

Japan External Trade Organization

1 East Wacker Drive, Suite 600

Chicago, IL 60601

Phone: 312-832-6000

Fax: 312-832-6066

www.jetro.org

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From the Chief Executive Director

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

We've had a very busy Spring season here at JETRO Chicago. Our biggest event was our participation at BIO 2006 in Chicago, including coordination of the Japan Pavilion, sponsorship of the gala Japan Night Reception, plus presentation of seminars. I'd like to thank all those who supported our efforts, all those who attended, and all those who worked so hard to make our participation successful. Please enjoy a brief look back at the event, with a special photo collection on page 5 of this newsletter.

This issue of the Newsletter has something for everyone who would like to do business in Japan ...with positive news from a recent JETRO survey, to new information on changes in the ways companies can be started in Japan, to a report on Japan's renowned beef making its way to the U.S.

Best wishes for a relaxing, and successful summer!

Midwest US-Japan Conference set for Indianapolis

The 38th Annual Joint Meeting of the Midwest U.S.-Japan & Japan-U.S. Midwest Associations will take place this September 10-12 in Indianapolis, Indiana. The theme of the conference is "Racing to the Future

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JETRO Survey: Foreign-affiliated firms in Japan have strong business confidence

A study released by JETRO in April found that most foreign-affiliated firms operating in Japan have a favorable view of their business performance. A total of 614 firms replied to the survey, or 18.9% of the 3,256 firms sent questionnaires. In the survey, a foreign-affiliated firm refers to a company with more than a third of its shares held by a foreign company or companies, as of data for 2005.

According to the survey, 83.2% of respondents view their current business performance in Japan as generally favorable—the 83.2% figure is the sum of percentages for respondents who view current performance as "good" (39.4%) and "fair" (43.8%). Firms were also asked to rate their future business prospects: 49.0% expect to improve on current performance, while others expect their performance to remain "good" (10.9%) or "fair" (22.0%).

Reflecting this strong business confidence, more than half of respondents (56.4%) have plans to expand operations; 35.0% will

maintain their current business scale and 3.4% plan to scale down operations. Among firms planning to expand business in the coming years, some short-term plans include: "strengthen sales force" (73.1%) and/or "launch new products/services" (64.5%). In the mid to long-term view, companies also plan to "hire more staff" (50.6%) and/or "strengthen ties with Japanese firms" (29.6%).

The survey also polled firms about obstacles/barriers to setting up/expanding business in Japan. Comparing results from this survey with those from the 1995 survey, it is clear that firms today find it easier to do business in Japan. Smaller percentages of respondents cited "high business costs" (down 9.6 points over 1995 survey), "closedness/particularity of the Japan market" (down 11.2 points) and "complicated administrative procedures" (down 10.4 points). A higher percentage of respondents (compared to the 1995

See "Survey" on page 2

Corporate Law changes provide more flexibility in starting a business in Japan

The Japanese law on corporations was until recently based on Part II of the Commercial Code, the Yugen Gaisha Law, and the Law for Special Provisions for the Commercial Code Concerning Audits, etc. These pieces of legislation were radically revised and reorganized into the new Corporate Law enacted in June 2005. The main changes made under this law entered into effect in May 2006. Planned areas of amendment under the new Corporate Law, include:

- Yugen Kaisha (limited liability companies) are abolished and absorbed into Kabushiki Kaisha (joint-stock corporations). In conjunction with this change, the flexibility of corporate organizational structure is increased.
- A new Japanese form of limited liability company, called Godo Kaisha, is created.
- To make it easier to establish a company, requirements such as minimum capital requirements and the need for a financial institution to issue a "capital custody certificate" to show that a company's capital has been fully remitted is abolished.
- Another new law to enter effect is the Law Concerning Yugensekinin Jigyo Kumiai

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Contracts, which provides a Japanese form of limited liability partnership (LLP) as a new organizational vehicle for doing business.

