned modes of transport

Table 9-18: Envisioned Modes of Transport, etc.

Service mode	Details	Reference prices
a) Ocean Transport	Ocean container base ・Major Japanese ports to HAIFON PORT, Vietnam (Weekly service from Tokyo, Yokohama, Nagoya, Osaka, Kobe, Moji, Hakata; voyages of approx. 8–15 days) ・HAIFON PORT charges ・ Import and export customs clearance charges ・Container transport fees (HAIFON PORT to Ba Thien 2 Industrial Park)	20'GP / 40'GP / 40'HC (Unit: USD) ・400–600 / 750–900 / 750–900 *Includes surcharges (Estimate of Japan port charges ¥35,000.-/50,000.-/50,000.-) ・180–300/250–350/250–350 (+VAT 10%) ・100–250/110–260/110–260 (+VAT 10%) ・280–300/320–350/320–350 (+VAT 10%)
b) Storage	General warehouse base ・Stocking fees ・Storage fees	FT (Unit: USD) 4.00–4.50 (Minimum 8.00–9.00) 0.20–0.30 / day (+VAT 10%)
c) Air Transport	Freight charges from Narita/Kansai Airports to HANOI AIRPORT (*based on daily direct flights) ・Minimum (total freight charge) ・45–1,000 kg ・Air Waybill charges	Air freight charges/fuel surcharges (Unit: JPY) ・12,000.-(per case) / 75–99.-(per kg) ・250～200.(per kg)- / 75–99.-(per kg) ・300,-(per case)
d) Overland Transport	Box truck base ・From Ba Thien 2 Industrial Park to HAIFON PORT	1.5/3.5/5.0/15.0-ton box truck (Unit: USD) ・85–100/110–130/135–160/250–300 (+VAT 10%)

*The prices above were calculated based on current rates and current exchange rates and thus are only references for the actual prices of transport expenses. Therefore, they may change due to changes in loading times, exchange rates and public expenses; and the specific nature of the work, volume handled and volume of goods.

*GP (General Purpose Container): Box container, height: 8'6"

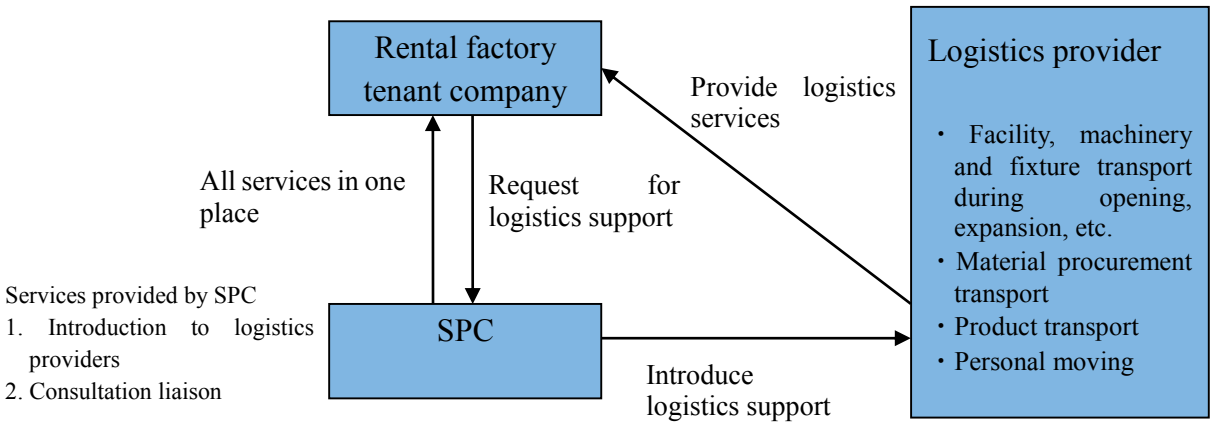
*HC (High Cube Container): Box container, height: 9'6"

*FT (Freight Ton): The greater of one cubic meter or one ton

(Prepared by the study team)

(3) Implementation System

Logistics service work requires permits and approval as well as advanced expertise, thus SPC will introduce tenant companies to logistics providers based on consultations and requests for support from tenant companies and leave the implementation of the actual work to the logistics providers so the SPC is not liable for the risk of damages, etc. from physical transport.



(Prepared by the study team)

Figure 9-6: Implementation System for Logistics Services

(4) Scale of Implementation, Phased Plan

Services will be provided in response to tenants' individual needs from Phase 1. However, the construction of storage warehouses depends on the volume of goods, thus providing services after the Phase 3 improvements is being considered. These will all be flexibly discussed and considered in response to actual circumstances.

(5) Project Prospects

These services are part of all services in one place under the Project, but in principle it will be provided by entities other than SPC for a fee since logistics work is still restricted in Vietnam.

(6) Challenges for Implementation, etc.

1) Advantages

- Tenant companies can have all their needs satisfied through access to a global network of logistics providers
- Tenant companies can receive logistics services for small volumes
- Shifting the work to logistics providers helps SPC cut costs by removing the need to hire expert staff
- SPC can avoid the risks of physical damage and this accident-prone work
- SPC does not need additional investment in logistics facilities (warehouses, etc.)

2) Disadvantages

- SPC will have difficulty turning a profit as they cannot act as the master contractor since this type of work is partially restricted

9.1.7 Insurance Services

(1) Local Insurance Market

1) Systems Involving Insurance

It is not possible for a non-Vietnamese insurance company to directly insure against risks in Vietnam; Decree No 45/2007/ND-CP Article 3 (March 27, 2007) sets forth that risks in Vietnam are to be insured by insurance companies that have been approved by the Vietnamese government. In response, Japanese insurance companies have created a local underwriting system under which they fund Vietnamese insurance companies.

2) General Insurance Companies

There are 29 general insurance companies in Vietnam, and three Japanese insurance companies (TOKYO KAIJO, MITSUI SUMITOMO KAIJO and SOMPO JAPAN NIPPONKOA) have created a local underwriting system. Formerly state-run Bao Viet is the largest, but recently PVI, a member of the Petrovietnam Group, has grown significantly. Those two along with the third-largest, Bao Minh, account for 54% of the market. The top five account for 70% of the market, and the top 10 hold an 82% share.

3) Scale of General Insurance Premiums

The total amount of direct insurance premiums collected by Vietnamese general insurance companies in 2012 was 898.72 million USD, and total assets were worth 35.546 trillion VND. The scale is small, but probably large enough to underwrite the Project.

4) Insurance Sales Channels

Local private policies are sold by agencies, but nearly all entities that handle foreign investment contracts are insurance brokers.

5) Insurance Conditions

Insurance conditions contain no major differences with conditions used internationally in order to make it easy to purchase non-Vietnamese reinsurance. Conditions drafted by insurance brokers are also used. Conditions written in English are also accepted.

6) Premiums

Fire insurance premiums are set forth in an ordinance from the Ministry of Finance. This applies to contracts with each individual SME, and the conditions and premiums are not flexible.

7) Premium Taxes

Consumption tax is levied against all but some types of insurance premiums, and insured persons and entities are obligated to pay them. There is a separate tax obligation for the expense of fireproofing for compulsory fire insurance.

