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# Osaka Renaissance News

No4 March 2004

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Welcome to “Osaka Renaissance News” - the email newsletter of Osaka City Government’s “Urban Revitalization Task Force”.

## **The Osaka Urban Revitalization Task Force**

We are the first *City Task Force* established in Japan to address urban regeneration and revitalization at the same time. For this we are also collaborating with the central government’s “Urban Renaissance Program”. The role of the task force is to coordinate and promote the set of initiatives that taken together form the Osaka Revitalization Plan.

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## **This Issue: Ubiquitous IT and City Regeneration**

“Osaka Renaissance” is published on a monthly basis, and distributed through multiple email channels to spread the word about the new and most important initiatives taking place in Osaka. This month’s issue is about how the city is creating the conditions for a new information service environment which could make Osaka one of the world’s most interesting experiments in ubiquitous IT. We hope you find it interesting. If so, please forward it to others in your network.

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## **The Osaka City Blue Print for Urban Revitalization covers:**

- Urban regeneration
  - Business stimulation (notably through technology clustering)
  - Tourism and life-style services
  - Education – especially professional and life-time learning
  - Foreign direct investment
- .....

## **CONTACT POINT**

*Osaka City Urban Revitalization Task Force*

**Toru Takahashi, Deputy Director, Office of the Urban Revitalization Committee**

Tel: 06 6244 4315

Fax: 06 6244 4307

Email: ea0012@ii.city.osaka.jp

URL: [www.osaka-saisei.jp/eng/index.html](http://www.osaka-saisei.jp/eng/index.html)

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# UBIQUITOUS IT AND CITY REGENERATION

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## Author's Introduction

Ubiquitous means everywhere, and ubiquitous IT means literally IT everywhere, or IT woven into the pattern and fabric of our lives. As such it is going to be another major step forward in the IT- intensification of our world. Consequently ubiquity and community are likely to become woven together, as we describe in this newsletter.

In Osaka, there have been several initiatives taken to increase the IT intensification of the venture, or new business community, especially in the downtown area along either side of the main Midosuji thoroughfare, which is the central nervous system of the city.

The newsletter introduces several community projects and their specific focus on IT. It then outlines the city's demonstrator projects, which will be taking place over the next three years to promote ubiquitous IT. Finally we turn to what interests us most: how these various developments can stimulate the participation of foreign companies.

As is well known, Tokyo takes the lion's share of any new investment in high tech and software fields. Nevertheless, we found one excellent representative of this sector, completely satisfied with its investment in the Osaka area.

Westcode, a UK-based specialist semiconductor company, established a technical liaison office a year ago having reached the limits with its existing distribution system. The move has wildly exceeded its expectations, with annual sales revenues already growing by 30-40%.

In Tokyo, Westcode would have been "lost in the crowd". Kansai, on the other hand, it calls "a very well kept secret". For other companies desiring to emulate it, the city provides extremely strong support. This is a "secret" which, like the developments going on in ubiquitous IT, it is time to reveal!

**Alex Stewart**

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The Osaka City Revitalization Task Force has commissioned Alex Stewart to author this series of newsletters. He is the president of Alexander Capital Access Co., Ltd., an investment catalyst and communications company based in Osaka. He is also an Executive Adviser to the Osaka City Revitalization Task Force. Questions about these articles can be directed to him at: [alex@ac-access.com](mailto:alex@ac-access.com)

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## UBIQUITOUS IT AND CITY REGENERATION

*In this newsletter we look at how Osaka is positioning itself to become a leader in the deployment of ubiquitous IT solutions and services*

### **(1) Definition**

The concept of ubiquitous IT - a mouthful to say - will merge eventually into the everyday of life and the awkward expression may disappear with it. The word means basically "everywhere computers", signifying that computers will become literally part of our lives, like the Internet, but more so.

One way to illustrate this is the bar code. Now a simple identifier system, it will soon be cheap enough to replace with IC tags, which are tiny computers printed on a strip. These computers-on-a-strip will be able to identify products, not simply for inventory management, but hold any information about the product, such as its current condition, its history, value, or whatever is desirable to record on its computer-sized memory. IC tags will interact through high-band radio waves with their environment and create entirely new information and communication

pathways. As a result, an entirely new information paradigm is going to emerge.

Supporting this next leap forward in technology is the next generation Internet Protocol, IPv6. However, first the market has to catch up with the technology, notably there still needs to be agreed standards for interoperability (currently there are two competing standards) and the market must be adequately prepared, since it requires a new service architecture in order to provide "ubiquitous" services. For the moment therefore the market is at a quasi-experimental stage, even though most of the computing power and communication bandwidth is in place.