There are many advantages to the new law, with details dependent on the type of business organization that is appropriate for you. Tables that explain the differences, and comparisons with the old laws can be found at the JETRO headquarters web site: www.jetro.go.jp/en/invest/setting_up/section1/, along with additional information, including comparisons of types of business operation (branch office, corporation, and limited liability partnership); and procedures for registering establishment of branch offices/subsidiary companies.

JETRO Chicago is holding a breakfast meeting in Chicago on June 27 to review some of these changes (see below). Of course, you can always call or e-mail Ralph Inforzato at JETRO Chicago: 312-832-6000 x103; Ralph_Inforzato@jetro.go.jp.

Chicago breakfast to explain changes in Japan's Corporate Law

On Tuesday, June 27, JETRO Chicago will host a breakfast program, "Critical Aspects of Japan's New Corporation Law: Accelerating Corporate Reform - Enhancing Transparency." The program will run from 7:30 ~ 9:00 a.m. at the Chicago Athletic Association, 12 South Michigan Ave. in Chicago, and will feature **Mr. Keisuke Sadamori**, Director, Industrial Organization Division, Ministry of Economy, Trade and Industry (METI), Tokyo. Mr. Sadamori will brief members of Chicagoland's corporate community on the recently enacted amendments to sections of Japan's Commercial Code pertaining to Japan's New Corporation Law. Additionally, Mr. Sadamori will provide analysis on the recent reorganization of Japan's major industries, as well as some of the recent hostile merger and acquisition cases.

To register and for more information, visit www.jetro.org. Questions? Contact Brady Weise at 312-832-6000 x202; Brady_Weise@jetro.go.jp.



JETRO at Illinois State University



On April 28, JETRO Chicago's Chief Executive Director, Taka Tsuchiya participated in a program presented by the College of Business at Illinois State University: "American-Japanese Business Relationships." Tsuchiya spoke about the Japanese economy on a panel that also included Jay Moriwaki of Bridgestone/Firestone and Dee Walker of Caterpillar.

At left, Moriwaki, Tsuchiya and Walker are joined by Dr. Iris Varner of Illinois State University (second from left).

Bio Breakfast Briefing in Madison



On Wednesday, March 22, JETRO Chicago and the Wisconsin Biotechnology and Medical Device Association (WBMA), hosted a breakfast briefing about collaborative life science opportunities with Japan. The event took place at the MG&E Innovation Center in Madison, Wisconsin.

The program featured Dr. William Fitzsimmons Senior VP for Business Development, Astellas US, LLC, describing his company's direction, including therapeutic areas targeted for collaboration, a description of the partnering process, and their North American business model.

JETRO Business Advisor for Wisconsin, Taka Hagisako, was on hand to describe the opportunities available to WBMA members to learn about the Japanese bio market and preview BIO 2006 in Chicago.

Pictured above left: Hagisako, Fitzsimmons, and Ralph Inforzato of JETRO Chicago.



Japan's finest beef sampled at National Restaurant Association Show



JETRO's exhibit at the National Restaurant Association's 87th Annual Restaurant, Hotel-Motel Show, May 20-23 at Chicago's McCormick Place, featured samples of Wagyu beef from Japan, among other recipes.

Pictured above left: Taka Tsuchiya, JETRO Chicago at left; Takeji Yanagisawa, Chairman of Agricultural Co-operative Associations of Japan (Zen-Noh); and a Chef from Benihana.

At right, attendees enjoy the Wagyu beef samples.

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survey), however, cited "difficulty in securing personnel" (up 12.0 points to 59.6%); the percentage citing difficulty finding staff with suitable foreign language skills rose 15.0 points to 39.7%. These figures are in line with Japan's tightening labor market and improved employment situation, which is causing Japanese and foreign firms to compete for qualified personnel.

