

CONNECTING THE DOTS

JAPAN DEFENSE INDUSTRIAL BASE

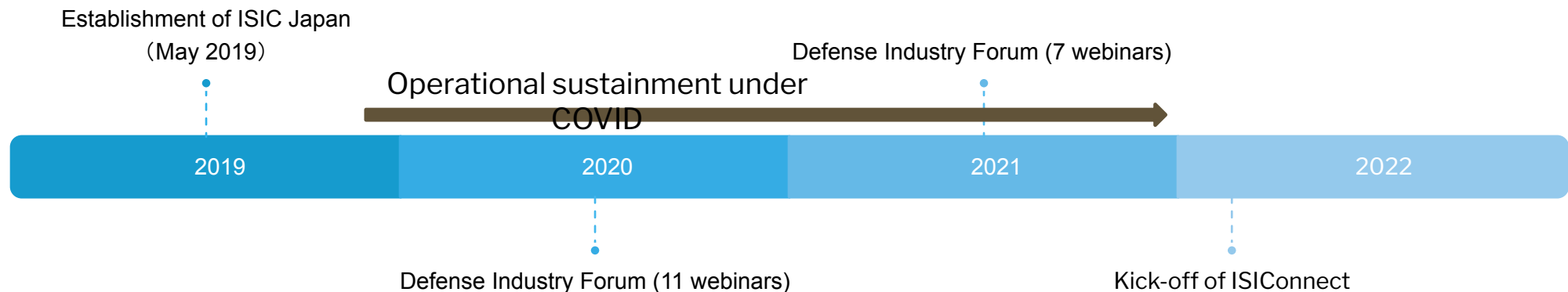
Challenges and The Way Forward

Reflections from Recent Defense Industry Forum



ISIC'S FOCUS AND ACTIVITIES

The primary objective of ISIC is to strengthen Japan's defense industrial capacity through business-to-business collaboration and integration of local contractors with the global supply chain



KEY TAKEAWAYS FROM DEC 2021 DIF

- ◆ While Academia played key role as member of defense community in US and NATO, based on their free will, to contribute to national security from S&T perspective, in Japan, members of academia community was bound by the ideology which prohibits doing S&T research for military purpose, in contrast
- ◆ Lessons learned by US from Cold War days were that defense industries was often influenced from the defense technology/equipment they developed that, providing neutral and unbiased insight and knowledge from pure S&T perspective was something that can only be expected from Academia, which perhaps was something missing in today's Japan.
- ◆ While there could be Japan unique hurdles based on its own historical view, ATLA has been making its own effort through “Security Technology Research Promotion System” to create collaborative opportunity between Academia and National Security community, and ideas to explore Japan version DARPA or establish similar research institute like FFRDC and UARC in US was brought up during the webinar as something Japan should take serious look in the future.

