

Vietnam Long Duc Industrial Park Project

Leveraging Our Trading Company Functions to Create a Competitive Business Model

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*Affiliations and titles are current as of the time of the posting of this article.

The demand for Japanese-affiliated industrial parks overseas is growing, backed by the increasing number of Japanese manufacturers expanding their business operations overseas. Sojitz has developed its industrial park business in Vietnam, Indonesia, and India by leveraging know-how and the strength of its trading company functions, accumulated through years of business operations. This issue introduces the Long Duc Industrial Park, which is under construction in the Long Thanh District of Dong Nai Province, Vietnam.



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Ideal location for a manufacturing and distribution base

In recent years, many companies from Japan and other countries are considering expansion of their business operation in Vietnam in light of the nation's brisk economic growth of 5% to 8% annually and a young, affluent labor force. Some 70% of Vietnamese are under 35 years old.

The park is located in the Long Thanh District of Dong Nai Province about 40km east of Ho Chi Minh City. The total site area is a massive 270 hectares. It is also close-about 40km- to one of the major ports in Vietnam, Cai Mep-Thi Vai Terminal Port, where large-scale vessels can berth. What's more, it is only about a 10-minute drive from an interchange on the North-South Expressway, which is slated to open in 2014, and about 14km from Long Thanh International Airport, scheduled to open in 2020. This will further enhance the convenience of access with overseas and Vietnam. It is an ideal location for a manufacturing and distribution base, with efficient access by air, sea, and land.



Long Duc Industrial Park
President Atsushi Uehara

The industrial park acquired an investment license in 2007. Site

preparation began in 2012 and will be completed in July 2013. The infrastructure will be ready for tenants starting in August 2013. We have already started leasing sites to some tenants.

Selling points of the Long Duc Industrial Park are one-stop services for various facilities - logistics functions of Sojitz Logistics, IT functions of Nissho Electronics Vietnam, and a stable supply of gas from Sojitz Vietnam, for example.

Long Duc Investment will operate the park. President Atsushi Uehara, who is on loan from Sojitz to direct the company at the front lines, said, "When customers conduct a feasibility study, logistics is a major concern. Sojitz Vietnam will provide information even on procurement of raw materials and components/parts. We can demonstrate our collective strengths to provide the basic information they need for their feasibility studies. This adds even more value to the Long Duc Industrial Park." Construction is proceeding smoothly and about 40% of the space has already been leased (as of October 2012), mainly by Japanese manufacturers.

Installation of electric power substation ensures stable supply of electricity

The most important infrastructure elements for the park are electricity and water. "We worked day in and day out with local utilities to secure electricity and water, and with Dong Nai Province for sewer service," Uehara said. "To ensure a stable power supply, it was essential to install a power substation as close to the park as possible. As a result of our negotiations with the electric power company, they agreed to build a substation adjacent to the park."

Our company has built very good relationships with Dong Nai Province and its affiliated public electricity and water utilities through the Loteco Industrial Park, which we opened in 1996 and continue to operate. Vietnam's electricity supply is hardly adequate. In the dry season, when hydroelectric generation cannot keep up with demand, the Loteco Park is asked to reduce peak-hour electricity use.

"In the Loteco Industrial Park, we have cooperated with the province to reduce the burden on the electric power company by using emergency private electric generators. Among nearly 20 industrial parks in Dong Nai Province, Loteco and another company were excluded from the power cut schedule thanks to this mutually beneficial relationship," Uehara said. "The credibility that we built up



through our cooperative electricity policy enabled us to ensure a stable power supply in Long Duc.”

Loteco Industrial Park pioneers the business

Loteco Industrial Park is a 25-minute drive from Long Duc, and all of its sections are leased. It is the perfect sales showroom for Long Duc Industrial Park, and serves as a pilot project. Toshio Kazama, president of Long Binh Industrial Zone Development Company said, “Loteco, which is already in operation, is the easiest-to-follow example for Long Duc customers. If we don’t properly manage Loteco, this will prevent Long Duc from sales and marketing. So I tell our staff to do their jobs with a sense of urgency.”



Loteco
President Toshio Kazama

Commenting on the differences between Loteco and Long Duc, Kazama said, “From the start of the project, we have taken an approach that leverages our collective trading company functions. Logistics, sales of materials, sales of gas, which is in great demand, IT functions such as cloud computing . . . we can formulate a team that can demonstrate Sojitz’s collective strength by adding such advantages. We did not have that kind of idea at the first park in 1996.”

Two Sojitz members are on loan to Long Duc from Sojitz to operate the park. “The most important thing is to remember that an industrial park is a service industry, and put the customer first,” Kazama said. “We offer dedicated services with transparent operation. We must keep that in mind.”



