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Economic Security and Financial Integration: Taiwanese Banks in Japan's Semiconductor Supply Chain

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Abstract
This study examines the investment behavior of Taiwanese banks following TSMC's establishment of a semiconductor plant in Kumamoto, Japan. Situated within the framework of economic security and supply chain resilience, the research investigates how financial institutions respond to cross-border opportunities arising from the semiconductor industry's transformation. Drawing upon in-depth interviews with senior executives from four major Taiwanese banks, the study integrates the theoretical perspectives of opportunity discovery, industrial networks and clustering effects, and institutional theory to analyze the strategic motivations underlying these investment decisions. The findings reveal three central characteristics of Taiwanese banks' investment strategies: first, opportunity discovery and first-mover advantage, as banks exhibit strong market alertness, capitalizing on yen depreciation, government support, and supply chain restructuring to secure resource advantages and early market positions; second, industrial networks and clustering effects, where the globalization of the semiconductor supply chain and the geographic concentration of industries in Kyushu significantly influence investment orientations, enabling banks to deliver specialized cross-border financial solutions; and third, institutional stability, as Japan's low institutional risk—characterized by political stability, transparent legal systems, and consistent economic policies—reduces operational uncertainty and facilitates financial innovation. This study contributes to understanding how Taiwanese banks leverage opportunity recognition, industrial integration, and institutional advantages to advance cross-border investment strategies. The results underscore the strategic role of the banking sector in strengthening supply chain resilience, enhancing Taiwan–Japan economic cooperation, and reinforcing regional economic security amid shifting geopolitical dynamics, while offering policy and managerial recommendations to promote continued financial innovation and sustainable regional collaboration.

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1. Introduction

The resilience of supply chains has emerged as a pivotal concern in both the global economy and national security domains. With the ongoing disruptions caused by the COVID-19 pandemic, the Russia-Ukraine war, and persistent geopolitical tensions, global supply chain systems have faced unprecedented challenges and pressures for restructuring. These events have exposed vulnerabilities in existing supply chain frameworks, underscoring the need for greater stability and adaptability.

Among all industries, the semiconductor sector has become particularly critical—often referred to as the "new oil" of the modern economy. This industry serves not only as a key driver of the digital economy but also as a foundational technological enabler for applications in artificial intelligence, defense technologies, medical devices, and smart cities.

Semiconductors play a central role in powering a wide array of essential technologies, making their availability crucial for sustaining economic growth and technological advancement. Consequently, the ability to ensure a steady and reliable supply of semiconductors has evolved from being a traditional economic concern to a pressing strategic issue directly tied to national security.

In response to these challenges, governments worldwide have elevated semiconductors to the status of national strategic materials. They have implemented measures such as offering extensive policy support, fostering international collaboration, and adopting technology-protection strategies to bolster the stability and self-sufficiency of supply chains. Such initiatives reflect a growing recognition that semiconductor security is foundational not only for economic resilience but also for geopolitical positioning in an era defined by technological competition.

The Biden administration in the United States has taken significant steps to address these concerns by introducing policies such as the CHIPS and Science Act and the Defense Production Act. These initiatives aim to rebuild the autonomy of the U.S. semiconductor supply chain while reducing dependency on external sources.

At the same time, the administration has adopted the "small yard, high fence" strategy, which restricts adversarial nations' access to critical technologies.

This dual-pronged approach is designed to safeguard U.S. technological leadership and maintain strategic advantages in a competitive global environment. While these policies are rooted in economic priorities, they also reflect broader geopolitical considerations, particularly in response to rival nations' advancements in high-tech sectors.

Within this global context, Japan has emerged as a crucial node in the international semiconductor supply chain. Recognizing its strategic importance, Japan has strengthened its collaboration with the United States by participating in frameworks such as the Indo-Pacific Economic Framework (IPEF) and the Chip 4 Alliance (CHIP4). hese partnerships aim to enhance the resilience of the semiconductor supply chain through diversification and collaborative innovation. Additionally, Japan has implemented initiatives such as a critical-mineral early-warning mechanism and supply-chain diversification strategies, further consolidating its focus on both economic and defense security.

In 2022, TSMC, a global leader in semiconductor manufacturing, announced its decision to establish a wafer-fabrication plant in Kumamoto, Japan. This landmark investment signified a new era in Taiwan-Japan semiconductor collaboration.

TSMC's successful entry into Japan's market addressed critical gaps in the country's advanced semiconductor supply chain, strengthening its competitiveness in the global arena. Furthermore, it highlighted Taiwan's technological expertise and leadership within the global semiconductor industry.

TSMC's establishment of a plant in Japan not only enhanced regional supply-chain resilience but also illustrated the broader strategic implications of the semiconductor industry for the global economy and security landscape. This initiative holds profound significance for Taiwan-Japan bilateral economic cooperation, marking a milestone in their collaborative efforts to promote regional stability and technological growth. Beyond its economic impact, TSMC's expansion into Japan has catalyzed the flow and restructuring of industrial capital and financial resources, creating new opportunities for Taiwanese banks and related industries to expand their reach.

Amid this development, Taiwanese banks have progressively increased their investments in Japan, aligning their strategies with the financial demands of the semiconductor supply chain. This expansion reflects not only their role in supporting industrial upgrading and supply-chain transformation but also the broader strategic importance of the financial sector in enhancing economic security. These investments underscore how banks have become integral players in fostering bilateral industrial collaboration and economic stability.

However, despite the evident growth in Taiwanese banks' presence in Japan, systematic research on the motivations behind their investment behavior remains limited. Particularly under the dual contexts of economic security and defense strategy, questions arise regarding how banks coordinate financial-capital allocation, promote regional economic cooperation, and support supply-chain development. These questions highlight the need for a deeper exploration of the strategic role of the banking sector in facilitating cross-border industrial and financial integration.

Despite the extensive body of research on semiconductor supply chains, foreign direct investment, and industrial cooperation, relatively few studies have examined the *financial dimension* of economic security—particularly how banking institutions adapt and reposition themselves within shifting geopolitical and industrial landscapes. Existing literature tends to focus on manufacturing firms and production networks as the primary drivers of regional economic resilience, leaving the strategic role of the financial sector underexplored. Yet, as global supply chains become increasingly securitized, financial institutions are no longer passive intermediaries; they are pivotal actors that allocate capital, manage cross-border liquidity, and sustain industrial integration across jurisdictions.

This study addresses this research gap by investigating how Taiwanese banks respond to Japan's evolving semiconductor ecosystem following TSMC's investment in Kumamoto. It situates banking strategies within the broader context of economic security and regional financial integration, illustrating how the financial sector contributes to both industrial upgrading and national resilience. By linking opportunity recognition, industrial clustering, and institutional stability to the operational choices of Taiwanese banks, the study extends traditional international business theories into the realm of financial–industrial interaction.

