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# First Japan Firm Into Postwar China Eyes Surprising Comeback

By Min Jeong Lee and Katsuyo Kuwako

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- 40 years ago, Miyakoshi got approval to operate in China
  - Now, company is pivoting from electronics to real estate
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When it comes to China, Kunimasa Miyakoshi has at least two claims to fame.

Some four decades ago, when he was only 37, the businessman led the first Japanese company to get a permit to do business in the country after World War II. And today, his Miyakoshi Holdings Inc. is the only stock in Japan's benchmark Topix index that generates 100 percent of sales from China, according to data compiled by Bloomberg.

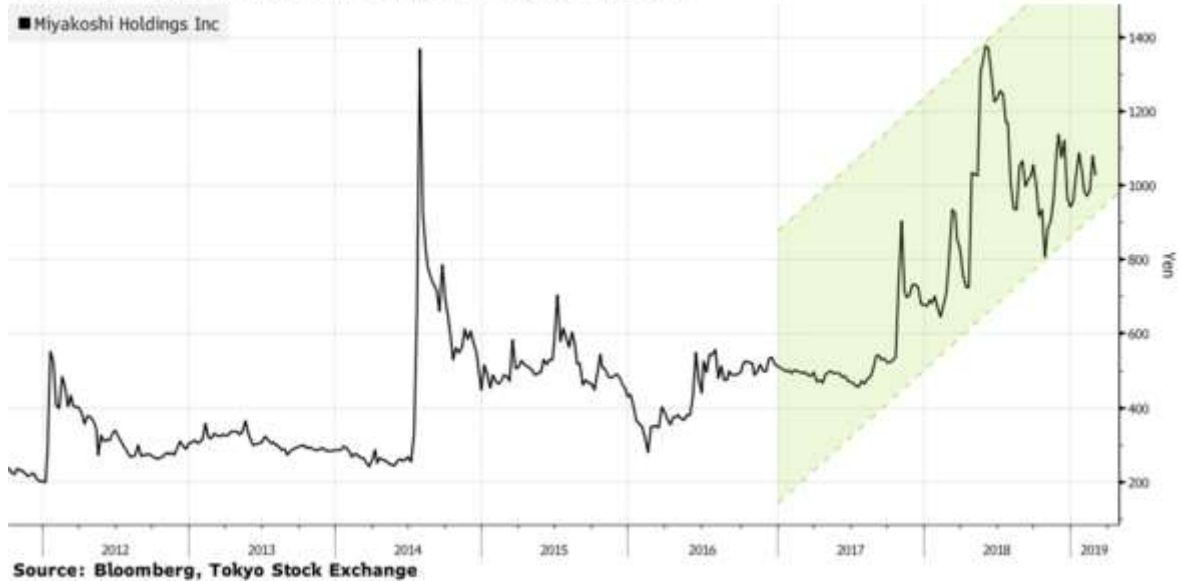


Planned site of Miyakoshi's development. Source: Miyakoshi Holdings

Miyakoshi, once an electronics manufacturer, has changed course to become a real estate developer, and it's about to take the next step in its long relationship with the communist country. The company is working to cement a \$1.1 billion deal, Miyakoshi says, that will grant it the rights to build office towers -- which it calls innovation centers -- in the technology hub Shenzhen, bordering Hong Kong.

"We are about to begin something extremely challenging," Miyakoshi said in an interview at the firm's headquarters in Tokyo. But "this is going to be huge."

### Miyakoshi shares return to close-to-record levels



While Japan and China have had a fraught diplomatic relationship, business ties run deep. China was Japan’s largest trading partner in 2018, taking in about \$142 billion worth of exports. Still, few Japanese have Miyakoshi’s history with the country.

Miyakoshi, who established his own business when he was 25, was asked by the Irish government to go to China in 1977 to help the Asian country make cassette tape recorders.

"I was a young man," Miyakoshi said. "I didn’t have a clue what kind of high-profile people I was dealing with. But we went to China, just like that."

### No. 11

In those days, China lacked the infrastructure and technology to mass-produce products such as tape recorders, which it wanted to use in education.



Kunimasa Miyakoshi Source: Miyakoshi Holdings

"About 40 big shots attended the negotiations," Miyakoshi said. "You wouldn't believe it."

When Miyakoshi flew back from meeting the Chinese officials, Japan's national broadcaster, NHK, was waiting at the airport, he recalls. The business permit Miyakoshi eventually received was labeled No. 11. The first 10 all went to Hong Kong companies, according to Miyakoshi.

