

JETRO Chicago Midwest NEWSLETTER

Japan External Trade Organization

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JETRO Survey shows increasing confidence among Japanese businesses in U.S.

A new survey released by JETRO shows both strong performance and increasing confidence from Japanese manufacturers doing business in the United States.

The annual survey of Japanese manufacturers operating in the U.S., released in Japan on October 26, 2006, reflects the situation of a total of 621 responding companies. Responses were collected by JETRO's six US offices (Atlanta, Chicago, Houston, Los Angeles, New York, and San Francisco) in July and August 2006.

The survey shows positive trends for these Japanese companies, reflecting growth in both the Japanese and U.S. economies:

- The percentage of companies forecasting operating profits for 2006 increased 5.2 points from the previous survey to 80.9%, the highest-ever figure since the question was added to the survey in 1991. Meanwhile, companies expecting to post an operating loss fell 1.0 point, to 8.6%, setting a record low for the fourth consecutive year. These statistics indicate that Japanese manufacturers in the US are benefiting from a booming US market. The main reason given for this improvement was an "increase in sales in the domestic (US) market" (65.4%).
- The upward trend suggested by the survey is thought to continue through 2007. Of the respondent companies, 55.3% – the highest rate since the collapse of the IT bubble in 2000 – expect to further improve operating

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A successful 2006 sets the stage for a productive 2007



From the Chief Executive Director

*Takashi "Taka" Tsuchiya,
Chief Executive Director,
JETRO Chicago*

My second year in the Midwest has certainly been a year full of excitement. With regards to baseball, the Midwest has so much to be proud of due to the accomplishments of the St. Louis Cardinals and the Detroit Tigers. They both did great jobs this year, just like the former champion Chicago White Sox. With regards to business, the Midwest presented many opportunities for JETRO Chicago to assist with, and the steady comeback of the Japanese economy was certainly a plus, as well.

We've produced and participated in some very large events here in Chicago, and we have logged many miles throughout the Midwest, discovering hundreds of new companies and individuals who are excited about the prospect of doing business in Japan and with Japanese companies. Additionally, we've worked with many Japanese companies in the Midwest. Of course, we also traveled to Japan this year, bringing a number of business-people there

to exhibit at shows, meet with potential partners and learn about the range of opportunities Japan has to offer.

Wherever we have traveled this year, we noted new enthusiasm for the improving business climate in Japan. It is nice to talk about the Japanese economy of "today," rather than just the promise of better times in the future. We've seen great interest in increased collaboration among companies, universities and municipalities in both the U.S. and Japan.

Early in 2006, our attention was firmly focused on the Bio 2006 conference in Chicago. The Japanese presence at this show was truly impressive. We had solid representation, as seminar speakers, with exhibitors at the Japan Pavilion, and as hosts of one of the best-attended receptions of the week. Most importantly, real business was done ... introductions, meetings, and exchange of information. We look forward to the next Bio conference in Boston, and wonder if it's possible to top the Chicago event.

This past year has seen strong interest in Japanese robotic technology on the part of American companies and researchers. We attended conferences here in the United States, where new interest in partnering was obvious. Our efforts working with the City of Osaka were showcased in Robot Magazine.

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January/February JETRO programs for Iowa, Indiana and Illinois

Midwest locations for a number of JETRO programs in January and February have been set, with final details to be announced soon.

A seminar focusing on doing business with Japan will be held in **Des Moines, IA**, with a tentative date of January 31 at the Greater Des Moines Partnership. For information, and to be placed on a notification list for this event, contact Kelly Denewellis, at kelly_denewellis@jetro.go.jp.

JETRO's Japan Lecture Series will visit

universities including the following:

- January 24 at Indiana University's Kelley School of Business in **Bloomington, IN**
- February 15 at the Roosevelt University Campus in **Schaumburg, IL**
- February 23 at DePaul University in **Chicago, IL**

To get information for any of the above, contact Ralph Inforzato at Ralph_Inforzato@jetro.go.jp.

You can call JETRO Chicago at 312-832-6000.