From a policy perspective, the findings have broader implications for Taiwan's economic diplomacy and Japan–Taiwan collaboration. Understanding how financial institutions mobilize capital and mitigate cross-border risks sheds light on the creation of resilient, trust-based financial linkages within the Indo-Pacific. Academically, the study contributes to the emerging field of *economic security finance*, integrating insights from international business, institutional theory, and financial strategy. It provides a framework for analyzing how banks function as both economic agents and strategic partners in maintaining regional stability and technological sovereignty.

By identifying the key drivers behind these decisions, this study seeks to uncover new models of financial–industrial collaboration between Taiwan and Japan. It also aims to propose actionable policy recommendations that will enable Taiwan to assume a more prominent role in regional

economic and strategic frameworks. In doing so, the study contributes to a broader understanding of how the financial sector can support supply-chain resilience, foster bilateral economic ties, and address emerging challenges in an increasingly interconnected world.

2. Literature Review and Proposition Development

This chapter reviews the theoretical foundations that underpin the study and develops a series of research propositions to guide subsequent qualitative analysis. Drawing from opportunity discovery theory, industrial network and clustering theory, and institutional theory, it aims to construct a multi-level analytical framework explaining Taiwanese banks' investment behavior in Japan. Rather than testing hypotheses statistically, this study advances propositions derived from established theories to explore how opportunity recognition, industrial dynamics, and institutional environments jointly influence cross-border financial strategies.

2.1. Opportunity Discovery Theory and First-Mover Advantage

Innovation is often rooted in identifying unmet market demands or latent problems. Schumpeter (1934) [35] was among the first to articulate this connection, arguing that such market gaps serve as fundamental sources of innovation. He emphasized that addressing these gaps requires entrepreneurs to possess both creativity and initiative. Entrepreneurs must not only recognize these gaps but also act decisively to implement innovative solutions. This perspective forms the foundation of opportunity discovery theory, which seeks to explain how businesses identify and capitalize on opportunities.

Building on Schumpeter's work, Kirzner (1997) [20] elaborated on the process of opportunity discovery by introducing the concept of "entrepreneurial alertness." According to Kirzner, this alertness is a critical attribute of successful entrepreneurs, enabling them to recognize resource misallocations in the market and identify emerging opportunities. Entrepreneurial alertness allows individuals to interpret subtle shifts in the environment, such as changes in government policies, technological advancements, or evolving consumer preferences. These environmental changes often serve as catalysts for opportunity identification. Kirzner's perspective emphasizes that simply recognizing opportunities is insufficient; timely action is equally important. Acting early enables entrepreneurs to establish a competitive advantage by positioning themselves ahead of their competitors (Venkataraman, 1997; Shane & Venkataraman, 2000; Eckhardt & Shane, 2003; Dimov, 2007) [38, 13, 37, 36].

The efficiency of an enterprise's resource allocation is also pivotal in transforming identified opportunities into tangible successes. For instance, companies that can swiftly channel financial, human, or technological resources to capitalize on identified opportunities are more likely to sustain long-term competitive advantages. This highlights the importance of agility in decision-making and execution during the opportunity discovery process.

Lieberman and Montgomery (1988) [22] expanded on this discussion by focusing on the advantages of early market entry. They posited that businesses entering a market early gain access to scarce resources, build brand recognition, and establish a dominant market position. Early entrants can forecast future market demands more effectively than their competitors and respond proactively by introducing innovative products or services. By doing so, they not only meet existing demands but also shape consumer expectations and preferences, positioning themselves as market leaders (Venkataraman, 1989; Lampkin & Dess, 1996).

Moreover, first-mover advantages extend beyond securing market share. Ariely (2008) [3] noted that human behavior and decision-making are often influenced by psychological factors, such as anchoring points and preconceived notions. When consumers are introduced to a product or service by a first-mover, these initial experiences serve as benchmarks or anchors. Subsequent competitors must overcome these consumer perceptions to gain market acceptance, often requiring significant effort and investment.

Carpenter and Nakamoto (1989) [8] further argued that successful first-movers can define the primary attributes of a product category. This means that first-movers not only meet consumer demands but also shape them. For example, a first-mover might introduce a product with features tailored to its existing capabilities, effectively setting the standard for the entire market. In addition, first-movers often have the opportunity to establish their products as the "default" or benchmark within a category, making it more challenging for late entrants to redefine the competitive landscape.

The economic advantages of first-movers are equally compelling. By entering the market early, companies can accumulate production experience and achieve economies of scale, which in turn reduce production costs. This cost advantage becomes a barrier for new entrants, who must invest heavily to match the first-mover's efficiency. Schmalensee (1982) [33] provided empirical evidence of this phenomenon by examining switching costs. He found that first-movers often benefit from consumer loyalty and brand recognition, which deter customers from switching to competitors. Late entrants, by contrast, must offer lower prices or superior value propositions to persuade consumers to change their purchasing behaviors, thereby incurring higher costs to gain market share.

These interconnected theories—opportunity discovery and first-mover advantage—underscore the importance of early action in achieving sustainable competitive advantages. The ability to identify opportunities and act decisively is not only a theoretical construct but also a practical strategy for success in dynamic and competitive markets.

In recent years, the semiconductor industry has become a vivid illustration of these theories in action. The globalization of the semiconductor supply chain and the international expansion of TSMC (Taiwan Semiconductor Manufacturing Company) have highlighted the role of opportunity discovery and first-mover advantages in shaping corporate strategies. TSMC's ability to anticipate global demand for advanced semiconductors has solidified its position as a leader in the global market. Additionally, its international expansion has created new financial demands, including supply chain financing, real estate development, and cross-border capital management. These developments demonstrate the existence of resource misallocations in global markets, as financial institutions must adapt to support the industry's evolving needs.

Japan, for example, has emerged as a key destination for international investments due to its favorable economic conditions. The depreciation of the yen, the conclusion of prolonged deflation, and growing optimism about economic

recovery have created a low-cost entry point for foreign investors. These macroeconomic shifts represent significant opportunities for financial institutions capable of recognizing and acting on them.

In this context, the banking industry has assumed a dual role. Banks not only address the financial needs of enterprises but also leverage early market entry to secure scarce resources, build trust mechanisms, and expand their influence. This dual strategy positions banks as key players in competitive markets, enabling them to translate resource advantages into competitive strengths. By proactively responding to environmental changes, banks create favorable conditions for long-term investments and strategic growth.

Based on the above theories and industry context, this study advances the following proposition to guide subsequent qualitative analysis:

Proposition 1: Taiwanese banks' investments in the Japanese market are driven not only by their keen ability to identify changes in market demand but also by their strategy of early market entry. This strategy enables them to secure resource advantages and market leadership, thereby further strengthening their competitiveness in international markets.