The business made losses at first, which China offered to write off. Miyakoshi said it was his responsibility to cover them. That was the beginning of a 40-year relationship, which he says is paving the way for the Shenzhen project.

Miyakoshi is betting that his plans to build at least four skyscrapers and bring in hundreds of medical and health-care technology companies from Japan and other countries to the southern Chinese city will get full backing from the local authorities. The Shenzhen government has outlined its ambitions to develop the city under a plan that stretches to 2035.

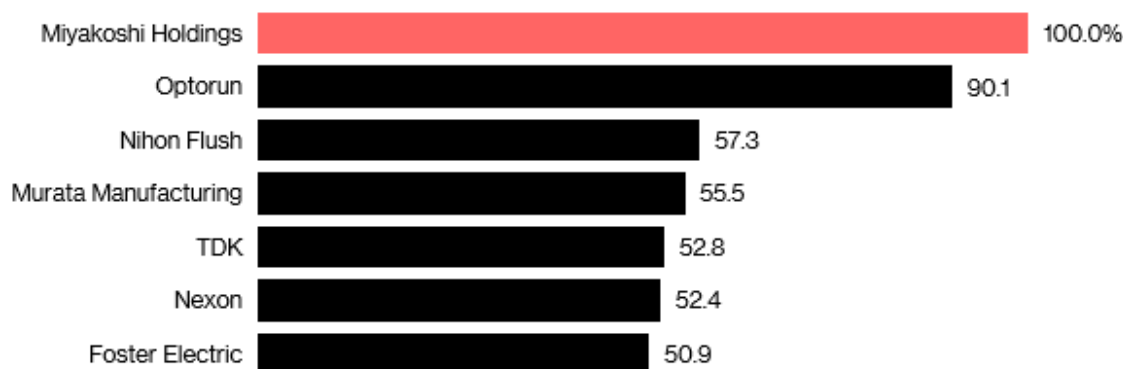
## Four Stages

The project will have four stages. Most of the money for the first stage will come from Miyakoshi and its affiliates' existing capital, according to the businessman. The company is hoping to generate tens of millions of dollars in rent revenue once construction of the first building is completed, which is scheduled for 2021. It's also considering investing in tenant companies.

By the end of this month, Miyakoshi plans to gather a group of about 35 Japanese firms that are interested in setting up shop in Shenzhen, Miyakoshi said. The company will seek a construction permit from the Shenzhen government this summer, he said. Calls to government officials to verify Miyakoshi's plans weren't answered.

## China-Focused

Companies in Japan's Topix index most reliant on China for sales



Source: Bloomberg, Companies

Note: Percentage of sales that came from China in latest annual financial statements

“On the permit, it's like, which comes first, the chicken or the egg,” said Masahiro Terada, a business development leader with PwC Consulting in Tokyo who's advising Miyakoshi on the project. “The government will want to see what kind of development plan is under way and who will be coming as tenants.”

Miyakoshi Holdings has only 50 employees (down from 7,600 at the start of the 1990s), and had sales of just 1.3 billion yen (\$11.6 million) last fiscal year. No analysts cover the stock, according to data compiled by Bloomberg. But it's listed on the main board of the Tokyo Stock Exchange, where its shares doubled from April to May last year before paring some of those gains. Miyakoshi fell 2.6 percent in early trading on Thursday in Tokyo.

"The challenge is whether this plan will resonate with Japanese companies," Terada said. It's a question of "how many are willing to start from scratch to crack a new market."

Terada says that winning a permit from the Chinese government shouldn't be difficult. JBCC Holdings Inc., a technology-services company based in Tokyo, is one of the several companies currently in talks with Miyakoshi to become a potential tenant.

"We've visited the site a few times -- it's a really good spot," Toru Kubo, an official at the China arm of JBCC. "It's a good business chance for us as quality companies will gather from around the globe."

For Miyakoshi, the Shenzhen project is a chance to reinvent his company after it quit its failing electronics business in 2016, yielding to stiff competition from local manufacturers. While time will tell whether he'll succeed, the 78-year-old is confident in his chances.

"Our business here will really change," he said. "We'll be a completely different company."

— *With assistance by Ying Tian, James Mayger, and Jie Ma*

(参考情報)

記事 URL : <https://www.bloomberg.com/news/articles/2019-03-06/the-first-japan-firm-into-postwar-china-eyes-surprising-comeback>