

JETRO Chicago Midwest NEWSLETTER

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Automotive Industry Collaboration Yields Innovative Solutions



Guest View

*John R. Chalifoux
Vice President,
Business Development
Original Equipment
Suppliers Association*

The Original Equipment Suppliers Association was honored to be a supporting partner for "The Mindset of Monozukuri," an advanced manufacturing seminar hosted by JETRO Chicago in metro-Detroit, April 25, 2007. A strong line-up of speakers addressed the audience, which included representatives from more than 40 OESA member companies.

The creation of OESA in 1998 by founding president and CEO Neil De Koker embodies the spirit of monozukuri (process of making or creating things; see Director's Dialogue on p. 3 for more information). As a trade group with 390 member companies, OESA serves the North American automotive supplier community. The majority of members are suppliers of automotive components, systems and modules, as well as providers of engineering services, tooling and raw materials.

Global annual automotive sales of OESA manufacturing companies exceed \$300 billion; however, 60 percent of these companies have sales of less than \$150 million. The important distinction is that OESA represents the

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Japanese transplants - as American as apple pie



From the Chief Executive Director

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

One day in May I had an opportunity to participate in a guided tour at the Harley-Davidson Powertrain Operations in Wauwatosa, Wisconsin. During the tour I noticed signs using Japanese words, including Kaizen (continuous improvement in process and quality) and Kanban (a signal for Just-In-Time Production). The factory was clean and in order. The floor of the factory was shining. So at the end of the tour I asked our guide whether the factory practices "5 S" or not. ("5 S" - Sort, Set-in-order, Shine, Standardize, Self-discipline - is a lean technique commonly practiced in Japan that empowers employees to make their work areas cleaner, better organized and more productive.) Her answer was she did not know, but I believed that Harley-Davidson certainly practiced the 5S. (for further

information on these terms, check at http://en.wikipedia.org/wiki/Main_Page)

This factory, illustrating many Japanese management techniques, got me thinking about Japanese affiliated factories in the Midwest.

A little bit of history. Japanese overseas investment in the manufacturing sector in the US started to show a steady growth in the latter half of 1970s. Its destinations were mostly California and the Southeast states and its industrial sector was centered around electric and electronics products, including color TVs.

It was not until the early 1980s that the Midwest saw a gradual inflow of Japanese manufacturing facilities, although by then Kikkoman (soy-sauce production started in 1972, in WI), Kawasaki Heavy Industries (motorcycles, 1975, in NE), Honda (motorcycles, 1979, in OH) and several companies had started production there. A huge growth of operations emerged after September 1985, when the Yen steeply appreciated against the US dollar after the so-called Plaza Accord.

According to a JETRO survey as of March 1985,

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JETRO names new Business Advisor for Wisconsin

JETRO Chicago welcomes a new Business Advisor for the State of Wisconsin. Kenji Higashi will assist companies in developing plans to work with Japanese companies, and to explore opportunities for expansion in Japan. He succeeds Takahiro Hagisako in that position.

Higashi has been working in the United States with American and Japanese companies for 24 years, most recently as President of Busitech Corp. in Hanover Park, IL, a management consulting, sales and market research company.

Kenji Higashi continues to serve as an investment advisor for JETRO Chicago and a business consultant to many American companies on their Japanese business. He is a native of Japan who became an American citizen in 2000. His Wisconsin office phone number is 608-266-9487, and his email is kenji.higashi@wisconsin.gov.



Wisconsin Governor James Doyle welcomes Kenji Higashi

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JETRO Chicago's Chief Executive Director Takashi Tsuchiya recently visited Wisconsin Governor James Doyle, Jr.

Ohio Lieutenant Governor, Lee Fisher visited Chief Executive Director Taka Tsuchiya at the JETRO Chicago offices on May 14. From left, Debra Scherer, Assistant Deputy Director, Ohio Department of Development; Taka Tsuchiya; Lt. Governor Fisher, and Scott Kuehn, Special Assistant for Economic Development, Ohio Department of Development.



JETRO Around the Midwest

Seminars, Meetings and Events

Chicago and Plymouth (MI) learn of "The Mindset of Monozukuri"



Above: Mitsuo Matsushita, Chief Executive Officer of Denso International America provided the keynote address.

On April 23 (Chicago) and April 25 (Plymouth, MI), crowds of business people learned how Monozukuri concepts are integrated into a number of Japanese-owned and American companies. (See related story on Monozukuri on page 3.) The Chicago event drew more than 200, while the Detroit-area session attracted more than 200 attendees.