2.2. Industrial Networks and Clustering Effects

The industrial system refers to the interconnected network of relationships among enterprises, also referred to as the *industrial network* (Johanson and Mattson, 1998) [17]. This system emphasizes how businesses within a network interact, exchange resources, and coordinate efforts to achieve common goals. Through resource sharing and coordinated activities, enterprises can significantly enhance their operational efficiency, particularly when pursuing strategic objectives such as internationalization (Martin, Mitchell, and Swaminathan, 1995) [25]. By leveraging the collective strength of the industrial network, firms are better positioned to adapt to global markets, navigate challenges, and gain sustainable competitive advantages.

Industrial networks act as enablers for businesses seeking international expansion. This support derives from the network's ability to reduce transaction costs, facilitate knowledge transfer, and create synergies among members. Furthermore, numerous studies have identified a common pattern: enterprises frequently follow their key customers when expanding operations overseas (Li and Guisinger, 1992) [19]. This behavior underscores the interdependence within industrial networks, as firms aim to maintain close proximity to their clients to ensure seamless collaboration and supply chain integration.

The semiconductor industry exemplifies a supply chain–driven sector, where upstream and downstream partners are intricately linked. For example, TSMC's decision to establish a wafer fabrication plant in Kumamoto, Japan, not only addressed local production demands but also catalyzed a chain reaction throughout its supply network. Its upstream suppliers, such as chemical and material providers, and downstream partners, such as assembly and testing companies, experienced a surge in financial and operational requirements. These businesses required additional resources to support TSMC's international expansion, leading to increased demand for financing, logistics coordination, and technological upgrades. This scenario vividly illustrates how industrial network dynamics can shape market behavior and generate new opportunities for financial institutions and other service providers.

Porter (1990) [30] expanded on the concept of industrial systems by introducing the idea of industrial clustering. He defined industrial clustering as the geographic concentration of interconnected enterprises and associated institutions that share common traits or complementarities. According to Porter, clustering enhances a nation's competitive advantage by fostering interaction and collaboration among co-located businesses. Enterprises within clusters benefit from proximity, which facilitates rapid information exchange, resource sharing, and joint problem-solving.

Research has identified four major effects of industrial clustering on enterprises:

1. Increased interaction among firms: Businesses within clusters are more likely to engage with one another, leading to stronger partnerships and deeper integration within the supply chain.
2. Strengthened collaboration between competitors and partners: Even rival firms often collaborate within clusters to address shared challenges or capitalize on joint opportunities, such as accessing skilled labor or developing shared infrastructure.
3. Enhanced information flow: The close physical proximity of enterprises promotes efficient knowledge exchange and market intelligence, accelerating innovation and decision-making processes.
4. Promoted group identity: Firms within a cluster often share a sense of collective purpose and identity, which fosters loyalty, trust, and long-term partnerships (Swann and Prevezer, 1996; Dayasindhu, 2002) [15, 11].

These effects not only encourage mutual learning and healthy competition but also generate tangible economic benefits in product development and innovation. For example, Ackoff (1982) [1], Lanjouw and Schankerman (1999) [18], and Ernst (2001) [14] found that clusters significantly reduce time-to-market for new products and lower production costs through shared resources and economies of scale. Similarly, Ahuja and Katila (2001) [2] highlighted that clusters often act as incubators for innovation, where firms can pool their expertise to develop breakthrough technologies.

Porter (1990) [30] further emphasized that industrial clusters thrive when enterprises, suppliers, related industries, and supporting institutions are geographically concentrated. This proximity fosters a *clustering effect*—an environment that promotes knowledge sharing, resource integration, and collaborative innovation. Clusters allow businesses to benefit not only from competition but also from collective advantages such as access to shared infrastructure, talent pools, and government incentives. For instance, clusters often attract tax breaks, specialized training programs, and infrastructure investments from policymakers seeking to bolster regional economic development (Muro and Katz, 2010; B. Singh and R. Patel, 2020) [28].

From an economic security perspective, industrial clustering plays a vital role in stabilizing supply chains and reducing dependence on external sources. Recognizing this potential, the Japanese government has actively supported the development of Kyushu as a core area for the semiconductor supply chain. This strategic initiative includes substantial support for TSMC's plant in Kumamoto, which has rapidly become a focal point for semiconductor-related activities. The establishment of TSMC's facility not only filled gaps in Japan's advanced semiconductor capabilities but also

catalyzed the formation of a robust industrial cluster centered on the semiconductor industry. This case highlights the transformative impact of geographic concentration on fostering industrial agglomeration and promoting long-term economic growth.

The Kyushu semiconductor cluster has attracted upstream and downstream players, including material suppliers, equipment manufacturers, and logistics providers. These businesses have collectively enhanced the region's industrial capacity while generating stable financial demand for banks and other service providers. Additionally, clustering has facilitated knowledge sharing and technological innovation, further solidifying Kyushu's position as a strategic hub for the global semiconductor supply chain.

Based on the above theories and real-world observations, this study advances the following proposition:

Proposition 2: Taiwanese banks' investments in Japan are influenced by both the international expansion of the semiconductor supply chain and the geographic clustering effects in Kyushu.

2.3. Institutional Theory

Institutional theory offers a robust framework for understanding the internationalization of firms, particularly when examining how businesses navigate the complexities of operating across diverse institutional environments (Quer *et al*., 2012) [12]. This theory posits that institutional differences—especially in formal institutions such as political, economic, and legal systems—create varying levels of opportunities and risks for multinational enterprises (MNEs). These institutional differences profoundly shape the strategic choices of firms, particularly regarding their foreign direct investment (FDI) decisions.

Formal institutions in host countries play a pivotal role in influencing FDI flows. Key dimensions of institutional risks include political risks (e.g., government instability, civil unrest), economic risks (e.g., currency fluctuations, inflation), and legal risks (e.g., unclear property rights, contract enforcement challenges). Studies have consistently shown that weak institutions act as barriers to FDI because they create uncertainties and inefficiencies that deter foreign investors. Conversely, host countries with strong and stable institutions are more likely to attract FDI by providing predictable and transparent environments that reduce operational risks and enhance investor confidence (Zhang & Xu, 2017) [24].

The Impact of Institutional Quality on FDI Decisions

The quality of a country's institutions can be evaluated based on factors such as government stability, socio-economic conditions, corruption levels, bureaucratic efficiency, and the robustness of its legal framework (Busse & Hefeker, 2007) [7]. These factors collectively determine the degree of market stability in a host country. Multinational enterprises typically avoid investing in high-risk environments characterized by political instability, weak governance, or economic uncertainty. Such instability not only increases the cost of doing business but also exposes firms to unpredictable disruptions, making long-term planning and resource allocation highly challenging (Quer *et al*., 2012) [12].