(2) Group Insurance

It is expected that the scale of expanding into Vietnam per SME will not be very large, thus the assets and number of employees of companies expanding into Vietnam will be small. With no information about the insurance situation in the local area, even selecting an insurance company is difficult. If each SME is to obtain insurance on its own, there is no incentive for insurance companies to try to win their business, and the SMEs may only be able to secure limited insurance conditions or expensive premiums, or in some cases may not be able to obtain insurance at all. It is difficult to obtain information about risks in the local area.

Thus, one option is to gather together SMEs that will occupy rental factories and obtain group insurance where they are collectively treated as one entity. Employing this method can result in larger-scale profits for insurance companies and allow SMEs to secure stable insurance, which would be difficult to obtain on their own, and to improve their ability to negotiate insurance conditions and premiums.

It is envisioned that securities will be issued to each client SME under a Master Policy in which the industrial park operator is the contract party. The inception date will be the same for all. This study confirmed actual cases in which group insurance was applied to tenant companies, which were occupying shopping malls, as comprehensive insurance. In these cases, occupants were able to obtain improved conditions and flexible premiums compared to standard, individual contracts.

(3) Envisioned Required Insurance

Table 9-19: Envisioned Required Insurance

Type	Details	Notes
Marine	Import, export and domestic transportation of materials and products	
Fire	Fires, etc. in machinery and facilities located in the factories	Group insurance consideration target
Movable comprehensive	Fires, etc. in machinery and facilities located in the factories	
Automobile	Automobile insurance for owned vehicles	
Accident	Accidents during the work of resident employees and employees	
Liability	Liability for damages due to physical injury or property damage	Group insurance consideration target
Worker's compensation	Worker's compensation required by local laws and regulations	Group insurance consideration target

(Prepared by the study team)

(4) Local Japanese Insurance Companies

Since Japanese companies are the envisioned SMEs, using Japanese insurance companies will be considered first to provide customers with a feeling of comfort, the option to negotiate insurance coverage after accidents in Japanese, and the service in Japanese they expect. The table below shows local Japanese insurance companies.

Table 9-20: Local Japanese Insurance Companies

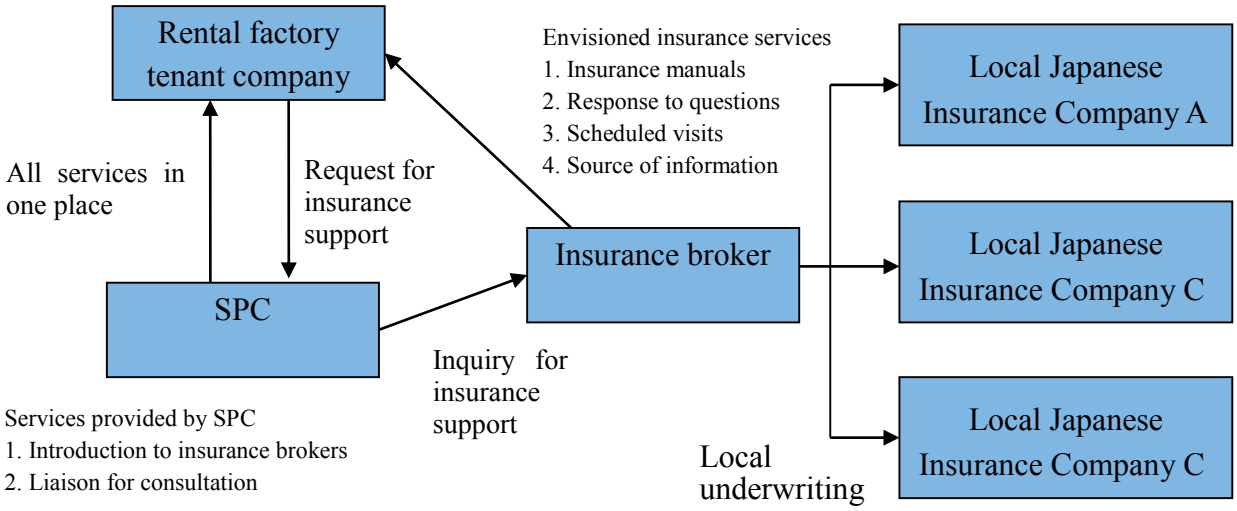
Japanese headquarters	Local insurance company	Address
Sompo Japan Nipponkoa	United Insurance Company of Vietnam	11th Floor, Hanoi Tung Shing Square, Unit 1102, 2 Ngo Quyen Street, Hoan Kiem District, Hanoi, Vietnam
Tokio Marine	Bao Viet Tokio Marine Insurance Company Limited	Room 601, 6th Floor, Sun Red River Building, No23 Phan Chu Trinh Street, Hoan Kiem District, Hanoi, Vietnam
Mitsui Sumitomo Insurance	MSIG Insurance (Vietnam) Company Limited	11th Floor, Sun City Building, 13 Hai Ba Trung, Hoan Kiem District, Hanoi Vietnam

(Prepared by the study team)

(5) Implementation System

Insurance services require permits and approval as well as advanced expertise, thus SPC will take requests for consultation and support from tenant companies, make inquiries to insurance brokers and through the insurance brokers obtain insurance for the tenant companies from the three local Japanese insurance companies.

Each of the local Japanese insurance companies is of the opinion that it can consider a generally proactive approach toward insuring rental factory tenant SMEs. In addition, introducing the method of cooperative underwriting for three companies is considered the effective to avoid poaching of individual accounts from each other in needless competition, which will destroy the group system.



(Prepared by the study team)

Figure 9-7: Implementation System for Insurance Services

(6) Envisioned Insurance Services

SMEs can enjoy generous services under group insurance that they would not be able to obtain individually.

1) Insurance Manuals

Insurance brokers create and distribute manuals that contain an overview of the insurance, what to do in case of common accidents, who to contact when accidents occur, etc.

2) Response to Questions

Through industrial park operators, insurance brokers answer individual questions from tenant companies.

3) Scheduled Visits

Staff members from insurance brokers and the local Japanese insurance companies regularly visit the tenant companies they insure to check on their needs and the condition of their insurance services.

4) Information Provision

Insurance brokers and local Japanese insurance companies provide information about local risks to the tenant companies they insure.

(7) Scale of Implementation, Phased Plan

Group insurance continues to be prepared based on specific occupancy projects in Phase 1. If fewer than five companies move in, they will be individually insured. Group insurance will be set up once five companies have been gathered.

(8) Project Prospects, Challenges for Implementation, etc.

If SPC provides these services directly as insurance brokers, they will not be able to collect many fees from tenant companies, and their business will not be profitable enough for them to hire insurance professionals. Additionally, since the insurance services require permits and approval, they are generally provided by entities other than SPC for a fee as explained previously.

The success of the Project depends on whether or not enough tenant companies can be gathered to be able to obtain group insurance.