To move the market forward, Osaka has decided to take a leading position in the promotion and adoption of the future technology. To explain its plans, it held a major symposium in February at which a large gathering of citizens

and business people heard about the future of ubiquitous IT. The symposium emphasized that the new information architecture will change the Internet from being a tool for communication to becoming the environment in which we move and live. The city it declared had the opportunity to create not just a new market for technology but a new culture based on completely new ways of communicating. The panel also believed that Osaka had the chance to draw more people from around the world interested to experience a next-generation cultural environment, based on the new communication paradigm. This is not an unrealistic expectation, since Japan is at the forefront of developing ubiquitous-type services, based on its already leading and powerful mobile phone culture.

## **(2) Community Initiatives**

The plan to make Osaka a city for ubiquitous IT has its roots in a variety of initiatives designed to change the downtown of Osaka into an IT and lifestyle hub. The first major project was called “Senba Digital Town” (Senba is a traditional wholesale area in central Osaka). The project grew from a research trip to the US in 1998 by a professor at Osaka City University, Kazuyuki Konagaya. The visit fired him up with the desire to establish “venture alleys” in Osaka, similar to Media Gulch in San Francisco. Based on his recommendations, the Urban Development Corporation (UDC), a public agency set up by central government in 1999 for the purpose of helping to revive urban centres, called on the city to make an inventory of vacant land in Osaka. At the same time, the Ministry of Land, Infrastructure and Transport carried out a survey to identify the location of venture businesses in Osaka. Their research

found that the conditions in Osaka were ripe for venture revival, since like downtown San Francisco, there were many properties available to rent, and a large number of venture companies moving into the area. In the Senba area alone, the survey found 650 venture companies, which made it the fourth largest concentration of IT ventures in Japan (after Akihabara, Shibuya and Shinjuku - all in central Tokyo). From this “Senba Digital Town” was established in July 2000, to strengthen IT venture activity by providing support in four main areas: IT infrastructure, SOHO incubators, business matching services, and PR. Support for this project came from a variety of important sponsors, including the city government, the UDC, NTT West, the SOHO Association of Japan, Osaka Gas, and Kansai METI.

## **(3) Midosuji Avenue Area**

The key to the downtown revitalisation however is Midosuji Avenue, which is the main business and retail thoroughfare of the city, linking the central transport hub of Umeda at one end to the transport gateway of Namba at the other. The avenue, which is 4.4km from end to end, serves as the city’s central nervous system, carrying its senses and pulses to Kansai and beyond.

The focus widened to the whole Midosuji area (which includes Senba), in July 2001, when the Cabinet Office selected it as one of the first areas to qualify as a national “Urban Renaissance Project”. This new designation came on the heels of an initiative by several groups, including the Kansai Economic Federation, to establish the “Central Midosuji Network”, which began conducting various events and preparing information-related installations. An

“Action Plan to Revitalise Midosuji”, was also drawn up. The following year, the central government designated Midosuji as a “Priority Urban Redevelopment Area” in order to encourage more property development by loosening planning regulations in the designated area.

#### **(4) Infrastructure**

The following year, in April 2003, the Ministry of Public Management, Home Affairs, Posts and Telecommunications (MPHPT) designated Osaka as an “IT Business Model Area”. This covered the whole city, including the port area. Osaka secured this designation based on its advanced infrastructure and facilities for promoting IT. For example, in 2002, the city had started conducting one of the earliest trials in Japan for an IC card system that allows cardholders to travel across the transport networks of 35 participating enterprises; these trials are being extended this year to allow cardholders to make payments at shops and restaurants run by the participating companies. Similar services are being developed by NTT DoCoMo for mobile phones where cash is stored within the mobile phone itself. At the core of the payment system is a multi-function smart card which will be integrated into cell phones for new models starting this year.

Another reason that Osaka was designated a model IT area is that it is the centre of the software development industry in the Kansai region. According to a survey made by the city there were a total of 3,404 IT firms in the vicinity of the Midosuji area in October 2002. According to city researches as well, the software sector in Osaka accounted for between 65% and 84% of total software-related revenues in the Kansai region depending on type of software activity.

Since the Kansai region has a population larger than many OECD economies, and a GDP on a par with some G8 economies, it is a major market for software firms.

The city has also made great progress in establishing facilities to support and promote venture activity. The centre-piece of this is the “Osaka Business Innovation Center”, established in January 2001, and backed by the city and the Chamber of Commerce. The 17-floor building includes incubation offices and offers a wide range of consulting services. It plays a leading role in the promotion of ubiquitous IT [see also Osaka Renaissance News, No.3]. In particular it provides the venture community with networking opportunities, information, and business matching services.