In contrast, countries with high-quality institutions offer a range of advantages to foreign investors. For example, sound economic institutions provide a conducive environment for firms to acquire and apply new knowledge, extend their existing capabilities, and access local human capital, technologies, and skills. Additionally, strong institutions facilitate connections with trading partners and other stakeholders who can offer complementary benefits such as shared expertise or collaborative opportunities in local markets (Chan *et al*., 2010) [9].

The tolerance of multinational enterprises toward institutional risks also varies depending on their controllability. Buckley *et al*. (2018) [6] highlighted that firms are generally more accepting of controllable risks—those that can be mitigated or insured against, such as currency fluctuations or minor regulatory changes. However, they exhibit far less tolerance for uncontrollable risks, such as political instability or abrupt policy shifts, as these can have far-reaching and unpredictable consequences. This distinction underscores why countries with high institutional risks often struggle to attract FDI. As noted by Nguyen *et al*. (2018) [31], there exists a clear negative correlation between policy uncertainty and investment decisions, meaning that foreign investors are significantly less likely to commit resources to environments where institutional unpredictability prevails.

Japan as a Low-Risk Institutional Environment

Japan stands out as a prime example of a country with low formal institutional risks. Based on indicators such as the World Bank's global governance indicators, Transparency International's Corruption Perceptions Index, and various indices of economic freedom, Japan consistently ranks as a stable and transparent environment for foreign investors. The country's political stability, strong rule of law, and robust economic management provide a secure and predictable setting for international business activities.

These institutional strengths are particularly attractive to Taiwanese banks seeking to expand their international operations. As providers of financial services, banks are inherently sensitive to institutional risks, given their reliance on clear regulatory frameworks, enforceable contracts, and stable monetary systems. In Japan, the low levels of corruption and bureaucracy further reduce operational inefficiencies, enabling foreign banks to focus on servicing clients and growing their market presence.

Additionally, Japan's institutional quality aligns with its broader economic security strategy. By maintaining a low-risk institutional environment, Japan fosters foreign investment in critical industries such as semiconductors and advanced manufacturing. For Taiwanese banks, this provides a unique opportunity to participate in financing activities that support these industries, including supply chain financing, project lending, and cross-border capital management.

Relevance to Taiwanese Banks' Investment Decisions

For Taiwanese banks, Japan's institutional stability offers several advantages.

First, it minimizes compliance risks and costs associated with operating in a foreign market. Unlike high-risk jurisdictions—where ambiguous regulations or inconsistent enforcement can lead to unexpected liabilities—Japan's well-established legal and regulatory systems provide clarity and reliability. This allows banks to confidently allocate resources to long-term projects, such as supporting Taiwan Semiconductor Manufacturing Company (TSMC) and its supply chain partners.

Second, Japan's predictable policy environment enables banks to develop innovative financial products tailored to local market needs. For example, banks can offer structured financing solutions to semiconductor firms or collaborate with Japanese institutions on green financing initiatives. Such activities benefit not only from Japan's economic openness but also from the trust and credibility that its institutional framework provides.

Finally, Japan's low institutional risks align with the broader trend of Taiwanese banks seeking to enhance their international competitiveness. By investing in a stable market like Japan, these banks can build cross-border expertise, establish a foothold in a mature financial ecosystem, and create synergies with Japanese partners. These actions ultimately strengthen the role of Taiwanese banks in supporting regional economic integration and security.

Based on the above discussion, this study advances the following proposition:

Proposition 3: Taiwanese banks' investments in Japan are primarily motivated by Japan's low formal institutional risks, which provide a stable and transparent environment that reduces compliance costs and enhances cross-border operational confidence.

3. Methodology

This study adopts a qualitative research method to explore in depth the motivations and strategies behind Taiwanese banks' investments in the Japanese market. The research is proposition-driven, aiming to interpret the theoretical propositions derived from the literature review through empirical insights. By focusing on in-depth interviews and comprehensive data analysis, the study seeks to uncover the underlying logic of investment decisions and to provide a nuanced understanding of the internationalization strategies of the banking sector. The following sections detail the research design, data collection, and data analysis approaches.

3.1. Research Design

3.1.1. Choice of Qualitative Research

Given the exploratory nature of this study, a qualitative approach was selected to investigate the complex decision-making processes of Taiwanese banks operating in Japan. Qualitative methods are particularly well-suited for analyzing situations characterized by cultural diversity, dynamic policy environments, and evolving economic contexts (Creswell, 2013) [10].

By adopting this approach, the study captures nuanced perspectives from key decision-makers, uncovering implicit factors that influence investment behavior—such as perceived risks, opportunities, and institutional considerations. Qualitative research allows for a deep understanding of context-specific phenomena, offering richer insights than quantitative methods, which may lack flexibility in addressing emerging themes (Bryman, 2012) [5]. This design is especially relevant for topics like cross-border banking investments, where subjective experiences and organizational strategies play critical roles.

3.1.2. Proposition-Driven Qualitative Research

Unlike purely inductive qualitative studies, this research incorporates **propositions** as conceptual anchors to guide both data collection and analysis. A proposition-driven qualitative framework bridges the gap between theoretical constructs and real-world practices, offering a structured yet flexible lens for interpretation.

This approach is particularly appropriate for exploratory studies that address under-researched topics. In this case, the propositions developed from opportunity discovery theory, industrial network and clustering effects theory, and institutional theory serve as guiding frameworks for both the interview design and the subsequent analysis (Maxwell, 2013) [26]. By aligning interview questions with these theoretical foundations, the study systematically examines how Taiwanese banks respond to supply chain demands, industrial clustering dynamics, and Japan's institutional environment in shaping their internationalization strategies.

3.2. Data Collection

3.2.1. Primary Data: In-Depth Interviews

The primary data for this study were obtained through in-depth interviews with senior executives from four Taiwanese banks, hereafter referred to as Bank A, Bank B, Bank C, and Bank D. All interviewees were high-ranking managers or decision-makers directly responsible for their banks' strategic initiatives concerning the Japanese market.

A semi-structured interview format was adopted to facilitate discussion around pre-defined theoretical themes while allowing flexibility to explore emerging issues raised by the participants (Kvale, 2007; Patton, 2015) [21, 29]. This approach aligns with the study's proposition-driven design, enabling the researcher to examine how the interviewees' insights reflect or extend the conceptual propositions derived from the literature.