9.1.8 Logistics Financing

(1) Overview and Aims of Envisioned Services

- The sales representation scheme (through a trading company acting as exporting agent[17]) shown in the figure below will be the standard framework to propose to the headquarters of Japanese SMEs expanding into Vietnam in the future, and to support their procurement of operating capital for trade between Japan and Vietnam.
- Contracts will be three-party agreements between local suppliers to new and existing industrial parks, Japanese SMEs expanding into Vietnam and sales agencies.

[17] This is a Western financing scheme, but it has come into use more and more often in Japan in recent years.

- Commercial distribution financing will be provided after screening.
- These services will make it possible for local Vietnamese companies to postpone payment to headquarters for approximately 180 days.

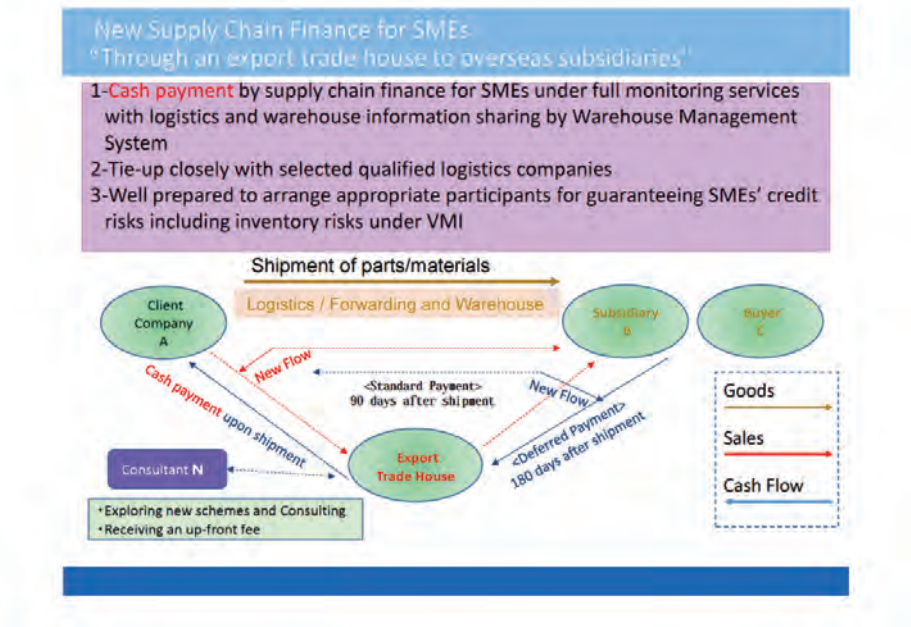


Figure 9-8: Proposed Scheme for New Supply Chain Finance for SMEs

(2) Purpose of Study

To study the effectiveness of the Trading Company as Export Agent Scheme described above, which will be employed for the first time in Vietnam, and confirm whether or not withholding taxes, etc. can be avoided in order to respond flexibly with the various funding needs of SMEs developing strategies to expand overseas.

1) Study Methodology

Visits were made to the Hanoi branches of two major Japanese banks and two major logistics companies to conduct interviews about the scheme in the above figure.

2) Confirming Possibilities and Problems with Actual Work

- Despite the lack of precedent in Vietnam, banks and logistics companies responded proactively and with interest. There seem to be plenty of potential needs.
- The two major Japanese banks have been asked to consider the idea of linking together the services of purchasing domestic receivables and collecting of receivables that they currently provide to their corporate customers. However, it seems that each bank is taking the conservative stance of putting its customers first.
- Vietnamese companies are asked by these logistics companies to bear costs other than normal costs for procedures during import customs clearance, but the study examined whether there were any problems with the business of trade and confirmed that Vietnamese companies do not incur additional costs.

3) Confirming Relevant Legislation (Taxation Laws, Ministerial Ordinances (Circulars, etc.))

- The study examined factoring restrictions and confirmed that there are no legal problems with the proposed scheme and that laws allow for the purchase of relevant receivables.
- The study examined the possibility of foreign exchange futures between VND and JPY or USD and confirmed that there are many obstacles stemming from the small size of the foreign exchange market and the dependence on matching with a relative currency.

(3) Commentary

- In this scheme, the Japanese headquarters of SMEs are able to receive funding after materials and other items are shipped to their local companies in Vietnam by export agent trading companies using VMI at the time of export. The scheme would be effective in Vietnam as well, and can sufficiently supplement the standard financial assistance granted based on the creditworthiness of the Japanese headquarters of SMEs by conventional banks and other financial institutions.
- However, there is a concern that local companies in Vietnam are subject to the foreign contractor tax (a withholding tax) once goods have cleared import customs. It is probably necessary to consider an additional deemed tax of 2–5% ahead of time.

Table 9-21: Types of Transactions and Deemed Taxes from the Foreign Contractor Tax on Product Sales

Type	Deemed VAT	Deemed CIT
Services associated with product sales (On the spot import and export processing, including DDP, DAT and DAP terms)	-	1%
General services (including leases)	5%	5%
Oil drilling services	7%	5%
Restaurant, hotel and casino management services	5%	10%
Aircraft (including engines and parts) and ship leases	-	2%
Construction and installation (that accompany the supply of materials, machinery and facilities)	3%	2%
Construction and installation (that do not accompany the supply of materials, machinery and facilities)	5%	2%
Other manufacturing and shipping services	3%	2%
Reinsurance and security transfers	-	0.1%
Derivatives	-	2%
Interest	-	5%
Royalties	-	10%

(Source: Circular 60/2012/TT-BTC and the JETRO website)

9.2 Local Companies that are Possible Tie-up Partners with Japanese SMEs

9.2.1 Fully Understanding Circumstances Related to Business Matching

According to a JETRO study, the difficulty of local procurement is a challenge for Japanese companies looking to expand into Vietnam. It is no exaggeration to say that finding good suppliers determines whether a business succeeds or fails.

Thus, this study included an interview and survey of documents to fully understand the current circumstances of local companies that are possible tie-up partners for Japanese SMEs (business matching) as well as an organization of strategies for rental factory project.

The table below shows the results of interviews about business matching.

Table 9-22：Results of Interviews about Business Matching

Interviewee	Results
JETRO	・JETRO actually visits companies, and compiles and publicizes information about possible tie-up partner companies. The information seems to be highly accurate.
JICA experts	・Matching companies is one of their missions, but not their main mission. ・They have established desks in foreign investment agencies and offer services in Japanese.
SMEs operating in Vietnam	・Most tie-up partner companies are already determined in Japan or are determined when surveying the environment for expansion. ・There are initial projects for sales channels, but none are promised for several years into the future, and it seems there is a need to find new customers.
Local consultants	・Each company has different needs, so customized strategies and actions are required. ・Material suppliers and sales channels are investigated and discovered through consultants' networks.

(Prepared by the study team)

9.2.2 Business Matching Analysis

(1) Views on Material Procurement upon Expanding into Vietnam

Based on the results of interviews and the survey of documents of SMEs with experience expanding into Vietnam, the procurement of materials and other items by SMEs upon expanding into Vietnam follows one of the two patterns below.

(i) Suppliers are determined during consideration of expansion.

(ii) Suppliers are investigated in conjunction with expansion.