You can find out how your business can take advantage of the improving market in Japan, while navigating around obstacles by calling JETRO Chicago at 312-832-6000. Also, visit Invest Japan information at www.jetro.org, and www.jetro.go.jp.

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The story behind Japan's famous Wagyu beef



Director's Dialogue

Junichiro Yamakuchi
Director of Agriculture,
JETRO Chicago

JETRO exhibited in the National Restaurant Association's 87th Annual Restaurant, Hotel-Motel Show, held May 20-23 at Chicago's McCormick Place Convention Center. The JETRO booth featured traditional Japanese dishes such as Hijiki (an edible Japanese seaweed) and Kinpira-gobo (a fried burdock root recipe) but its main focus was on Wagyu beef from Japan.

Many chefs and restaurant industry attendees enjoyed sampling tender, juicy and flavorful Wagyu beef grilled on site at the booth. At the same time, we frequently were asked about Wagyu and Kobe Beef. It soon became clear that for most people outside of Japan, the terms "Wagyu" and "Kobe Beef" are not clearly understood.

Therefore, I would like to explain the original meanings of both these terms and introduce some knowledge about Wagyu in a Q&A format.

Q: What is "Wagyu?"

A: 'Wa' means Japanese or Japanese-style and 'Gyu' means cattle. Wagyu, therefore, is the name for native Japanese beef cattle breeds. For example, Japanese Black is a representative breed of Wagyu.

Throughout history these cattle had traditionally been utilized as a means of labor for farming lands and pulling carts. Approximately 100 years ago, with access to European culture, we commenced making Wagyu well-marbled, more tender and plumper by not only cross-breeding them with foreign breeds but by selecting and controlling excellent strains as well. Intensive efforts have been made to improve the meat quality of Wagyu.

Q: What is "Kobe Beef?"

A: There are many kinds of "brand beef" in Japan depending on the feeding region in the country and they have specific char-



Wagyu beef displays the marbling that makes it especially tender and juicy.

acteristics in terms of feedstuff or feeding patterns.

As you may know, Kobe is the name of a region in Japan. Kobe Beef is a high-grade Japanese Black beef brand bred and raised in the Kobe region. Kobe Beef is only one of the famous Japanese Black beef brands.

Q: Is Wagyu really massaged with sake and fed beer?

A: Though the method of raising and feeding Wagyu varies between farmers and areas, generally speaking there are very few farmers who massage Wagyu with sake or feed them beer. The same is true

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New JETRO Business Advisors start work in Michigan and Ohio

Two new Business Advisors have joined JETRO Chicago, and are stationed in Michigan and Ohio to help local companies develop business relationships with Japan and Japanese organizations.



In Ohio, **Kazuhiko (Kaz) Akiyama** is now the JETRO Chicago Business Advisor, at the Greater Cincinnati USA Regional Chamber. Mr. Akiyama has helped develop products for major firms like Sony Corporation and the Toshiba Corporation.

At Sony, Akiyama worked on creating new distribution channels for products such as the AIBO robot, and fingerprint identification technologies. At Mitsubishi Corporation, Akiyama was responsible for coordination

and support of investment in such firms as KDDI and NTT. He also helped KDDI to successfully integrate with DSC Communications in Texas.

You can reach Mr. Akiyama at the Greater Cincinnati USA Regional Chamber; phone: 513-562-8440; fax: 513-579-3101; and e-mail kazuhiko_akiyama@jetro.go.jp



In Michigan, **Yoshio "Taki" Takahara** will be working at the Michigan Economic Development Corporation. Mr. Takahara's career has brought him to the U.S. for numerous assignments in

marketing, sales and top management. He spent many years with the Victor Company of Japan (JVC) and JVC Company of America, working in New York, Atlanta and Chicago, as well as Los Angeles, with JVC Disc of America.

In 1997, he moved to Austin, Texas, to manage a semiconductor manufacturing facility as President/CEO of Techworks, Inc. In 2000, Takahara returned to Chicago as President of Shimpo America Corporation.