KEY TAKEAWAYS FROM FEB 2022 DIF

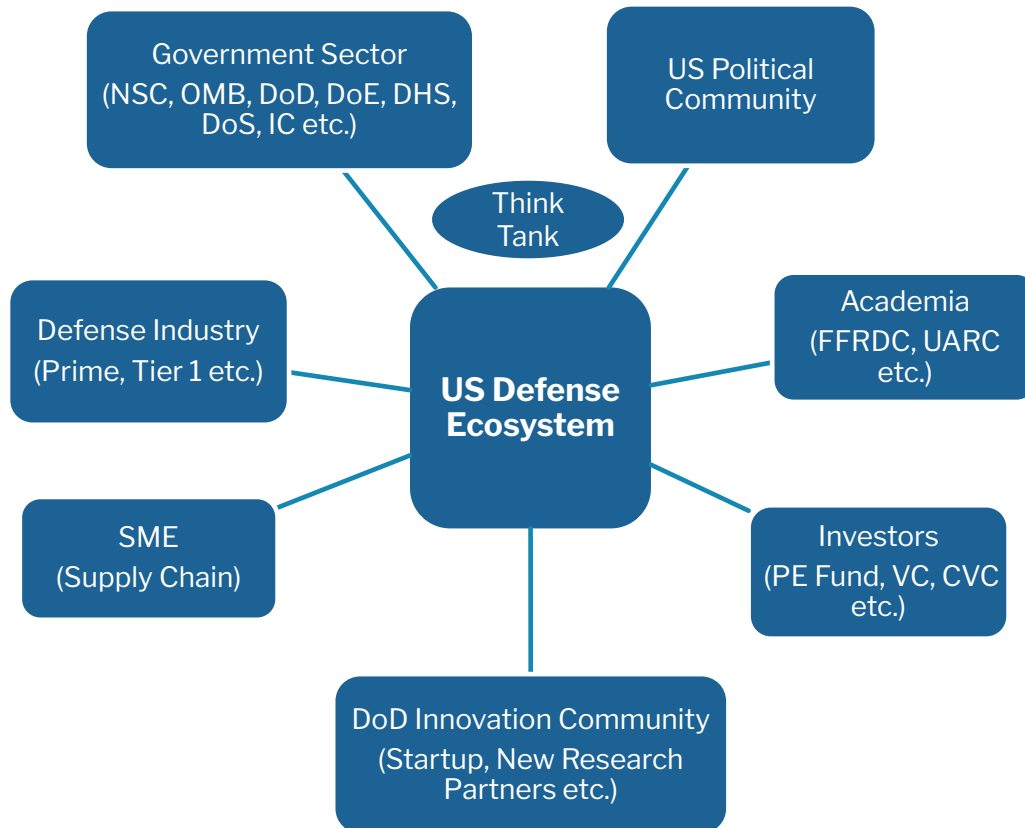
- ◆ Common understanding was confirmed that despite of various effort being made by JMOD/JSDF in the past, declining course of Japan's defense industrial base, who only depended on Japan's defense budget, could not be changed, and this trend remains in effect as of today.
- ◆ Recap was made on the objective of 3 principles on transfer of defense equipment/technology, that this was not meant as a rescue plan for the sustainment and strengthening of JDIB, but to offer diplomatic options to promote "Proactive Contribution to Peace Policy". Therefore, LDP study group made policy recommendation that defense transfer for the purpose of sustainment and strengthening of JDIB shall be separately promoted as a national security policy, not just by JMOD, but under the responsibility of the entire government, and explicitly stipulate it in the new National Security Strategy to be prepared this year. (LDP Upper House Member, Ms. Rui Matsukawa)
- ◆ However, the discouraging and demoralizing environment inherent to JDIB e.g., having passive business stance due to long history of dealing only with single customer, weakened position within the corporate organization due to the scale and profitability of the business, suppressive corporate executive mentality on defense business caused from fear of reputation risk and negative impact to company valuation, and unilateral judgment by the public for promoting oversea defense business as "Merchant of Death", reconfirmed the necessity of strong teaming between government and industry to overcome the robust brick wall built around JDIB.
- ◆ Another highlight was made on the importance of building interactive relationship between JMOD/JSDF and JDIB, where former should continue to presenting new CONOPS and requirements for Japan's defense, and latter should be making unstinting effort to analyze global R&D trend and use of advanced technologies for national security purpose in response, and also welcome entry of new startup companies for the revitalization and evolution of the industrial base.