Each interview lasted approximately 60 to 90 minutes and centered on the following key areas:

1. The primary attractions of the Japanese market and motivations for investment.
2. The influence of the semiconductor supply chain on each bank's strategic planning.
3. The impact of Japan's economic environment and policies on the banking sector.
4. The forms and outcomes of collaboration between Taiwanese and Japanese local financial institutions.
5. The challenges and adaptive strategies encountered during international expansion.

This semi-structured approach ensured that the collected data were both comparable across cases and reflective of individual perspectives, achieving a balance between consistency and depth. It also allowed participants' interpretations and contextual judgments to emerge naturally, consistent with the exploratory and interpretive orientation of proposition-based qualitative research.

3.2.2. Secondary Data Sources

To complement the interview data and enhance the credibility of the findings, secondary data were collected and analyzed. These sources included strategic reports, publicly available annual reports from the participating banks, industry-specific market analyses, and government policy documents related to foreign investment and financial regulation. By triangulating primary and secondary evidence, the study ensured a more comprehensive understanding of the research context and strengthened the interpretive depth of the proposition-driven framework. This integration also helped mitigate potential biases and anchored the qualitative

interpretations within broader institutional and industrial realities.

3.3. Data Analysis

This study employs a dual-method approach to qualitative data analysis, integrating thematic analysis and framework analysis. Both methods are combined to systematically interpret the interview data and align the findings with the study's propositions derived from the theoretical framework.

3.3.1. Thematic Analysis

Thematic analysis involves identifying and interpreting recurring patterns within qualitative data (Braun & Clarke, 2006) [4]. In this study, themes such as "supply chain demands," "policy support," and "economic opportunities" emerged as central to understanding Taiwanese banks' investment behavior in Japan.

These themes were inductively derived from the interview materials and refined through iterative comparison across cases. The process ensured that the analysis remained both contextually grounded and linked to the theoretical propositions guiding the research.

3.3.2. Framework Analysis

Framework analysis provides a structured approach to qualitative interpretation by integrating theoretical perspectives into the analytical process (Ritchie & Spencer, 1994) [32]. This method is particularly effective in business and policy research, as it allows researchers to systematically organize qualitative findings in relation to pre-defined conceptual categories.

In this study, framework analysis was used to map interview responses against the theoretical constructs of opportunity discovery, industrial clustering, and institutional stability. This procedure ensured that the analysis remained anchored in the propositions while also allowing new insights to emerge from the empirical data.

3.3.3. Ensuring Credibility and Rigor

To enhance the credibility of the findings, the study employed triangulation, combining multiple data sources and perspectives to strengthen interpretive validity (Morse *et al*., 2002) [27]. Additionally, multi-case analysis was used to ensure that observed patterns were consistent across the four participating banks rather than being limited to individual cases (Maxwell, 2013) [26]. Participant verification was also conducted by sharing preliminary interpretations with interviewees, allowing them to confirm the accuracy and contextual relevance of the findings (Guba & Lincoln, 1985) [16].

3.3.4. Data Validation and Ethical Considerations

To ensure the validity and ethical soundness of the research process, additional measures were implemented throughout data collection and analysis. Data triangulation was employed by comparing primary interview findings with secondary sources, such as policy documents, industry reports, and official bank disclosures. This process enhanced the internal consistency of interpretations and reduced the likelihood of researcher bias. Inter-coder reliability was also established through iterative coding verification, in which multiple researchers cross-checked emerging themes to ensure accuracy and transparency in qualitative interpretation.

Ethical considerations were prioritized at all stages of the study. All interview participants were informed of the research objectives, assured of confidentiality, and provided consent for anonymous use of their responses. Sensitive organizational information was anonymized or aggregated to prevent identification of individuals or institutions. The study strictly adhered to ethical research standards in social science, emphasizing voluntary participation, data security, and integrity in reporting. These practices collectively reinforce the credibility and ethical reliability of the study's qualitative findings.

3.4. Research Limitations

Despite the comprehensive design, this study acknowledges the following limitations:

1. **Sample Size:** The analysis focuses on four Taiwanese banks. While this selection captures representative perspectives within the sector, it may not encompass the full diversity of strategic approaches across all institutions.
2. **Time Scope:** The study primarily examines the short-term effects following TSMC's establishment in Japan. While this temporal scope provides meaningful insights into immediate strategic responses, long-term implications require further investigation. Nonetheless, the findings offer a valuable foundation for future research and extended comparative analysis.

4. Analysis and Evaluation of Propositions

This section evaluates the three propositions proposed in this study by analyzing insights gathered from in-depth interviews with senior executives of four Taiwanese banks. By examining their investment behaviors and strategic choices in the Japanese market, the analysis aims to interpret how these propositions manifest in practice and to uncover the underlying drivers shaping their decisions.

4.1. Proposition 1

> *Taiwanese banks' investments in the Japanese market are driven not only by their ability to identify changes in market demand but also by their strategy of early market entry to secure resource advantages and market leadership, thereby enhancing their international competitiveness.*

The analysis of Proposition 1 draws from both theoretical perspectives and empirical insights, focusing on Taiwanese banks' proactive responses to opportunities arising from TSMC's establishment of a plant in Japan. This context highlights the banks' capability to navigate a dynamic environment shaped by supply chain transformation and policy reform.

Market Insights and Cross-Border Strategies

The investment behavior of Taiwanese banks reflects sharp market insight and a strategic approach to cross-border financial innovation, particularly within the framework of economic security. To mitigate risks associated with supply chain disruptions, the Japanese government has promoted the localization of semiconductor production, encouraging reshoring to reduce external dependencies and enhance economic resilience. While these strategies primarily serve Japanese firms, they also create openings for foreign

investors to participate in financing and restructuring activities.

Taiwanese banks have positioned themselves as key participants in this evolving landscape. On one hand, they have taken advantage of low-cost entry opportunities created by the depreciation of the yen and Japan's accommodative monetary and fiscal policies to strengthen their presence. On the other, through innovative financial solutions, they have facilitated bilateral cooperation and contributed to supply chain stability—reinforcing their strategic roles within Japan's broader economic-security framework.

Interview Evidence of Entrepreneurial Alertness

Interview data highlight the banking sector's strong capacity for entrepreneurial alertness and sensitivity to market signals. Bank A provides a compelling example of how alertness has been translated into actionable investment opportunities. The bank recognized that the yen's depreciation and policy reforms significantly lowered the cost of entering the Japanese market. Moreover, TSMC's investment in Kumamoto created substantial financing demand throughout the semiconductor supply chain.

Bank A's general manager explained:

"The depreciation of the yen has saved on land and personnel costs, and TSMC's syndicated loan opportunities are highly lucrative."

This observation illustrates how Bank A effectively aligns with opportunity discovery theory, identifying and capitalizing on emerging industry needs and policy-driven incentives.