There were many cases where suppliers of materials and other items were determined while expansion was being considered as in the first pattern. The typical pattern was for raw materials and partially finished goods to be imported from Japan and finished products to be exported to Japan.

On the other hand, some companies screened suppliers of materials and other items in conjunction with expansion as in the second pattern. For these companies, their selection of suppliers was a factor in deciding the location of their expansion.

(2) Views on Finding Sales Channels after Expanding into Vietnam

In many cases in the initial stages of expansion into Vietnam, products are exported to Japanese headquarters or the places they will be sold, or are sold to Japanese customers within Vietnam. However, hardly any existing customers have committed to doing business over the long term, thus from a business expansion and risk hedging viewpoint, there is a pressing need to find sales channels after expanding into Vietnam.

9.2.3 Strategies at Project Rental Factories

As explained previously, there are definite needs for business matching from the viewpoints on material procurement upon expanding into Vietnam and on finding sales channels after expanding into Vietnam. Thus, SPC provides services to help SMEs select material suppliers (business matching services) either directly or through business partners (consultants, etc.) for a fee.

The study revealed that there is a wide price range for these services and considered that the price starts at approximately 100,000 JPY.

9.3 Considered Marketing and Sales Promotion Strategies

The most critical challenge in the course of implementing the Project is raising the operation rates of rental factories to secure continuous, consistent revenue. Thus, as described in Chapter 6, activities to assist SMEs in expanding into Vietnam and entice SMEs to relocate to Project rental factories are currently being implemented in association with the institutions, etc. shown on the table below with whom discussions and coordination is ongoing.

Table 9-23: Proposed Associations with Other Institutions, etc. (Same as Table 6-5)

Partner and nature of partnership	Specific candidate
(1) Partnership with local governments to assist SMEs make overseas business expansion	Saitama Prefecture Chiba Prefecture Niigata Prefecture Kanagawa Prefecture
(2) Partnership with financial institutions to find potential tenants	Shinkin Central Bank Seibu Shinkin Bank Amagasaki Shinkin Bank Okazaki Shinkin Bank Chiba Bank Shizuoka Bank Senshu Ikeda Bank Bank of Fukuoka Hiroshima Bank Nishi-Nippon City Bank Daishi Bank
(3) Partnership with large companies, trading companies, etc. to assist related SMEs to make overseas business expansion	Ricoh Japan Co. Panasonic Co. Toyota Motor Co. Leading trade companies
(4) Partnership with companies doing rental factory business in Vietnam to attract Japanese companies, share the know-how of operating rental factories, etc.	Supporting company for the operation of Kizuna rental factories
(5) Partnership with the central and other governments, and partner companies in Vietnam to hold various seminars to find potential tenants	Vinh Phu Province Vina CPK

(Prepared by the study team)

9.4 Considered Ways to Meet the Needs of Japanese Workers in Vietnam

It is not likely that Japanese SMEs that have ventured into Vietnam are dispatching many Japanese workers to Vietnam, and for that reason, living allowances for workers in Vietnam are probably difficult and cumbersome for both the workers and the companies; there is a significant need for a different approach.

Thus, various ways of assisting Japanese nationals who have been dispatched to Japanese SMEs in Vietnam will be considered: verification of the state of housing for non-Vietnamese in the Hanoi area, the possibility of secure housing from the current market for those workers, and searching for housing with services for various daily necessities.

9.4.1 Overview of the Market for Serviced Housing in Hanoi

(1) Large Serviced Apartments

Clusters of serviced apartments are located in central Hanoi and in the Tay Ho area. The apartments in central Hanoi were developed mainly for dispatched workers from other Asian countries. Foreign developers were the main builders of these apartments in the past, but the developers of large serviced apartments since 2006 have been mainly Vietnamese. As of the end of March 2014, there were 32 projects for large serviced apartments with a total of nearly 3,000 units within Hanoi city limits.[18] The total number of rooms in large serviced apartments is expected to climb to approximately 3,500 by the end of 2014 due to the completion of Lotte Center and other large projects during the year.

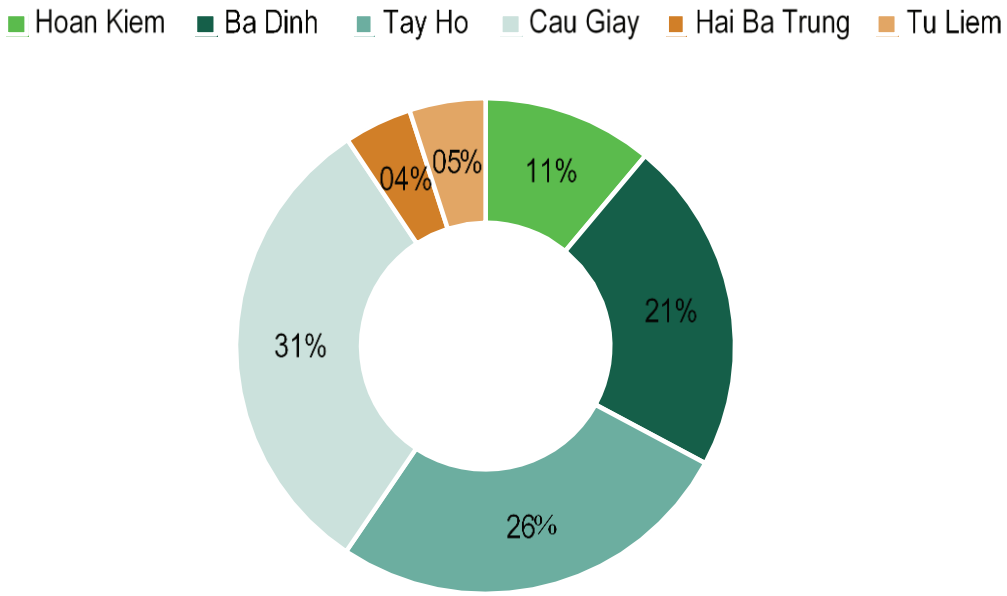
Below are the results of analysis of the number of units classified by operator, areas served and rent as well as unit mix, rent and services provided for each type.

(Source: CBRE Vietnam)

Figure 9-9: Serviced Apartments, Supply by Year and by Operators

- The Cau Giay (the southwestern part of Tay Ho) and Tay Ho areas comprise most of the area served, and the target areas provide a relatively easy commute to work in Vinh Phuc Province.