Above: Session speakers included (from left) Jack Lavin of the Illinois Department of Commerce and Economic Opportunity; Mitsuo Matsushita of Denso; Ted Kawashima, of the JAPLA North America Office; and Gary W. Klotz of Butzel Long.



At left: Shinjiro Yamada, Chief Executive Officer of INCS Inc. provided a session address.

At right: a session panel included speakers (from left) Shigeru Kawada, Director, Business Unit, Fluid System Div., N. America, Cooper Standard Automotive in Novi, MI; Gary Klotz, Attorney at Law, Butzel Long, Detroit, MI; and John Winzeler, President, Winzeler Gear, in Harwood Heights, IL



At a Japan Lecture Series event at Kansas University, JETRO Chicago presented a well-attended session on Anime. Below, from left, Kelly Denewellis, JETRO Chicago; Elaine Gerbert, KU Center for Asian Studies; David Peterson, JETRO Chicago, KU Chancellor Robert Hemenway; and program speakers Ken Duer and Grant Moran.



At BIO 2007 in Boston, JETRO Chicago helped organize the Japan Night reception on May 7. At the event, The Honorable Kenneth Reeves, Mayor of Cambridge, Mark Robinson, Acting President and COO, Massachusetts Biotechnology Council, and Peter Grilli, President of the Japan Society of Boston enjoy some cold sake. JETRO President Hiroshi Tsukamoto is in the background.



39th Annual Joint Meeting of The Midwest U.S. - Japan Association set for September in Tokyo

"Japan and Midwest U.S.: Innovation and Sustainable Growth," is the theme of the 39th Annual Joint Meeting of The Midwest U.S. - Japan Association. The event will take place in Tokyo at the Imperial Hotel, from September 9-11, 2007.

For four decades, business leaders from the Midwest region of the United States and Japan have met on an annual basis to discuss the growth and progress of economic relations of the American Midwest and Japan. Typically the meetings alternate locations between Japan and the U.S.

The Midwest U.S.-Japan Association is comprised of ten member States including Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Ohio and Wisconsin.

More information will be featured in the next issue of JETRO Chicago Midwest Newsletter. Additional information is also available at www.midwest-japan.org. Or contact Marie Gaudette, Executive Director, The Midwest U.S.-Japan Association, 312-464-0115; e-mail mgaudette@mlgassoc.com.

MOBAC Show was a Sweet Time in Tokyo



by Stephen R. Vullo, Researcher, Industrial Machinery Department, JETRO Chicago

Recently I had the pleasure of visiting Tokyo on business for a week. My primary purpose was to attend MOBAC Show 2007 (2007 Machinery, Materials, Marketing of Bakery and Confectionery Show) from February 21-24 at Makuhari Messe in Chiba (www.mobacshow.com). This was the 20th anniversary of MOBAC Show, typically held every other year alternating between Tokyo and Osaka. The stated goal of the

show is to promote the development of new products and technologies in bakery and confectionery machinery, raw materials, packaging machinery, and other food processing machinery and equipment relevant to that market. It is the largest show in Japan dedicated to the food industry. JETRO was a sponsor of the show, along with many other Japanese government agencies and industrial associations. Public attendance is encouraged.

MOBAC Show is not a typical "all-business" trade show. In order to capture the attention of the visiting public, exhibitors have very

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Ask JETRO

How does JETRO's ICT Partnering Japan program work?

Companies in the Information/ Communications Technology (ICT) industries are invited to participate in the ICT Partnering Japan Program, a free business matching program designed to give you direct access to leaders and innovators in Japan's technology industry.

Here's how it works: JETRO will submit your company's information to Japanese companies who are seeking new technology. The Japanese companies will notify JETRO of their interest, after which your nearest JETRO office will contact you with the Japanese companies' responses and contact information where appropriate.

Any (non-Japanese) ICT related company who does not already have an exclusive partner in Japan, is eligible to apply. Product sectors may include but are not limited to the following: software; WiMax; encryption; home networks; broadband; next generation mobile devices; RFID; MEMS; Biometrics; advanced materials/nanotechnology.

To apply, you can obtain a program application from JETRO Chicago. Contact Kevin Kalb at 312-832-6000, or e-mail kevin_kalb@jetro.go.jp. There is no application deadline, as this program is offered on an ongoing basis.

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

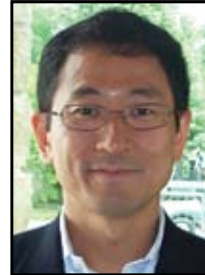
For general information, call the number above, or for a specific inquiry, use the form at www.jetro.org (select "Contact JETRO" from the menu bar at left).