Kyushu: A Case of Regional Strategy

Bank B offers another lens through which Proposition 1 can be understood. Its strategic presence in Kyushu—a hub for semiconductor activity—highlights its ability to support industrial clustering and address cross-border financial needs. Kyushu's concentration of Taiwanese supply chain enterprises has generated additional demand for green energy financing, logistics support, and real estate investment, aligning with the region's industrial ambitions.

The bank's senior vice president noted:

"Fukuoka is the ideal location to serve Kyushu's semiconductor ecosystem, with its favorable talent pool, transportation, and policy environment."

Since its establishment, Bank B's Fukuoka branch has expanded real estate and project finance operations to meet the growing needs of Taiwanese firms. These initiatives reinforce opportunity discovery while embodying first-mover advantage by building trust networks, integrating local resources, and achieving an early leadership position in a strategically significant region.

Addressing Economic and National Security Needs

Bank D, by contrast, prioritized Osaka, leveraging the city's role as a center for defense industries and heavy manufacturing. This decision aligns with Japan's broader economic-security and industrial strategies, as Osaka attracts significant investment in capital- and technology-intensive sectors.

The international operations director of Bank D stated:

"The Osaka government aims to transform the city into an international financial hub and provides abundant resources for foreign investment. This is a significant opportunity for us."

By establishing operations in Osaka, Bank D extended its regional presence and demonstrated how early market entry can strengthen its capacity to support key industries, including those tied to national defense.

Interpretive Summary of Proposition 1

The interview evidence collectively supports and extends Proposition 1, showing that Taiwanese banks' investments in Japan are driven by their ability to anticipate market shifts and strategically enter early to secure competitive advantages. These banks displayed a high degree of responsiveness to policy incentives, supply chain restructuring, and currency movements—transforming these external changes into tangible resource advantages and long-term market positions.

By integrating the theoretical foundations of opportunity discovery and first-mover advantage with empirical insights, this analysis underscores how Taiwanese banks leverage foresight, agility, and local partnerships to sustain their international competitiveness. Rather than testing a causal hypothesis, the findings demonstrate an interpretive link between strategic timing, institutional adaptation, and the pursuit of economic security objectives in Japan.

4.2. Proposition 2

> *Taiwanese banks' investments in Japan are influenced by the international expansion of the semiconductor supply chain and by the geographic clustering effects concentrated in Kyushu.*

The analysis of Proposition 2 explores how Taiwanese banks have strategically aligned their investments with the globalization of the semiconductor supply chain and the industrial clustering emerging in Kyushu. This alignment demonstrates the interplay between industrial network theory and clustering effects theory in shaping financial institutions' internationalization strategies and adaptive positioning.

Supply Chain Globalization and the Role of Financial Institutions

Taiwanese banks have shown a strong capacity to provide essential financial support for enterprises expanding across borders—particularly those operating in supply chain–driven industries such as semiconductors.

According to industrial network theory, upstream and downstream firms often follow the international expansion of core enterprises to maintain operational integration within the supply chain (Johanson & Mattson, 1998) [17]. Financial institutions play a critical enabling role in this ecosystem by offering specialized funding, project financing, and financial services that sustain global production networks.

The semiconductor sector vividly exemplifies this mechanism. As TSMC established its wafer fabrication plant in Kumamoto, it triggered a wave of supply chain realignment, generating new financing needs among suppliers, logistics firms, and technology manufacturers. Taiwanese banks leveraged this opportunity to support these

firms through syndicated loans, investment advisory, and trade finance, thereby reinforcing their positions as financial facilitators within the evolving industrial network.

Clustering Effects in Kyushu: A Strategic Hub

Kyushu has rapidly evolved into a core hub of the semiconductor supply chain, driven by TSMC's anchor investment. The geographic concentration of semiconductor-related enterprises has produced strong clustering effects, as theorized by Porter (1998)—including enhanced information flow, resource integration, and collaborative innovation. For Taiwanese banks, this regional agglomeration created a fertile environment to capture investment opportunities and expand their service portfolios.

Bank B stands out as a representative case. By establishing its branch in Fukuoka, it embedded itself directly within the semiconductor ecosystem. The bank quickly developed real estate finance and cross-border capital management services tailored to the needs of Taiwanese supply chain enterprises and their employees. As one senior executive noted:

"Fukuoka is the ideal location to serve Kyushu's semiconductor ecosystem, with its favorable talent pool, transportation, and policy environment."

Through proactive regional engagement, Bank B effectively leveraged the clustering effects in Kyushu—achieving both resource integration and market differentiation that strengthened its competitive position.

Collaborative Development Through Local Partnerships

The benefits of clustering are further illustrated by Bank C's initiatives. By partnering with local banks in Kyushu, Bank C established a mergers and acquisitions (M&A) advisory firm dedicated to supporting TSMC's suppliers and related enterprises. Its chairman emphasized the value of regional collaboration:

"The support from Kyushu's regional banks has allowed us to better serve Taiwanese and Japanese cross-border investors in the area."

This case highlights how local partnerships amplify the advantages of clustering. By facilitating knowledge exchange and pooling financial expertise, Bank C enhanced its service capacity and deepened its regional market penetration. These dynamics underscore the function of industrial networks in enabling banks to respond effectively to the complex financing needs within clustered industrial ecosystems.

Syndicated Loans and Supply Chain Financing Demand

Bank A also capitalized on the opportunities generated by industrial clustering. The bank reported a surge in syndicated loan projects following TSMC's arrival, as suppliers and associated firms sought financing for expansion. The general manager of Bank A observed:

"The supply chain effects brought by TSMC are very pronounced, especially in the growth of syndicated loan opportunities, which allow us to better fulfill our role in providing financial services."

This example demonstrates how Taiwanese banks strategically align their financing solutions with the evolving needs of the semiconductor ecosystem—reinforcing their roles as critical intermediaries that sustain and strengthen the industrial network.

Beyond Kyushu: Expanding the Reach of Clustering Effects

Although Kyushu serves as the focal point of Taiwan–Japan semiconductor collaboration, the influence of clustering extends beyond the region. Bank D's decision to establish operations in Osaka exemplifies how financial institutions apply the logic of clustering to adjacent industries. As a hub for defense manufacturing and advanced materials, Osaka attracted investment complementary to semiconductors—such as heavy machinery and precision components.

Bank D's case demonstrates that the clustering mechanism transcends geography; it functions through network linkages and sectoral complementarities. By identifying Osaka as a secondary node connected to Japan's broader industrial ecosystem, the bank expanded its exposure to strategic industries while leveraging the same industrial-network logic that guided its peers in Kyushu.

