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EYEING COMPUTER PRODUCTION IN THE FUTURE

## Epson will begin printer assembly in Portland, Oregon next year

Epson Corp., a Shiojiri (Nagano Pref.)-based producer of printers and personal computers, will begin assembly of printers in the United States, it was learned last week.

The Seiko group company has already acquired a 66,000-square-meter tract of land in Portland, Oregon for an estimated ¥1-1.2 billion.

Epson will first take up production of terminal printers for personal computers to meet

the surging demand in the U.S. If the printer assembly goes smoothly, the company also will produce personal computers, portable computers and other information equipment at the Portland plant.

The local production is expected to help Epson further raise its market share in the U.S. and avoid being involved in possible trade friction when exports from Japan surge. Epson's move will prompt

other Japanese printer manufacturers to locate production plants in the U.S.

Although details of the project in Portland have not yet been decided, Epson reportedly hopes to make the Portland plant a production base for all kinds of information equipment for sale in the world's markets. The possibility thus is strong that the production volume at the Portland plant will greatly increase in the future.

In Japan, Epson now produces 1 million ultra-small printers for calculators and electronic cash registers and 150,000 terminal printers a month. Although demand for ultra-small printers has been slowing down, terminal printer demand has risen sharply. Epson now holds the largest share in the impact dot printer market.

More than 60 per cent of Epson's terminal printers are sold in the U.S. market, mirroring its strong brand recognition there.

Epson also has many customers in Europe. The company established a subsidiary in France in the summer of 1983. Epson France S.A. is scheduled to start assembly of terminal printers in the suburbs of Paris in October on a knockdown basis. However, the scale of production is far smaller than the planned operation in Portland. Epson France, with a payroll of 20 to 30, will have a monthly capacity of 1,000 units. Its factory has a total floor space of 1,000 square meters.

The operation in France is aimed mainly at avoiding possible trade friction. Epson, however, is looking to set up a worldwide supply base with the planned operation in Portland.

## Special U.S. Section

WITH REPEAL OF UNITARY METHOD OF TAXATION

# Oregon attracts Japanese investments; targeting at high-tech manufacturing firms

By JUNICHI UMEDA

*JEJ Staff Writer*

PORTLAND, OREGON—The State of Oregon has been stepping up efforts to attract more Japanese investments in the West Coast state, which had been less familiar to the Japanese than California to the south.

On July 30, the state legislature voted in a special session to repeal the unitary tax system as it applies to companies conducting business in Oregon with headquarters offshore. Oregon became the first, among the 12 states with a unitary tax, to eliminate the controversial state taxation system.

The repeal, effective January 1, 1985, is expected to promote investments in the state from abroad as the unitary tax system was the biggest stumbling block to foreign investors.

Mirroring Oregonian enthusiasm for luring direct investments from Japan, the Portland Development Commission held a four-day "Japan Economic & Industrial Conference" in the largest city of Oregon in the middle of July, inviting nearly 20 Japanese bankers and officials of the Japan External Trade Organization (JETRO). The confab was also sponsored by the Ambassador Program, a group of local businessmen.

### NEC's decision

The scrupulously programmed conference was attended by Oregon Governor Victor Atiyeh, Portland City Mayor Francis J. Ivancie, and state and city governmental officials and businessmen. Speakers strongly called for Japanese bankers and JETRO officials to introduce Oregon to Japanese industrialists as a state with a favorable investment environment.

Oregon has long been an important point of Japan-U.S. trade as it has the Port of Portland, which boasts among the most extensive facilities on the West Coast. Actually, about 30 Japanese companies have been established in the state. Most of them are trading companies engaged in trade of wood products and grain. Oregon, however, now welcomes direct investments by Japanese high-tech companies partly because the state needs to diversify its industries.

Meeting these local expectations, NEC Corp. of Tokyo announced in May that its U.S. subsidiary — NEC America, Inc. — will build a plant to manufacture and assemble equipment for fiber optic communications, radio communications systems in the city of Hillsboro, about 20 miles outside of Portland. Initial plans call for an investment of some \$25 million, an NEC spokesman said. The plant will employ about 300 people when opera-

tions get fully under way in 1987, he added.

NEC has become the first major Japanese high-tech company to locate a manufacturing plant in Oregon. NEC's decision greatly encouraged local businessmen and government officials, who hope more and more Japanese high-tech firms will move into the state and stimulate the local economy. However, the unitary tax system was one of the major barriers to foreign investments.