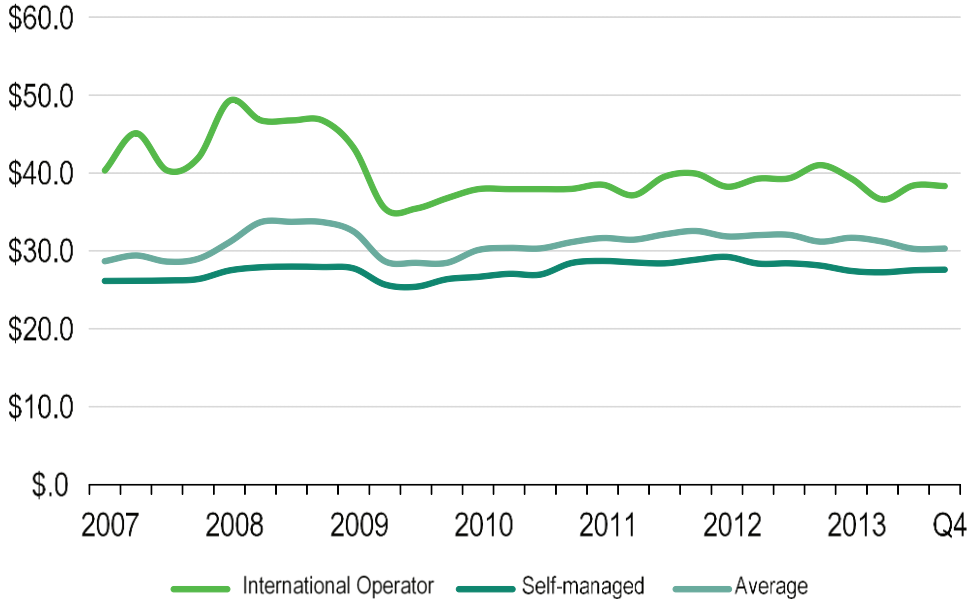
[18] CBRE Hanoi Office, as of end of March 2014



(Source: CBRE Vietnam)

Figure 9-10: Serviced Apartments, Supply by District

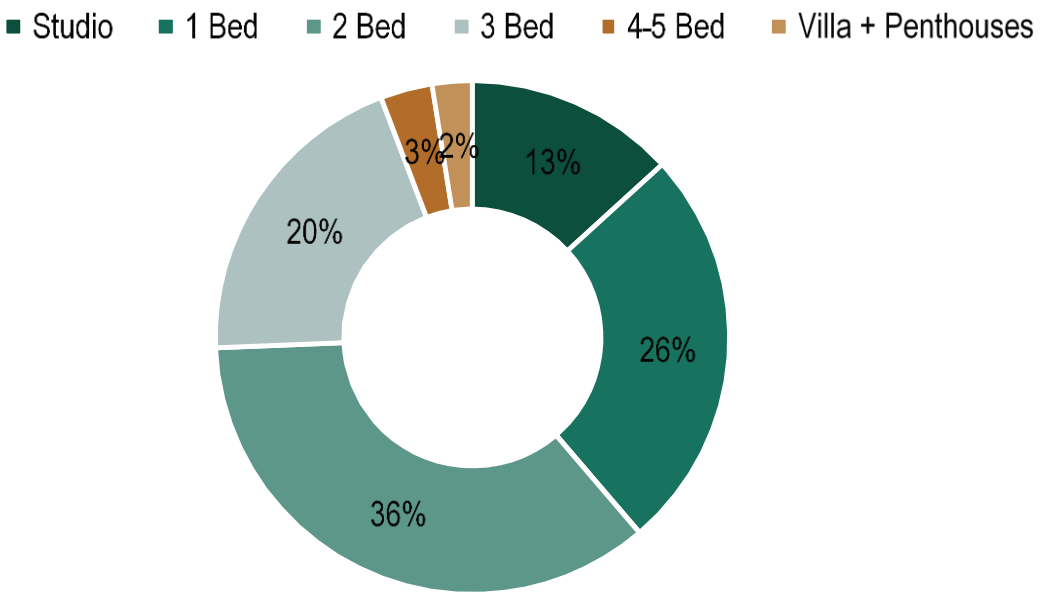
- Rent has stayed stable after decreasing temporarily after the global financial crisis.



(Source: CBRE Vietnam)

Figure 9-11: Serviced Apartments, Average Asking Rents (USD per m^2 per month)

- Demand for two-bedroom apartments was high from workers accompanied by their families, and demand for studios and one-bedroom apartments was high from workers who came alone.
- Together, studios and one-bedroom apartments account for 39% of demand.



(Source: CBRE Vietnam)

Figure 9-12: Serviced Apartments, Unit mix

- On average, rent for large serviced apartments within Hanoi City limits is expensive. Rent for these apartments in Hanoi will likely exceed the estimated housing budget of approximately 1,000 USD for Japanese workers who would be dispatched to Japanese SMEs in Vietnam under the Project.

Table 9-24: Serviced Apartments, Average Asking Rents by Room Type

AVERAGE ASKING RENTS (USD per month)								
Per m^2	Studio	1-Bed	2-Bed	3-Bed	4-Bed	5-Bed	Villa	Penthouse
Min	31.58	14.29	10.65	9.35	19.26	20.69	15.83	31.63
Avg.	43.70	24.83	24.54	24.00	27.53	32.41	28.21	30.88
Max	58.82	59.45	44.44	41.30	34.78	36.48	26.67	40.82
Per unit								
Min	800	500	750	1,100	3,500	6,000	2,500	6,000
Avg.	2,082	1,884	2,570	3,263	5,526	8,900	3,981	13,158
Max	2,800	3,270	4,500	6,900	10,450	10,000	5,000	30,000

(Source: CBRE Vietnam)

- The services currently provided and its analysis are shown as below. The services provided at these apartments can serve as a reference for services generally required for dispatched workers.
- It is noticeable that required levels are not always accord with availabilities of services. For example, swimming pools are often provided in order to improve landscapes and images of serviced apartments; however, the pools are not frequently utilized. On one hand, since it is difficult to invite operators of

minimarts, availabilities of minimarts are not high; however, they are normally highly required by occupants.

- Many occupants of large serviced apartments have been dispatched to Vietnam by major companies and have been provided cars, thus there is no need for shuttle services.
- Household generators for use during power outages will probably not need to be as powerful because of continued improvement of the power supply.

Table 9-25: Serviced Apartments, Services & Facilities

Services & Facilities	Availability of services	Required	Necessary	Value-added
Daily maid service on business days	32/32	○		
Landry Service	32/32	○		
Car Parking	32/32	○		
100% Power Backup	32/32	○		
Babysitting service on request	22/32		○	
Fitness Gymnasium	28/32	○		
Swimming Pool	25/32		○	
Children's playground/playroom	22/32		○	
Shuttle Bus Services	13/32			○
Sauna / Steam Room	21/32		○	
Business Service Center	18/32	○		
Restaurant/Bar	21/32	○		
Massage Rooms/Beauty Salon	14/32		○	
Jacuzzi	12/32		○	
Minimart	11/32	○		
Retail & Entertainment Complex (Theater, bowling center)	16/32		○	
Tennis Court	8/32			○
Billiards Room/Table Tennis	5/32			○
Club	12/32			○
Tenant Library	2/32			○

(Prepared by the study team)