Interpretive Summary of Proposition 2

The interview evidence supports and elaborates on Proposition 2, confirming that Taiwanese banks' investment strategies in Japan are deeply shaped by the global expansion of the semiconductor supply chain and the regional clustering effects centred in Kyushu. By embedding themselves within these industrial networks, Taiwanese banks not only provided essential financial support to core enterprises but also generated new service innovations that enhanced their own international competitiveness.

Through strategic collaboration, resource integration, and adaptive financial solutions, these banks strengthened their positions as facilitators of Japan–Taiwan industrial cooperation. The findings demonstrate how industrial network theory and clustering theory together explain the evolving role of financial institutions in high-tech ecosystems—bridging industrial dynamics with financial internationalization in an era of economic security.

4.3. Proposition 3 Analysis and Interpretation

> *Taiwanese banks' investments in Japan are motivated by Japan's low formal institutional risks.*

This section interprets how Japan's low institutional risks influence Taiwanese banks' investment decisions, emphasizing the importance of political stability, economic transparency, and a well-established legal framework in mitigating uncertainties associated with cross-border operations.

Grounded in institutional theory, the analysis illustrates how these institutional features attract foreign investment and enable Taiwanese banks to pursue innovative and secure financial strategies.

Low Institutional Risks as a Key Driver of Investment

Institutional theory posits that formal institutions—including political systems, economic environments, and legal structures—significantly shape multinational enterprises' foreign direct investment (FDI) choices (Quer *et al.*, 2012) [12].

Stable institutional environments reduce policy uncertainty and operational risk, providing favourable conditions for

firms to establish and expand overseas operations. Conversely, weak or unpredictable institutions increase compliance costs, complicate transactions, and deter long-term investment commitments (Nguyen *et al*., 2018) [31].

Japan exemplifies a low-risk institutional environment, characterised by political stability, economic transparency, and robust legal systems that inspire confidence among foreign investors. Long-standing economic ties between Japan and Taiwan further strengthen Taiwanese banks' willingness to operate there, as the market is widely viewed as predictable, credible, and conducive to sustained cross-border engagement.

Insights from Interview Data

Bank A – Confidence in Legal Transparency

Bank A underscored the value of Japan's transparent legal framework and consistent policy execution in reducing compliance costs and operational uncertainty. The head of the bank's international division remarked:

"Japan's financial market is institutionally stable, and its legal framework is well-established, giving us greater confidence in executing syndicated loans—something difficult to achieve in other countries."

This statement reflects how a stable institutional environment enables complex financial operations such as syndicated loans.

By lowering regulatory ambiguity, Japan allows banks to manage large-scale financing for sectors like semiconductors with greater efficiency and lower perceived risk.

Bank B – Expanding in Kyushu through Institutional Stability

Bank B leveraged Japan's regulatory reliability to establish operations in Kyushu, meeting the financing needs of upstream and downstream enterprises within TSMC's supply chain.

As the senior vice-president explained:

"Our decision to choose Kyushu was influenced not only by policy support but also by the region's stable institutional environment, which reduced uncertainties in our cross-border operations."

This institutional stability provided the foundation for Bank B to experiment with new financial services—such as M&A advisory and cross-border capital management—while maintaining controlled risk exposure.

Institutional Stability and Economic-Security Strategy

Japan's low institutional risks are closely linked to its economic-security policy framework. As a pivotal node in the global semiconductor supply chain, Japan has reinforced its policy and legal systems to attract foreign capital and stabilise strategic industries. The establishment of TSMC's Kumamoto plant illustrates how these efforts underpin industrial and regional development.

Bank C capitalised on this stable environment by collaborating with local financial institutions to launch a specialised M&A advisory firm. Its chairman observed:

"When investing in Japan, we don't need to worry about institutional uncertainties or policy risks. This provides a solid foundation for our cross-border operations."

Such partnerships allow banks to integrate local resources—human expertise, technology, and institutional know-how—while benefiting from policy incentives. These collaborations highlight the complementary relationship between foreign and domestic financial actors within Japan's predictable institutional system.

Beyond Economic Considerations: National-Defense-Linked Industries

Japan's institutional stability also facilitates investment in sectors traditionally regarded as high risk, including national defense and heavy manufacturing. Bank D's decision to expand into Osaka reflects a strategic move toward these industries. Local authorities have introduced clear, stable policies to attract foreign participation, mitigating sector-specific uncertainties.

According to the head of Bank D's international operations:

"What we see in the Japanese market is a highly predictable and risk-controllable environment, which is a key reason why we decided to expand into Osaka."

This case demonstrates that institutional stability not only supports conventional supply-chain finance but also enables banks to engage in strategic, security-related industries—broadening their functional role in Japan's industrial ecosystem.

Interpretive Summary of Proposition 3

The interview evidence supports and elaborates on Proposition 3, confirming that Japan's low institutional risks are a central motivation for Taiwanese banks' cross-border expansion. Political stability, economic transparency, and a coherent legal system jointly reduce operational risk and compliance costs, giving banks the confidence to design and execute complex international strategies.

Japan's stable institutional environment has thus been instrumental in facilitating supply-chain finance, promoting innovation in financial services, and enhancing bilateral economic resilience. Beyond purely economic motives, the predictability of Japanese policies also provides a secure foundation for investment in strategic and defense-related sectors, reinforcing the country's importance within the broader global economic-security framework.

Through their roles in supply-chain financing and collaborative ventures with local institutions, Taiwanese banks illustrate the practical applicability of institutional theory to financial internationalization—demonstrating how low-risk institutional settings can nurture both innovation and long-term strategic engagement.

5. Conclusion and Recommendations

5.1. Research Summary

This study examined the investment behavior of Taiwanese banks in Japan following TSMC's establishment of a semiconductor plant in Kumamoto. By integrating opportunity discovery theory, industrial network and clustering effects theory, and institutional theory, this research provides a coherent framework for understanding the strategic and operational motivations underlying Taiwanese banks' internationalization strategies. Through qualitative interviews with senior executives and the interpretive evaluation of three propositions, the study identified the core factors shaping their investment decisions and the broader implications for theory and practice.

1. **Evaluation of Proposition 1:** Taiwanese banks demonstrated strong agility in recognizing and acting upon opportunities in the Japanese market. Their capacity to leverage insights into yen depreciation, government policy incentives, and semiconductor

supply-chain restructuring allowed them to respond to emerging market demands effectively. Early market entry was a defining strategy—enabling banks to establish resource advantages, cultivate trust, and secure leadership positions. For instance, Bank A's involvement in syndicated loans for semiconductor-related projects illustrates its strategic use of financial expertise to build entry barriers, exemplifying the practical application of opportunity discovery and first-mover advantage theories.