Mr. Takahara can be reached at the Michigan Economic Development Corporation offices in Livonia Michigan; phone: 734-632-1312; fax: 734-632-1338; and e-mail: yoshio_takahara@jetro.go.jp.

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I'd like to open an office in Japan. How to I get started ... and who can help?

One great way to learn how to start an office in Japan is to take advantage of the no-cost office space at a JETRO IBSC.

The Invest Japan Business Support Center (IBSC) serves as a one-stop shop for companies interested in building their business in Japan. At the IBSC you are able to take advantage of no-cost office facilities & extensive support services while you accomplish your goals in Japan.

JETRO clients use the IBSC for a variety of reasons, most frequently to ease the process of opening their office in Japan. Companies also use the IBSC while conducting market research, sales activities in Japan, and other business-building activities. Click here for a partial list of our clients who have taken advantage of the IBSC while opening an office in Japan.

By staying at the IBSC you will save resources and time. Use of the office facilities is free of charge (including use of meeting rooms and exhibition hall). You will also be assigned an onsite business development consultant who is there to assist you as you build your business in Japan, and you will have access to market advisors, corporate specialists, and a community of like-minded companies.

There are offices for your use in six cities in Japan: Tokyo, Fukuoka, Kobe, Nagoya, Osaka, & Yokohama.

You can find lots more information about qualifying for the IBSC program at the JETRO website: www.jetro.org/content/303. Or simply contact JETRO Chicago at 312-832-6000.

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even in the Kobe area.

One of the reasons for the tender and flavorful quality of Wagyu beef is marbling. The Japanese Wagyu Registry Association and farmers have been sorting those bloodlines which specifically produce a good amount of marbling.

In addition to that, farmers change the nutrient balance of their feed according to the Wagyu's growth process and raise it carefully for the long term in stress free conditions. Grain (corn, etc.) is the main feed used for Wagyu.

Q: Why do you think "Kobe Beef" is famous in the U.S?

A: We don't know exactly why Kobe Beef is so famous in the US.

Kobe was one of the first Japanese ports opened to foreign countries about 150 years ago. We assume that the foreigners living in their settlement in Kobe began to eat beef there, and then perhaps called it Kobe Beef as its taste and flavor were so impressive.

In the US, the name of Kobe is well known as a port city in Japan. People easily picture Japan when they hear "Kobe." Thus, the term Kobe Beef might have become popular in the U.S. as meaning, in effect, very high-quality Japanese beef.

Although some visitors to JETRO's booth at the NRA Show mentioned they were aware of Kobe Beef, I do want to remind you of the fact that Kobe Beef could not have been exported to the U.S. from Japan during the last five years. From 2000 until December 2005, Japan was not allowed to export any beef to the U.S because of concern over diseases such as BSE. Even now only four meat processors in Japan are allowed by the USDA to export beef to the U.S. – and those four facilities are far from the Kobe area.



A chef from Benihana Restaurant prepares Wagyu beef at the National Restaurant Association Show

Midwest U.S.-Japan Conference ... from page 1

Together" and will be highlighted by discussions with Japanese and U.S. business experts and economic specialists who will share their insight into the acceleration of global commerce.

This annual joint meeting, which brings together international business leaders from Japan and the U.S., serves as the principal forum for bilateral trade and investment discussion between the Midwest and Japan.

The Midwest U.S.-Japan Association is a ten-state member organization formed in 1967 to facilitate business development between the Midwest region of the U.S. and Japan, and create a link for economic, political and cultural relations. The sister organization in Japan, the Japan-U.S. Midwest Association, is comprised of leading Japanese corporations.

The conference will be held at the Indianapolis Downtown Marriott.

More details will be coming soon. Watch the official conference website

at www.japanmidwest2006.com, and the Japan-America Society of Indiana site at www.japanindiana.org. Phone: 317-635-0123; e-mail: info@japanmidwest2006.com.