The conditions were gradually becoming very suitable to promote ubiquitous IT. In August 2003, an “Osaka Ubiquitous Network Promotion Consortium” was established, with a plan to use the Midosuji district as a test bed for ubiquitous IT services. The consortium is aiming to enhance network functions, develop new service platforms, enable the production of ubiquitous-style appliances, and promote next-generation systems and services.

The consortium is made up of 20 organisations from the private, government and university sectors, representing the cream of the Kansai IT community, including NTT West, K-Opticom (a subsidiary of Kansai Electric Power), DoCoMo Kansai, Hitachi, Fujitsu (both maintain R&D and consulting facilities in the city), Matsushita, Surutto Kansai (the group running the IC card service for the transportation companies) etc. It will serve as a co-ordinator, promoter, and

lobbyist to secure subsidies and more projects for the city from central government. The planned duration of the consortium' is three year.

#### **(5) Demonstrator Projects**

There are currently seven groups of companies undertaking demonstrator projects. Four groups are managing wireless LAN experiments. The others are demonstrating applications for IC cards, Internet services, and GPS mobile phones. One of the services combines a GPS mobile phone and an Internet restaurant guide called [i-navi@Osaka]. It covers 1,000 shops and restaurants in the downtown area and enables users to find out what is available in a shop or restaurant at any time, including seating availability, in real time, and the optimal route to target destinations. Another service is experimenting with video screens in selected cafes through which people can chat directly to co-workers or others in offices nearby [com.chat@Osaka].

The consortium can draw on Osaka's strengths in the underlying technologies of an ubiquitous network society. This includes the existence of leading companies in the consumer technology area (Matsushita, Sharp, Sanyo). Also, in the area around Osaka there are several of Japan's leading research institutes, notably the Kansai Science City (or "Keihanna"), major universities, and also R&D centres belonging to many world-class high-tech companies, especially in the consumer electronics field. It is also the base for manufacturing parts and components, including flat panel displays, power sources, and high-tech welding and materials technologies used in the most high-tech applications. Indeed, the technology in the Kansai is more than enough to sustain the Japanese mobile phone industry, since

many of the leading companies in this industry are based in Kansai.

#### **(6) The Opportunity for Foreign Companies**

All of this suggests an obvious market in which foreign companies could participate. In spite of this, the number of foreign investments in the Kansai IT sector is remarkably few. IBM has had a presence in the region for a long time, but no other company is adequately represented. Even companies like Motorola or AT&T Wireless, which might be expected to maintain more resources in such an important IT area, are relatively light on the ground.

Some have noticed the potential however. One new investor is Westcode, a UK-based specialist semiconductor company, now belonging to the larger IXYS group of the US. It had been exporting power MOSFETs, and other specialized semiconductor parts to Japan for over 20 years ago. A year ago it established a technical liaison office in Osaka, headed by one of its former UK-based Japan support staff, Bradley Green. It took the decision to move nearer its customers because the existing distribution system had reached its limits and the company needed to do something "a little more creative". The move has worked far beyond the company's expectations, according to Green, with annual sales revenues now growing by 30-40%.

Of course, IXYS and Westcode also expect to enjoy stronger growth as ubiquitous computing generates more demand. The ubiquitous IT environment will require all of the basic parts which IXYS and Westcode supply, from the electrical power generation, distribution, and filtering, all the way through to powering the computer in front of you. As Green

says, “every link in the power chain will benefit”.

The company is also extremely satisfied with its decision to locate in Kansai rather than Tokyo. As Green puts it, “Kansai is a very well kept secret. It is only when you get to do business in the Kansai do you find out how attractive it really is – ease of travel and locality of the customers are only the start of the benefits. I am quite happy for our competition to concentrate on Tokyo with its higher rents and multiple competition, I can quietly work here, growing year on year, right next to the customer”.

Westcode has also made Osaka the base for the whole of the Far East region. The reason Green says is that, “Japan is the leader in innovation for the world not just the region. Location in this area allows us to be right next to the designers of our tomorrow and if

you want to be in the race that is exactly where you need to be”.

We can add to this that Osaka and the Kansai region form a relatively compact area of densely concentrated high-tech industries within for the most part a one-hour travel radius. The grape vine works well as a result. Moreover, it makes it easier to become a part of the local scene quicker. In Tokyo, on the other hand, Westcode would have been “lost in the crowd”, says Green. In addition, the city strongly desires new investment, which means the level of support for new companies is extremely good. Westcode points to the fact that there should be a much bigger buzz about the potential of the Osaka area regarding the next generation of IT. We think a silent revolution is taking place, and soon it should be heard.

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