2. **Evaluation of Proposition 2:** The internationalization of the semiconductor supply chain and the geographic clustering effects in Kyushu served as dual driving forces shaping Taiwanese banks' investment behavior. Kyushu's emergence as a core semiconductor hub, catalyzed by TSMC's presence, provided stable and predictable financing opportunities. Banks such as Bank B and Bank C established regional operations to meet the diversified needs of supply-chain enterprises while fostering innovative collaboration. This behavior aligns with industrial network theory, illustrating how financial institutions embed themselves in production ecosystems to strengthen interconnectivity and mutual growth.
3. **Evaluation of Proposition 3:** Japan's low institutional risks—characterized by political stability, transparent legal systems, and reliable economic governance—played a decisive role in attracting Taiwanese banks. These stable conditions minimized compliance costs and regulatory uncertainty, enabling banks to confidently engage in complex financial activities such as cross-border capital management and mergers and acquisitions advisory.

   For example, Bank D leveraged Osaka's stable regulatory environment to expand into advanced manufacturing sectors linked to national defense, demonstrating the explanatory strength of institutional theory in cross-border investment decisions.

Overall, the findings indicate that Taiwanese banks employed a synergistic strategy combining opportunity recognition, industrial network integration, and institutional advantages to successfully navigate the Japanese market. These strategic choices not only supported the internationalization of the semiconductor supply chain but also deepened Taiwan–Japan financial cooperation and reinforced the broader goal of regional economic security.

5.2. Practical Recommendations

The results of this study provide actionable insights for Taiwanese banks seeking to strengthen their internationalization strategies and capture emerging opportunities in an era of economic restructuring. The following recommendations are proposed:

1. **Strengthen Partnerships with Japanese Regional Banks**

   Taiwanese banks should deepen collaboration with Japanese regional financial institutions, especially within industrial clusters such as Kyushu and Kumamoto. Local partnerships can provide critical market insights, facilitate regulatory navigation, and open access to industrial networks. Through these alliances, banks can expand into high-value-added services—such as M&A advisory, cross-border capital management, and supply-chain financing—enhancing both operational scope and institutional credibility.
2. **Expand Support for Strategic Industries**

   Banks should align financial services with industries critical to economic and defense security. In regions such as Osaka and Kyushu—where high-end manufacturing and defense-related industries are concentrated—targeted financing can help firms meet long-term capital needs.

   These initiatives will position Taiwanese banks as integral players in sectors at the intersection of technology innovation and supply-chain transformation, further deepening bilateral economic linkages.
3. **Adopt Advanced Financial Technologies to Enhance Efficiency**

   The integration of blockchain, AI-driven analytics, and big data tools can significantly improve compliance efficiency, streamline cross-border capital flows, and reduce operational risks. Applying these technologies to supply-chain financing will enhance transparency and agility, enabling Taiwanese banks to compete more effectively in an increasingly digitized global financial environment.
4. **Replicate Success in Other Low-Risk Institutional Markets**

   Japan's experience as a stable investment destination offers valuable lessons. Taiwanese banks should explore expansion into other regions—such as Southeast Asia, Western Europe, and selected Asia-Pacific markets—that share Japan's characteristics of institutional reliability and strong supply-chain demand. Such diversification would strengthen risk management while extending global reach.
5. **Invest in Capacity Building and Talent Development**

   To sustain long-term competitiveness, Taiwanese banks must prioritize human capital development. This includes enhancing expertise in supply-chain finance, risk management, and cross-border operations, as well as cultivating a workforce adept at navigating cultural and regulatory complexities.

   Continuous talent development will ensure resilience and adaptability in the face of global economic and technological shifts.

5.2.1. Policy and Theoretical Implications

From a policy standpoint, the findings suggest that economic security in the semiconductor supply chain cannot be sustained without a parallel process of financial integration. Taiwan's financial authorities, in collaboration with Japan's Financial Services Agency, could establish a *cross-border regulatory framework* that promotes transparency, digital compliance, and data-sharing mechanisms through RegTech cooperation. Such collaboration would enhance the efficiency of cross-border capital flows and mitigate regulatory fragmentation, which often slows down bilateral investment projects.

In addition, both governments could explore the creation of joint investment platforms or co-financing mechanisms involving sovereign wealth funds and development finance institutions—such as Taiwan's proposed National Investment Fund and the Japan Bank for International Cooperation (JBIC). These mechanisms would not only strengthen bilateral industrial linkages but also provide long-term, stable capital to sectors that are strategically vital for economic security, such as advanced manufacturing, green

technology, and digital infrastructure.

From a theoretical perspective, this study lays the groundwork for a conceptual bridge between *economic security studies* and *international financial integration*. By demonstrating how financial institutions act as enablers of industrial resilience and cross-border cooperation, it introduces a new analytical dimension to traditional international business theories. This research thus proposes a preliminary framework of "economic security finance," where financial actors are treated not merely as intermediaries but as strategic agents that support national and regional resilience. Future studies may expand this framework into comparative institutional analyses across different political economies, examining how varying institutional architectures shape the financial foundations of economic security.

5.3. Suggestions for Future Research

While this study offers a comprehensive qualitative analysis of Taiwanese banks' investments in Japan, it also opens multiple pathways for further inquiry:

1. Comparative Studies Across Markets
   Future research could examine how Taiwanese banks behave in markets with varying institutional risk profiles. Such comparative analysis would provide a clearer understanding of how regulatory differences shape cross-border investment strategies.
2. Cultural Dimensions of Internationalization
   Cultural adaptation remains a critical but underexplored factor in banking internationalization. Further studies could investigate how Taiwanese banks adjust organizational culture and client engagement to local contexts and how cultural intelligence affects strategic performance.
3. Digital Transformation and Cross-Border Operations
   With financial services undergoing rapid digitalization, research should explore how blockchain, artificial intelligence (AI), and RegTech are transforming cross-border compliance, transaction efficiency, and governance mechanisms.
4. Long-Term Impacts of Taiwan–Japan Financial Cooperation
   Future studies may evaluate the enduring effects of Taiwan–Japan financial collaboration on regional stability and resilience.
   Such analysis could offer policy insights into how cross-border financial partnerships contribute to broader economic-security objectives.

5.4. Final Thoughts

This study reinforces the theoretical foundations underlying Taiwanese banks' investment strategies in Japan while providing practical guidance for policy and industry. By examining their internationalization through the lenses of opportunity recognition, industrial clustering, and institutional stability, the research highlights the multi-layered logic guiding Taiwanese banks' expansion in high-value markets.

As the global economy continues to evolve amid geopolitical and technological shifts, Taiwanese banks are positioned to play a pivotal role in advancing cross-border industrial cooperation, supply-chain resilience, and regional economic security. Their success in Japan stands as evidence of strategic adaptability and institutional foresight—demonstrating how financial actors from smaller economies can navigate complex global systems with precision, innovation, and long-term vision.

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