Contact JETRO Chicago

JETRO Chicago is located at 1 East Wacker Drive, Suite 600, Chicago 60601. Phone: 312-832-6000; Fax: 312-832-6066; website: www.jetro.org

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).

For Invest-in-Japan information contact
INVEST JAPAN
Bryan Esenberg, Assistant Director, at bryan_ensenberg@jetro.go.jp

For biotech information, contact David Peterson at David_Peterson@jetro.go.jp

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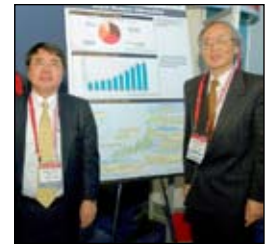
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Special Photo Report: JETRO at BIO 2006

The Seminars

JETRO presented two seminars at BIO 2006. At both seminars, JETRO President Hiroshi Tsukamoto offered welcoming remarks (below left). The first seminar, "Japan: More than a Market," (second photo from left), featured remarks from Laura Francis of Promega Corporation, Tsunehiko Yanagihara of Mitsubishi International Corp. of Tokyo, Moderator Ralph Inforzato of JETRO Chicago, and Michio Oishi, PhD, of the Kazusa DNA Research Institute in Chiba, Japan. The second seminar, "Japan: The Nutraceutical Phenomenon," (third photo from left), featured Akio Kobayashi, PhD, of Osaka University; Tomoko "Liz" Sakai, MD, PhD, of Otsuka Pharmaceuticals Co. of Tokyo, and Paul Yamaguchi of Paul Yamaguchi & Associates.

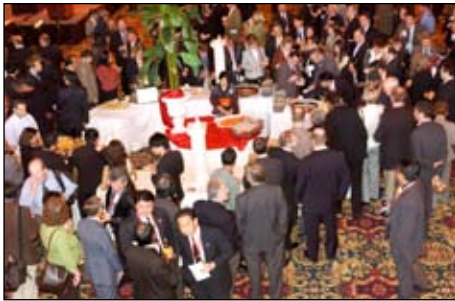
Below right, JETRO Chicago Chief Executive Director Takashi Tsuchiya welcomes JETRO President Tsukamoto to the seminars.



The Japan Night Reception

On Monday evening of Bio 2006, JETRO presented the festive Japan Night Reception at the Chicago Hilton and Towers Hotel. Hundreds of conference attendees enjoyed an evening of sushi, sake, networking, and jazz and blues music.

At right, Michigan Governor Jennifer Granholm greets the Governor of Osaka Prefecture, Fusae Ohta.



VIPs take part in the ceremonial breaking of the sake barrels.

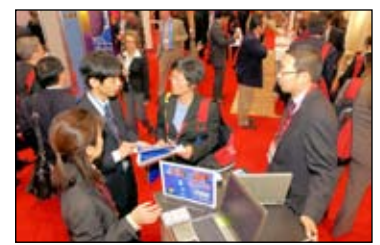


Joseph Benedetti of Japan Airline International Co., Ltd. gets ready to draw the winning business card with the help of Hideki Sho of JETRO Chicago.



Illinois Lt. Governor Patrick Quinn enjoys sake with JETRO President Tsukamoto and JETRO Chicago Chief Executive Director Tsuchiya.

The Japan Pavilion



JETRO organized the Japan Pavilion at BIO 2006, and presented 53 booths and displays featuring top technology and organizations from Japan. Thousands of attendees passed through the exhibits, many stopping for information, and for scheduled meetings.

Below left, a delegation from the State of Iowa meets up with JETRO staff and a delegation from Kobe City and the Institute of Biomedical Research and Innovation at the Japan Pavilion.

Below right, Illinois Lt. Governor Patrick Quinn (center) meets with Ralph Inforzato and Kazuya Nakajo before taking a tour of the Japan Pavilion exhibits.