＊Serviced Apartments, Supply by Operations

International Operators		
1	Somerset Westlake	Ascott International
2	Somerset Grand	Ascott International
3	Somerset Hoa Binh	Ascott International
4	Fraser Suites Hanoi	Fraser Hospitality
5	Sofitel Plaza Hanoi	Accor
6	Hoa Binh Green	Ascott International
7	Crown Plaza	Intercontinental
8	Intercontinental Hanoi	Intercontinental
9	Candeo Hotels	Candeo Hotels
In-house Operators – International Developers		
1	Daeha Apartments	Korea
2	Coco Village	Japan
3	Oriental Palace	Thailand
4	Golden Lodge	Holland
5	Mayfair Apartments	Australia
6	Pan Horizon	Singapore
7	Sedona Suites	Singapore
8	Jana Garden	Japan
9	Rose Garden	Korea
10	Sun Red River	Japan
11	V-Tower	Japan
12	Hanoi Lake View	British
13	Hanoi Club	N/A
14	Grand Plaza	Korea
15	Keangnam Landmark 72	Korea
16	Pacific Place	Singapore
In-house Operators – Local Developers		
1	Elegant Suites	Duy Hoang Minh Co., Ltd.
2	Elegant Suites Westlake	Duy Hoang Minh Co., Ltd.
3	DMC Tower	Tan Long Co., Ltd. (DMC)
4	Atlanta Residences	Green Global Co., Ltd.
5	Skyline Tower	Nam Hung Co., Ltd.
6	Me Linh Plaza Tower	Eurowindow Holdings
7	Dolphin Plaza	TID Group

(2) Condominiums for Rent (Alternative 1)

There are cases where investors have purchased condominiums for sale but are leasing them out as rental housing because they have not been able to resell them, and cases where developers in leaseback schemes with investors are subleasing units as serviced rental housing. In both cases, investors are seeking capital gains. Thus, their expectations of investment return are generally low, and as a result rent is set lower than that for large serviced apartments.

Table 9-26: Selected Apartments for Lease from Developers, Asking Rents

Project	No. of-bed rooms	Area(m^2)		Asking rent (USD per apt, inc. VAT)		Asking rent (USD/m^2, inc. VAT)
		Min	Max	Min	Max	Avg.
Golden Westlake	1	70	70	1,200	1,350	19
	2	120	120	1,350	1,870	14.01
	3	129	184	1,750	2,800	14.91
Indochina Plaza Hanoi	2	93	98	1,300	1,500	14.5
	3	116	145	1,600	2,200	13.85
Royal City	2	98	98	1,700	1,800	18
Times City	2	98	98	1,700	1,800	18

(Source: CBRE Vietnam)

Rent is high for units under developer leaseback schemes, but significant savings per person are possible if two people share a two-bedroom apartment or three people share a three-bedroom apartment.

In cases where individual investors lease units on their own, rent is generally low and furniture, services and other conditions can be added on through flexible negotiations. Units for lease directly from investors are constantly on the market now, and there is value in considering enlisting the services of SPC as agents to communicate with owners and negotiate services.

Table 9-27: Selected Apartment for Lease from Owners

Project	No. of bed-rooms	Asking rent(USD per month)
Keangnam Landmark 72	Studio	800 (unfurnished)
Ciputra	4	1,000 (furnished)
	3	800 (furnished)
Thang Long International	2	800(furnished)
Rainbow Linh Dam	1	850 (serviced apartment)
Hoa Binh Green Apartments	2	800 (furnished)
Atlanta Residences	3	1,000 (furnished)

(Source: CBRE Vietnam)

(3) Small Serviced Apartments (Alternative 2)

Many local companies and wealthy Vietnamese offer small serviced apartments aimed at dispatched workers who are over their housing budget in large serviced apartments.

The table below shows examples of typical small serviced apartments.

Table 9-28: Service Apartments in Smaller-Scale Projects

	Name	District	No. of Units	Unit Size (m^2)	Rates(USD per unit per month, inc. VAT)
1	Hanoi Apt I	Hoan Kiem	9	50-120	1,500-1,700
2	Hanoi Apt II	Hoan Kiem	10	60-120	1,000-1,700
3	Mayflower	Hai Ba Trung	17	60-120	1,800-2,500
4	Water Front Apt	Tay Ho	9	65-300	2,300-4,400
5	Lakeside garden	Tay Ho	8	150-220	2,200-4,000
6	The Moon	Ba Dinh	6	90	1,500
7	Thien Thai Executive Residence	Tay Ho	15	99-120	2,000-2,500
8	Palm garden	Tay Ho	14	90-110	1,000-1,800
9	Syrena Apat	Hai Ba Trung	8	100-200	1,600-2,000
10	Rainbow Apt	Hai Ba Trung	30	63-140	1,400-2,500
11	Park View Serviced Apt	Hai Ba Trung	6	60-150	1,000-2,300
12	The Maya	Ba Dinh	23	60-100	1,500-2,500
13	Xuan Hoa Apt	Ba Dinh	6	80-90	1,000-1,200
14	Hanoi Center Point	Hai Ba Trung	15	60-150	800-1,300
15	Zodai Apartments	Hai Ba Trung	11	130	2,200
16	Hanoi Lake Residence	Ba Dinh	10	190	2,100-3,000
17	Lake Front	Ba Dinh	9	200	2,500
18	Bee Apartment	Ba Dinh	8	100-165	1,200-1,700

（Source: CBRE Vietnam.）

(4) Local Efficiency Apartments (for Non-Vietnamese) (Alternative 3)

No statistical data exists, but many local residences in four- or five-story buildings (where each floor has one unit), villas, townhouses and other housing are being leased to non-Vietnamese. Rent is low, and these accommodations offer plenty of space for less than 1,000 USD per month. However, each occupant needs to hire a housekeeper and otherwise secure their own daily services, and language barriers that cannot be overcome by Japanese or English exist. Thus, living in these accommodations would probably cause a great deal of stress to a Japanese worker living and working outside Japan for the first time.

9.4.2 Overview of the Market for Serviced Housing in Vinh Phuc Province

Currently, no large serviced apartments for non-Vietnamese dispatched workers exist in Vinh Phuc Province because it is within commuting range of Hanoi, with an abundance of shopping and entertainment facilities.

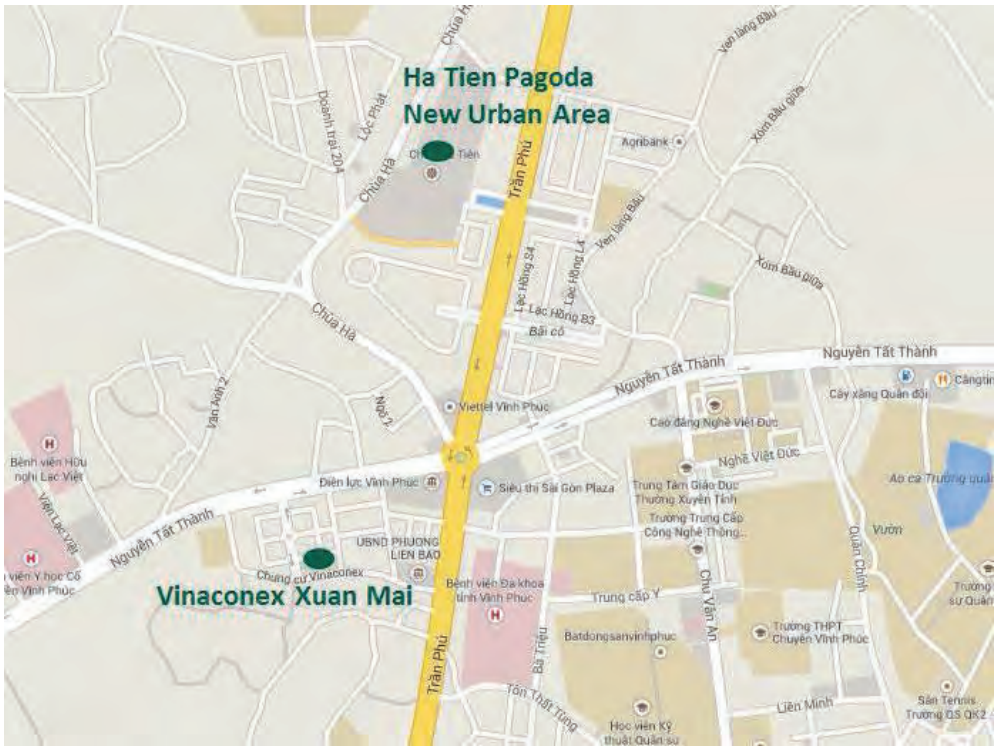
However, as explained below, approaches to fulfilling housing needs in Vinh Phuc Province are available.