### Unitary tax

In the summer of last year, Oregon had a bitter lesson. Mitsubishi Electric Corp., which had been considering locating a very large-scale integrated circuit (VLSI) manufacturing plant in Oregon, finally decided to construct the factory in North Carolina, a state without the unitary tax. The loss of Mitsubishi Electric

to North Carolina cost Oregon at least 200 job opportunities, dealing a heavy blow to the local business community. This incident has prompted this local business community to further promote moves to eliminate the unitary taxation system.

Early in June, Chairman Akio Morita of Sony Corp. visited Oregon as a leader of one of the three investment-promotion delegations to the U.S. dispatched by the Federation of Economic Organizations (Keidanren). The 12-member

team criticized the state's unitary tax assessment system as a chief drawback to investment in Oregon. Morita strongly called for repeal of the system, saying that it was a "hazard" and a "discouragement" to Japanese corporate investors.

Corresponding to this request, Governor Atiyeh issued in the middle of July a formal call for a special session of the Oregon state legislature, which subsequently led to the repeal of the unitary method of taxation.

Noteworthy is that the state government does not necessarily apply the unitary taxation system automatically to multinational corporations, according to Glen F. Ulmer, Portland manager of Arthur Andersen & Co. If a subsidiary company is formed in the right way, organizationally, the company will be able to avoid the taxation method legally. In the case of NEC, the high-tech company reportedly was exempted from the unitary method of taxation.

The recent official decision to repeal the unitary tax system seems certain to accelerate direct investments in the state from abroad and from other U.S. states. According to informed sources, Epson Corp. of Shiojiri, Nagano Pref. has already decided to establish a printer manufacturing plant in the Portland metropolitan area. Several more Japanese firms are now seriously considering establishing production plants in the area, said Janet S. Burreson, manager, marketing and communications of the Portland Development Commission.

# Oregon attracts —

## Diversification needed

Against the background of Oregon's enthusiasm for luring high-tech companies is the fact that the state was seriously affected by the recession from 1979 to 1982. Its economy had been heavily dependent on "resources-based industries," such as forest products, agriculture and tourism. The recession caused major declines in forest products' output and employment. This difficult experience resulted in a revival of efforts to attract new productive investments to the state.

Oregon now sees rapid growth of high-tech industries, centering on the Portland metropolitan area, for the future. The majority of Oregon's 280 firms are located in the area. The concentration has given birth to the name "Silicon Forest," after Silicon Valley in California.

Major high-tech companies in the Silicon Forest include Tektronix, Intel, Floating Point Systems, Wacker Siltronic, Electro Scientific Industries and Hewlett-Packard. National Semiconductor is now building

a research institute in the region. In addition, many high-tech ventures are sprouting in the area, indicating the great growth potential of the Silicon Forest.

## Favorable environments

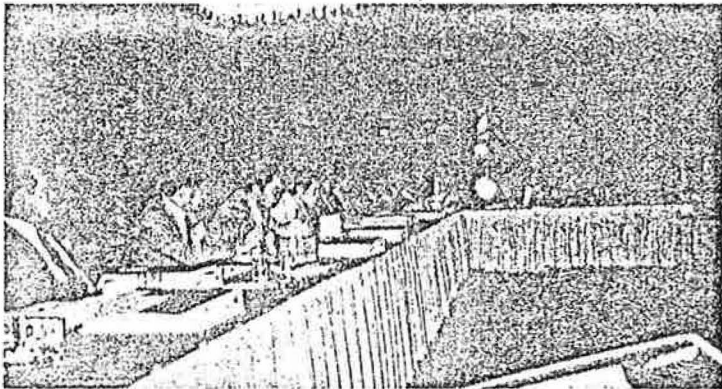
Geographically speaking, Oregon is a good place to do business in the age of the "Pacific Rim." In particular, the Portland metropolitan area has excellent transportation facilities — the Port of Portland, three airports (including the Portland International Airport), and three transcontinental railroads (Burlington Northern, Southern Pacific and Union Pacific).

The Portland labor force is known for its high quality, high productivity and outstanding work ethic. The stability of workers in a company is far higher than that in California.

Electricity and water resources are ample thanks to the Columbia River, the second largest in the U.S. According to a survey by a leading American research organization, Portland was rated the most livable city in the U.S.

The local business community believes that now that the unitary taxation method has been eliminated, these favorable factors for industrial location will count for a lot when investors consider establishing production plants.

This September, Governor Atiyeh himself is scheduled to visit Japan to open Oregon's representative office in Tokyo. In October, a major TV station in Tokyo plans to release a prime-time drama series, titled "From Oregon with Love." These active approaches will help the Japanese become more familiar with Oregon.



About 20 Japanese bankers and JETRO officials attended a four-day conference in Portland.