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2006 saw changes in agriculture, with the ban on U.S. beef imports into Japan finally being lifted, and Midwest companies beginning their export efforts again. We also saw Japanese beef exporters expanding their efforts to bring specialty Wagyu beef to the U.S.

We increased our efforts to provide college students as well as business people with the most updated information on a wide variety of subjects, including the Japanese economy, corporate laws and Anime, just to name a few. We went to Indianapolis for the Midwest U.S. - Japan Association conference in September, and met a number of Governors and other officials from around the region.

Perhaps the greatest promise for the upcoming year is the encouraging business climate for U.S.-Japan collaboration, thanks to the continuous improvement of the Japanese economy.

In 2007 we are going to work to assure success here in Chicago and throughout the Midwest, as well as in Japan. Best wishes for a peaceful holiday season.

Contact JETRO Chicago

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For general information, call the number above, or for a specific inquiry, use the form at www.jetro.org (select "Contact JETRO" from the menu bar at left).

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This material is edited, issued and circulated by JETRO Chicago, One East Wacker Drive, Suite 600, Chicago IL 60601. Additional information is available at the Department of Justice



JETRO visits Omaha for bioscience seminar

A half-day seminar, "Initiating Collaboration: Nebraska's Biosciences & the Japanese Life Science Community," was presented by JETRO on Tuesday, October 17, at the Greater Omaha Chamber of Commerce. Attendees heard from Dr. William Fitzsimmons, Senior Vice President for Business Development, of Astellas US LLC (below left), and Joseph Chapuran, International Development Manager, Office of International Trade and Investment, State of Nebraska (below center). Pictured below right, JETRO Chicago's Chief Executive Director Takashi Tsuchiya with Julie Kavaras of Bio Nebraska, along with Mr. Chapuran and Dr. Fitzsimmons.



Anime events at Chicago International Film Festival

A rare appearance by legendary Japanese Anime Director Yoshiyuki Tomino took place this past October in conjunction with the showing of his "Gundam" series at the Chicago International Film Festival. Tomino attended a number of events including a panel discussion organized by the Japan America Society of Chicago and other local organizations including JETRO Chicago. Tomino is seated second from left in the photo below left.



University of Chicago Asia Conference



On Saturday, October 21, the University of Chicago Graduate School of Business presented its 6th annual Chicago Asia Business Conference: "Engaging Asia: Competitions, Partnerships, and Reshaping of Global Business", sponsored in part by JETRO. Appearing as part of a panel discussion was JETRO Chicago's Chief Executive Director Taka Tsuchiya. The panel discussed "US, China, and Trade & Investment in Asia."



Madison-Obihiro Sister Cities Event



On October 25, Mayor Dave Cieslewicz of Madison, Wisconsin welcomed a delegation from Obihiro, Japan (a city on the island of Hokkaido) including



Obihiro Mayor Sunagawa, for the official signing of the Sister Cities agreement between the two municipalities. JETRO was on hand to congratulate both cities. The two mayors are pictured at left.

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Ask JETRO

Can you recommend some Internet links to sites with good information on Japan?

JETRO has always been a great source of information about Japan. But the two major JETRO web sites also provide extraordinary indices of Internet links that can open up a range of information that may surprise you.

At JETRO's USA site (www.jetro.org), click on "Links" all the way at the bottom of the home page, or go directly to www.jetro.org/links.



The JETRO USA Links page

You'll be taken to the first level of a list of more than 500 links, all sorted by topic. You'll find listings of Japanese news sources, academic journals, business and scientific news journals, information on living in Japan, visiting Japan and moving to Japan, industry associations, and much more.

For detailed information on Japanese government, ministries, agencies, local government sites, international trade information and more, visit the JETRO headquarters site at www.jetro.go.jp. "Links" appears at the bottom of the home page, or you can go directly to www.jetro.go.jp/en/links.

Of course JETRO Chicago staff members are always available to answer your questions, but these sources can give you a head start on getting information, plus provide a fascinating assortment of resources you will enjoy browsing.