(1) Housing for Rent in Developments

The following two large housing development projects in Vinh Phuc Province have been completed, and the owners of the housing have already offered to rent them out.

Table 9-29: Buy-to-let Housing Projects, Vinh Phuc

	Vinaconex-Xuan Mai	Ha Tien Pagoda
Picture		
Total area	3.8ha	49.56ha (inc. commercial area)
Type	Housing for low-income earners	New urban area, commercial housing
Project components	9 condominium blocks, 532 units Four 5-storey blocks, two 11-storey blocks, two 19-storey blocks	17.75ha,722 villas & terraced houses
Current progress	Complered. Handed over to buyers	Completed. Handed over to buyers
Average asking prices	VND 8.6 million per m^2 Approx. VND 1.16 billion per unit ($135m^2$)	VND 7 million per m^2 Approx. VND 1.75 billion per m^2 ($250m^2$)
Average asking rent(furnished)per month	-	Approx. USD 800 per month (no services offered)
Average asking rent(unfurnished) per month	Approx. USD 125 per month (no services offered)	-
Average unit size(m^2)	$135m^2$	$250m^2$



(Source: CBRE Vietnam)

Currently none of these units come with housekeeping, laundry or other services, but it may be possible to respond to any needs that materialize.

Monthly rent is low, and it is possible to satisfy the current demand for housing for dispatched workers by working together with rental housing developments and adding services.

(2) Converting Hotel Rooms into Serviced Apartments

Most of the 46 hotels currently in operation in Vinh Phuc Province are small, one- or two-star hotels. The table below shows the grade, supporting facilities and room rates for the main hotels.

Table 9-30: Significant Hotel Grades, Supporting Facilities and Asking Rates, Vinh Phuc

Criteria	Song Hong	Dam Vac	Trung Du	Thai Duong	Yen Ngoc	Vinh Yen	Ngoc Lan
Grade	4 star	3 star	2 star	2 star	2 star	2 star	2 star
No. of rooms	89	34	50	40	45	60	18
Occupancy (%)	45%	40%	40%	50%	50%	55%	60%
Room Rates (Single)	1,200,000 VND	400,000 VND	300,000 VND	300,000 VND	300,000 VND	250,000 VND	250,000 VND
Discount for longer stay	30~40%	5%	10%	10%	10%	10~15%	22%
Discounted Room Rate	720,000 VND	380,000 VND	270,000 VND	270,000 VND	270,000 VND	225,000 VND	195,000 VND
Car Parking	○	○	○	○	○	○	○
Laundry service	○	—	○	○	—	○	○
Cleaning service	○	○	○	○	○	○	○
Restaurant	○	○	○	○	○	○	○
Conference hall	○	○	○	○	○	○	○
Swimming pool	○	○	○	—	—	—	—
Tennis court	○	○	—	—	—	—	—
Massage/Steam	○	—	○	○	○	○	—
Karaoke	○	—	○	—	—	—	○
Children Playground	○	—	—	—	—	—	—
Shuttle Bus Services	—	—	—	—	—	—	—

(Source: CBRE Report)

Of the hotels above, the Song Hong Hotel is a high enough grade to accommodate non-Vietnamese, and it is probably possible to secure a monthly rent of less than 1,000 USD through a long-term contract.

9.4.3 Considering the Development of Serviced Apartments Next to Ba Thien 2 Industrial Park

Given the considerations above, it is probably possible to secure housing including considerable services for Japanese workers in Vietnam. Options in Hanoi include leasing condominiums directly from

the individual investors who own them or leasing efficiency apartments developed by Vietnamese as investments, and options in Vinh Phuc Province include leasing units in the Ha Tien Pagoda Villa or entering a long-term contract with the four-star Song Hong Hotel. However, none of those accommodations employs resident Japanese staff members, thus there is still a sense of anxiety over emergencies.

Thus, the viability of individual developers developing serviced apartments next to Ba Thien 2 Industrial Park is being considered.

(1) Specific Services Provided, Sales Points, etc.

1) Completely Furnished Housing that Allows a Worker to Relocate with Just One Suitcase

- Include furniture
- Include household appliances
- Include dishes, utensils and other supplies

2) Non-Technical Services to Care for the Daily Life of a Japanese Worker in Vietnam Alone (Will Exclude Unnecessary Services)

- Breakfast services (for a fee)
- Linen services
- Cleaning services (for a fee)
- Shuttle bus services (for a fee)

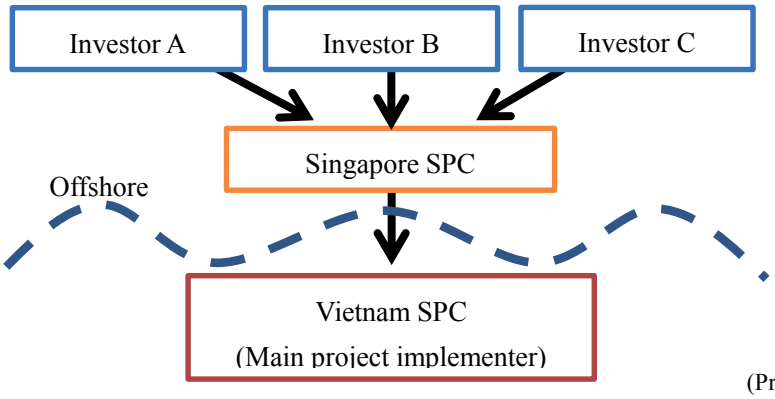
3) Location Next to the Industrial Park to Avoid Traffic in Central Hanoi

- Secure a land for development next to the industrial park

(2) Implementation System

1) Investment Scheme for SPC

A scheme that makes it easier to attract investors by establishing an offshore SPC for investing to serve as an investor for SPC established in Vietnam to increase the liquidity of investor equity.