GROWTH POTENTIAL FOR JAPAN'S DEFENSE MARKET

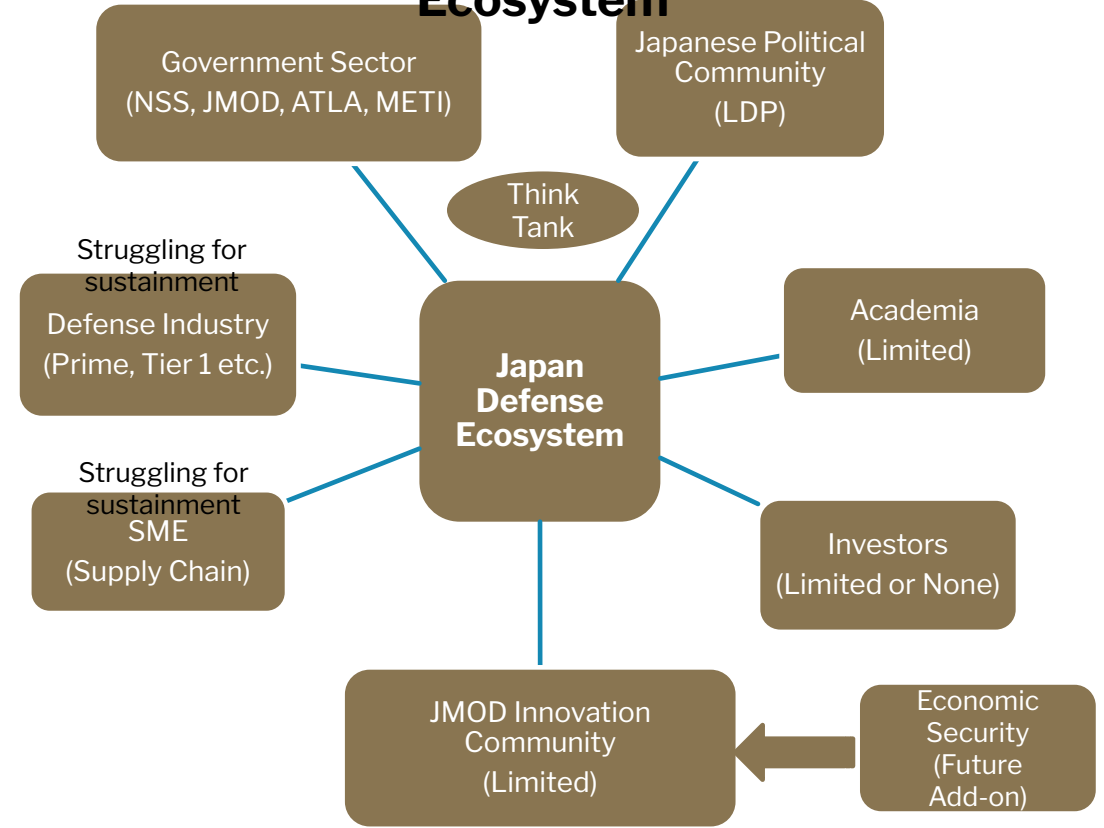
- ◆ Domestic Defense Budget (GDP 1% → 2%)
 - Sustainment, renewal and upgrade of legacy defense capability, as well as strengthening of logistical support capability and operational readiness, and making defense infrastructure base to be resilient
 - Increased investment to build capability in new domain area (Space, Cyber and Electromagnetic Spectrum)
 - Creating new defense business area from new CONOPS
 - Enhancing new defense capability buildup opportunities by having new startup from advanced technology area
 - Bringing new insight and knowledge from collaboration with academia for S&T research etc.
- ◆ Oversea Market
 - Use of Defense Transfer Project as diplomatic tool for “Proactive Contribution to Peace” policy
 - Enhance G2G initiated Joint R&D/Joint Production opportunities
 - Promote defense transfer and participate in oversea defense business for the sake of sustainment and strengthening of JDIB
- ◆ Multilateral Joint Project
 - Capitalizing on regional alliance, e.g., QUAD, AUKUS and others, to create national security related multilaterally supported joint projects (Maritime Domain Awareness, Space Situational Awareness etc.)

EVOLUTION OF JAPAN'S DEFENSE ECOSYSTEM (COMPARING U.S. & JAPAN)

US Defense Ecosystem



Japan Defense Ecosystem



MESSAGE FROM ISIC JAPAN

- 2022, in no doubt will be seen as crucial turning point for JDIB and ISIC Japan is fully committed to produce focused event, such as Defense Industry Forum as well as other useful event, not just for sustainment and strengthening of JDIB, but for its evolution and transformation, and keep promoting constructive engagement with oversea partners for that purpose.
- To enhance interactive communication between ISIC Japan and those who supports our activity, we will kick off new subscription service called “ISICConnect” and continue to offer our feedback to the comments and question raised during the webinar, so that exchange of opinions and information could be shared within ISIC Japan community, which could eventually be reflected into our future event planning, leading to productive outcome for our community members. Our new interactive platform “ISICConnect” can be accessed for free during trial period, which will continue till end of April 2022, so we encourage those who are interested to share their thoughts, join the dialogue, and give us feedback to help us build better community to support JDIB.
- For ISIC Japan to continue offering high quality event and welcome all the people who supports our activity and event, financial support through Sponsorship, Donation and Subscription is essential. For those interested in supporting our continued activity, please see “SUPPORT” section in our web site for further detail: www.isic-japan.org/membership
- ISIC Japan will be prepared to release our financial statement starting from FY2021 and disclose to those who are interested in providing financial support to ISIC Japan, on a request basis. We will make this announcement as soon as we are ready to share the statement.