The JETRO Tokyo Links page

JETRO presentation at Robotics Forum highlights Japan's growth in robotics industry



Director's Dialogue

Terunobu Yamauchi
Director of Technology,
JETRO Chicago

The robotics industry is one of a group of promising, emerging industries that receives the careful attention of the Japanese government. Robotics technology itself actually consists of various elemental technologies, such as mechanical systems, sensors and artificial intelligence, and both the United States and Japan have their own

particular strengths in these sub-fields. The integration of the advanced element technologies being developed in the U.S. and Japan would bring about significant technological progress for the industry as a whole. As a first step to promote such cooperation, JETRO made a presentation at the 14th Robotics Industry Forum held on November 10 in Orlando, Florida to show the U.S. robotics thought leadership why and how Japan is enhancing its robotics industry.

The forum, held annually, is coordinated by the Robotics Industry Association, which represents industrial robotics manufacturers, system integrators, end users and researchers in North America. This year, more than 140 VIPs from

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The Future Of Anime in America



Guest View

Patrick Drazen
Author, "Anime
Explosion"

Patrick Drazen is the author of *Anime Explosion*. He has written for *Animation*, *Student Filmmaker*, and *Time Out New York* magazines, and hosted the 2006 Anime Marathon at the Freer Gallery of the Smithsonian Institution as part of Washington DC's annual Cherry Blossom Festival.

When Douglas McGray's article "The Empire of Cool" appeared in 2002, the notion of exporting Japanese culture to the west still seemed unlikely. Automobiles, electronics, appliances; these are more traditional, tangible exports than movies or television programs. Still, even though Hollywood movies are regularly screened in Japan (where titles like *Titanic* and the *Harry Potter* series have achieved blockbuster status), the idea of Japanese animated movies in American cineplexes seemed unlikely.

McGray, however, wrote before a kids' cartoon series was produced that was not only based on a Japanese pop music act, but featured that act's music - in Japanese. As unlikely as it seems on paper, the *Hi Hi Puffy*

AmiYumi Show found a home on U.S. cable television. As did IGPX (a sort of anagram for Immortal Grand PriX), a Japanese-American co-produced animation telling the sci-fi story of a kind of roller derby between giant robots. McGray also wrote before animation director Hayao Miyazaki won an Academy Award for *Spirited Away*, beating out two Disney films.

Japanese animation (anime) has been on American television as far back as the 60s, with titles like *Speed Racer* and *Astroboy* reaching iconic status with many baby boomers. However, anime grew out of Japanese comic books (manga), which are also on the rise in America. The success of both needs to be understood.

When Japan surrendered in 1945, the nation's human and material resources were almost completely exhausted. Malnutrition was pandemic. The media were tightly controlled by the Occupation forces. Manga, however, broke out at this moment, thanks to a physician named Osamu Tezuka. Incorporating cinematic devices into his art, with influences ranging from Disney to French New Wave cinema, telling long-form stories inspired by the likes of Jules Verne and Robert Louis Stevenson, Tezuka reinvigorated manga by defining it as a medium not limited to children. By 1959, when Tezuka created his own animation

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the robotics industry attended the forum to hear from speakers from companies including Microsoft, Daimler Chrysler, and Mercedes-Benz speak about the future of the robotics industry. Mr. Yuji Shiozaki, Director of Industrial Machinery at JETRO Chicago spoke on "Government Policies for Enhancing the Robotics Industry in Japan." He mentioned the reasons why the Japanese government focuses on the robotics industry: "Japan is now shifting demographically toward an aging society more dramatically than any other country in the world, making it is necessary for robots to supplement human labor in order to maintain our manufacturing base as well as provide personal services to manage growing needs for social welfare."

The Ministry of Economy, Trade and Industry (METI) recognizes three categories of robots: industrial robots; service robots used for various services such as housekeeping, rehabilitation, rescue and amusement; and other specific robots that work in harsh environments. In the field of industrial robots, Japan has already established a significant position in the global market. For maintaining the position and expanding the market itself, he pointed out that it is necessary for Japanese robot manufacturers to cooperate with users, from existing large companies to new small- and medium-sized companies for development of new applications.

As for service robots whose market scale is still small in Japan (under \$10 million) as well as in the U.S., R&D cooperation among robot manufacturers and service providers is crucial to establish new segments of the market. In order to enhance such R&D cooperation, METI issued the "Strategic Technology Road Map in Robotics Technology" in 2005. Highlighting one of the milestones on the road map, Shiozaki emphasized that "Environment structurization is a key technology to industrialize service robots." METI is now leading various stakeholders in the service robot field in accordance with the road map.