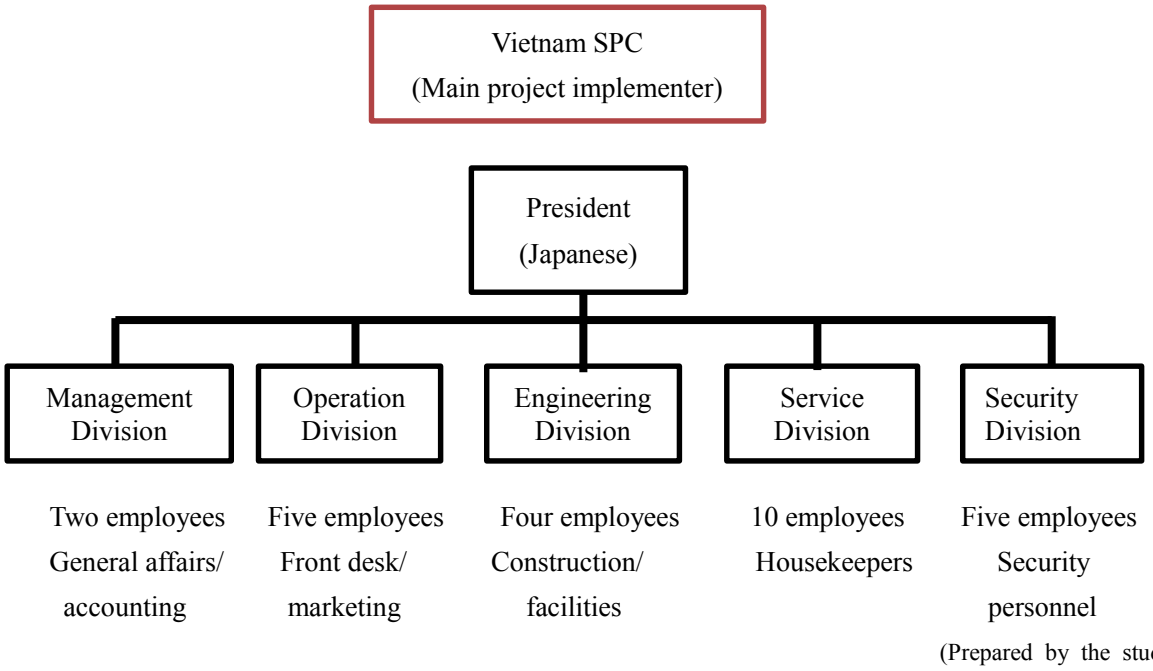


(Prepared by the study team)

Figure 9-13: Investment Scheme for SPC

2) SPC Organizational Chart and Number of Employees

Build a system by which SPC secures the number of employees required to perform all tasks not outsourced.



(Prepared by the study team)

Figure 9-14: SPC Organizational Chart and Number of Employees

3) Outsourcing (Restaurant Operations, Cleaning, Shuttle Bus Services)

・Establish a restaurant within the building and provide breakfast and dinner catering-style to paying customers

・Enter an agreement with a cleaning company and have them offer cleaning services via the front desk.

・Provide shuttle bus services to and from the industrial park on weekdays, and to and from Hanoi on weekends and holidays.

(3) Scale of Implementation, Phased Plan (Scale in the Initial Phase, etc.)

1) Construction Overview

Total number of units:	50
Land area:	1,000 m^2
Floor area:	3,000 m^2
Private use area:	2,000 m^2
Area of each unit:	40 m^2
Layout:	1 LDK (one bedroom plus living-dining-kitchen)

2) Investment Scale

Total investment:	3,398,500 USD

(4) Project Projections

1) FS

See the appendix A “Financial Analysis for the Serviced Apartments”.

2) Project will realize a profit in the:

Second year

3) Accumulated losses will be cleared in the:

Third year

4) Cash-based investments recovered in the:

14th year (before corporate taxes)

16th year (after corporate taxes)

5) Project IRR (over 40 years)

8.55% (before corporate taxes)

7.59% (after corporate taxes)

(5) Challenges for Implementation

1) Medical Services

Hanoi is one to 1.5 hours away, thus an alliance with a medical institution within Hanoi city limits capable of administering services in languages other than Vietnamese will be considered.

2) Education Services

At this time is difficult to envision large numbers of workers bringing their families with them to Vietnam; it is assumed that facilities are aimed at workers coming alone. Thus, education services are outside the scope of considerations.

3) Entertainment

Currently there are very few entertainment options for non-Vietnamese in Vinh Phuc Province, thus the response is shuttle bus services to Hanoi.

4) Competition

The fact that the property is located within commuting range of Hanoi means that the balance between supply and demand as well as the market environment for housing for non-Vietnamese in Hanoi has a significant effect on the Project. Continuous review of the market environment is required.

5) Profitability

The FS resulted in an IRR of 8.55%。

Given the uncertainty of the Project and the risks associated with implementing a project in Vietnam, the IRR for the Project should be at least 10%, and if possible 15% or more would be best. Considerations must be made for improving profitability.

9.5 Calculating Estimated Operation Costs

The table below shows estimated operating costs in light of the results of considerations for each service. SPC operating costs mainly comprise rental factory personnel costs for expansion assistance services and operational assistance services.

Operational assistance services as well as services for meals, vehicles, IT, logistics, insurances, logistics financing and serviced apartments next to industrial parks will not be provided by SPC, but SPC will introduce tenants to other entities such as companies comprised of SPC, and those other entities such as companies comprised of SPC will provide these services to the tenants.

Note that services regarding worker housing, short-term lodging facilities for business travelers, entertainment facilities, convenience stores and clinics will be determined in the future after deliberation with Vina CPK.

Table 9-31: Estimated Operating Costs

Item	Details	Estimated operating costs
Expansion assistance services	・Overseas expansion consulting	Personnel costs: shown below (1) One Japanese director, Vietnamese staff members who speak Japanese can correspond (2) Japanese director stationed permanently (1,500 USD/MM) (3) Vietnamese staff as follows (USD 800/MM) Phase 1: two people; Phase 2: two people; Phase 3: three people; Phase 4: three people; Phase 5: four people; Phase 6: four people; Phase 7 and on: 10 people (4) If the building permit services, fire permit acquisition services and EIA assistance of individual companies differ from one another, they will be charged separately.
	・ Investment development permission acquisition	
	・Moving preparation assistance	
	・Building permit and fire permit acquisition (4)	
	・EIA assistance (4)	
Operational assistance services	・Employment, accounting, legal	Separate accounting
	・Environmental efforts	
	・ Assistance with securing a workforce	
	・Introductions to possible tie-up partner companies	
	・Business matching support	
Meal services		Separate accounting
Vehicle services		Separate accounting
IT services		Separate accounting *permanent IT staff
Logistics services		Separate accounting
Insurance services		Separate accounting
Logistics financing services		Separate accounting
Housing	・ Serviced apartments next to industrial parks	Separate accounting
	・Housing for workers	Coordinate with Vina CPK
	・Short-term lodging facilities for business travelers	
Other	・Entertainment facilities	Coordinate with Vina CPK
	・Convenience stores	
	・Clinics	

(Prepared by the study team)