Construction in progress at Long Duc Industrial Park

President Kazama received honorary citizenship in Dong Nai Province. “When Dong Nai Province held an investment seminar in Japan for the first time six years ago, I supported them through the Sojitz Head Office and partner network. The seminar was very successful. I think they gave me the title to express appreciation for our support. I think it was given to all of Sojitz rather than to me personally.”



Sojitz’s programs in the province have earned great respect and broad support in the local community.

“Exports must be increased to keep Vietnam growing, so they want the industrial park to attract more foreign investment,” Kazama said. “This matches our target. When we make an effort, they respond. Approvals, licenses, and support from the government are very important when doing business in this country,” Kazama added, noting that the industrial park projects will help restoring the glory of Sojitz in Vietnam.

The Head Office and front line work as a team

What are some of the difficulties and hardships when operating an industrial park overseas? Overseas Construction Development Dept. DGM Masahiko Kamata observes, "An industrial park is a sensitive project that is easily affected by changes in economic conditions, and is always at risk. For customers, the main point is properly assessing conditions in the country they intend to enter." The decisive factor is whether they can manufacture with confidence after acquiring the land. Is there domestic demand for the product after it is manufactured? Can you reduce costs of exporting to Japan, the U.S., and other countries? Customers will decide by adding factors such as land cost, labor cost, and development of infrastructure. "These are the basics. Customers make a final decision by adding the trust factor, because a Japanese company is in charge of operation, and evaluating the performance of the industrial park business in the same country and other countries."

To ensure smooth communication between the Head Office and the front line, "We hold a weekly teleconference with RS and all project members at the Head Office, sharing information on the status of development, sales, funding, and so on. We work as one team."

Kazushi Miyata and Tran Thi Thu Huong of the Overseas Construction Development Dept., Overseas Construction Development Sect. who support the Long Duc Industrial Park from the Tokyo Head Office, had this to say:

"Companies that are trying to expand operations overseas are very aggressive. We will leverage trading company functions such as offering our logistics and supplying raw materials through the Sojitz Group when attracting those companies. We will establish a long-term win-win relationship by offering a distinctively Sojitz industrial park." (Miyata)

"I am responsible for management of the Long Duc project and operating activities for customers at the Head Office. I not only provide information to customers and team members, but also try to improve follow-up with customers while taking advantage of my position as a Vietnamese." (Tran)



Overseas Construction Development Dept.
DGM Masahiko Kamata



Overseas Construction Development Dept.,
Overseas Construction Development Sect.
Kazushi Miyata



Overseas Construction Development Dept.,
Overseas Construction Development Sect.
Tran Thi Thu Huong

Advantages are consistent, reliable support system



Advantages of the Long Duc Industrial Park include the security due to the construction and operation by Japanese Company, and an integrated support system from launch to operation. “We meet customers’ needs with promptness and precision, in the Japanese way,” said President Uehara. “We always follow this approach and as a result we are gaining increased recognition.”

Reliability means a system that allows our Japanese staff to respond properly in Japanese to a Japanese tenants. “Although it may be hard for people with no experience to understand the system,” Uehara added. “For example, when a Japanese person gets ill and has to stay in the hospital overseas, he or she feels secure if the doctor speaks Japanese. Sojitz personnel are always stationed at the industrial park is just like having Japanese doctors in overseas hospitals. I believe this is a big appeal of the Long Duc Industrial Park.”

With full operation scheduled to start in August of 2013, President Uehara is enthusiastic about the project. “We must develop the infrastructure well. We must lease at least 50% of the space within 2013. Furthermore, we must recruit enough staff and train them well to create a good customer support system. I will move ahead with the project step by step.”

A Message from the project members stationed at Long Duc Industrial Park



Hiroyuki Saito

What I feel the most since I arrived at my new post at the end of 2011 is the seriousness of customers who are considering locating their business at the park. Setting up a plant is a large investment. I could not feel the seriousness and enthusiasm of the top executives who visit here unless I came here myself. I will do my best as a coordinator to orchestrate the Sojitz Group’s collective strength, aiming for full occupancy as soon as possible.



Hiroo Shoji

I arrived at my new post as a short-term overseas trainee. I have two main assignments: production of the regulation book of the Long Duc Industrial Park and customer support services such as answering questions. I want to be able to say that I'm second to none in doing my job. When the park is complete, I will share my enthusiasm with customers and Sojitz colleagues alike.



Takashi Sugiura

My job is to support sales operations. Compared to the early days when I asked so many questions, I can now offer consultation services and answer customers' questions with confidence. I will do everything in my power to make sure the customers I have been working with will decide to locate at our park, and will be glad they did.

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