While the U.S. government historically does not take a leadership role in developing specific technologies, Shiozaki's presentation raised awareness of how Japan has found success in industrial robotics, and how METI is trying to lead the industry along the road map to continued success in the service robotics sector.

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profits next year. In contrast, the number of manufacturers expecting to post a decline in profits in the next fiscal year fell 14.2 points from last year to 5.4%, the lowest rate since the survey began. It is clear that business sentiment among Japanese manufacturers in the US is generally improving.

- 76.4% of respondent companies named the US as the most suitable Free Trade Agreement partner, and fostered the greatest expectations for a US-Japan FTA.

- Over 60% of companies have local (U.S.) procurement ratios of 51% or more, maintaining a high domestic procurement ratio.

- The employment outlook is equally bright. 41.8% of respondents reported that they will be increasing their workforce in the near future, compared to 11.4% in the last survey.

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studio, he extended this expanded conception of comic books to anime. With support from major publishing houses and toy companies, Japanese animation took off from there, even though it never intentionally set its sights on the west.

After the first anime came west in the 60s, the next wave followed the success of Star Wars. Television distributors picked up Japanese animated science-fiction series that turned out to be more sophisticated than most American programming. Audiences who tuned in Star Blazers or Robotech to watch battling robots got pulled in by romantic subplots and philosophical discussions on the nature of war and the humanity of aliens.

The next great leap came in 1995 with the American broadcast of Sailor Moon. This wasn't the first anime in the superhero genre (although this superhero was a whiny, clumsy crybaby), but it was based on a Japanese girls' manga. Sailor Moon proved the viability of romance-oriented animation in America, and single-handedly expanded the anime fan base away from sci-fi demographics (90% teen males), bringing female fans into the mix.

Anime is now a fixture on American television, even if some of it has to be broadcast after prime-time because

Industries in which employment figures are growing include: precision machinery (61.9%); general machinery (56.1%); and transportation equipment (55.6%).

- In 2006, capital investment sustained robust growth. Almost 40% of respondent companies noted an increase in their capital investment and another 40% noted "no change." Japanese companies in two industries showed particularly high capital investment in 2006: the transportation equipment industry at 66.6%; and the petroleum and plastics industries, at 64.7%. These industries also indicate strong investment potential for 2007.

The transportation machinery parts companies demonstrate a strong preference for locating in the Midwest U.S. Of all these companies in the U.S., four Midwest states account for 43% of the facilities. This includes Ohio (leading the nation at 17%), Indiana (12%), Michigan (9%), and Illinois (5%).

The JETRO Survey of Japan-affiliated Manufacturers in the U.S. has been conducted annually since 1981.

of violent or sexual content. Japanese animation is also a major component of video games, with the Final Fantasy series defining the state of the art. And manga has hit America in a big way: according to The Book Standard list of the top-selling comics and graphic novels of 2005, 42 of the top 50 titles are manga, ranging from romantic comedies (Fruits Basket) to ninja/samurai action (Naruto, Rurouni Kenshin) to the first volume of Fullmetal Alchemist, which debuted in May 2005 as one of the top 100 trade paperbacks appearing that month—in all genres. Manga are not being published just by specialty presses Viz and Tokyopop, but also by Del Rey, an imprint of Ballantine Books. Perhaps most unusual, the manga are printed Japanese style, reading right to left.

The issue is no longer whether Japanese pop culture can travel west and take root, but how much it can continue to thrive. Broadcast animation will be a battleground, if quality anime gets crowded out by lesser domestic productions. The DVD market, whether purchase or rental, is still strong enough to keep pace with the continued fan interest, even though the translated titles here are a fraction of what's available in Japan; many young people are getting around this limitation through basically illegal web downloads. The same applies to translated manga. The creativity and high artistic quality are still there, and the fan commitment is still there, even as teen fans become adults. Investment in Japanese pop culture, if encouraged to expand, can continue to pay off into the 21st century.