For Invest-in-Japan information contact Kevin Kalb, at kevin_kalb@jetro.go.jp.

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



An introduction to Monozukuri



Director's Dialogue

Hideki Sho, Director,
Business Development,
JETRO Chicago

The following is adapted from an article to be published in the summer of issue of Innovation, the quarterly design publication of the Industrial Designers Society of America.

The early 21st century has brought a new Japanese management methodology, the practice of monozukuri, to the North American manufacturing community. In the 1990's, the terms kaizen, meaning "continuous improvement," and gemba, meaning "the place where the truth is found," jumped the Pacific and entered into the daily production activities among North American businesses. Beginning with primarily Japanese automotive parts suppliers in North America, the introduction of monozukuri is just beginning to ripple through the domestic manufacturing base.

Monozukuri possesses an almost spiritual meaning to Japanese manufacturers. In

Japanese, the words mono (thing) and zukuri (process of making), when taken together literally mean the process of making or creating things. However, the literal translation does not convey the true meaning. Monozukuri conveys an intensity of commitment to improve product quality and to the development of human skills. These commitments cross a company's numerous divisions, even reaching a firm's alliance partners and supplier base. It can impact the entire industrial process from research and design to distribution.

Why now? The monozukuri concept is by no means new, and has been utilized in Japan since the 16th century. However, modern day Japan is experiencing a demographic decline that is accelerating the retirement of manufacturing and design engineers. This is creating an especially adverse impact on Japan's skilled workers, often referred to by many Japanese companies as the "Meister" group. These Meisters are very highly skilled workers who have implicit knowledge accumulated over the years to solve production issues and improve product quality. The Meister workers are considered most precious by a Japanese company and are considered extremely valuable

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the oldest data available at JETRO Chicago, there were 348 Japanese factories in the US, out of which 55 were in the 12 Midwest states (45 in MI, OH, IN and IL combined). The Midwest's share was 16% then. JETRO's most current data provides the following corresponding figures as of August 2006: 2,077 in the US and 548 in the Midwest (467 in the 4 states), with a 26% share in the Midwest.

This shows the increasing attraction to the Midwest during the last 20 years or so. In particular, in the transportation machinery parts sector the weight is as high as 43%. The increment of inflow of Japanese factories in the Midwest in the 1980s was actually triggered by the start of the automobile production by Japanese car companies. In 1981, the Japanese government imposed voluntary numerical restraints on automobile exports to the US, after considering claims from the US government and the Big 3 that the surge of Japanese car imports caused damage to the US industry. Therefore, Japanese car companies needed to build assembly plants in the US,

especially if they wanted to keep up with US consumer demand.

Honda was the first Japanese company that started car production in the US. It chose a site in Ohio where it had built motorcycles and started production in 1982. In the Midwest, it was followed by Mazda in Michigan in 1987; Mitsubishi in Illinois in 1988; Subaru in Indiana in 1989, and Toyota in Indiana in 1999. As you know, a car consists of more than 20,000 parts and building a car requires many layered supporting industries, including die and mold, plastic injection, electronics, etc. Japanese car assemblers procured parts from US indigenous suppliers, but at the same time they wanted their suppliers in Japan to come close to their operations in the US. Consequently, many Japanese auto parts manufacturers came to the Midwest to supply their products to Japanese car assemblers.

Japanese automobile related factories are integrated and indispensable parts of the Midwest states' economies. They are as American as apple pie.

JETRO Chicago

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in terms of creating improvements to manufacturing processes and ensuring product quality.

The most important challenge facing monozukuri is this: how the skills of the Meister group can be passed to the next generation of a company's workers, while the company is continually adopting highly automated production systems to compensate for their departure from the company? After all, productivity and product improvement are generated from human input, not only from an efficient manufacturing system. Equally important, how are the problems of inherited production and design skills being addressed by a company's numerous suppliers?

In the 21st century, a manufacturer is only as competitive as its suppliers, whether they are located in North America, China, Europe, or Japan. It is this precise inflection point that many Japanese manufacturers have realized, causing them to develop "Monozukuri Teams" within the company to work through these issues with their suppliers. All must collaborate to obtain the mindset of monozukuri, and in this light, the concept seems to be enabling closer collaboration throughout the manufacturing supply chain.

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complete supply chain, from Tier 1 through "n." To assist executives from member companies in this complex value chain, OESA operates 12 peer group councils and conducts 24 events per year. These council meetings and events deliver value to the membership, because OESA achieves its mission by providing a forum for members to address issues of common concern.

From the original equipment supplier perspective, the automotive industry is undergoing fundamental restructuring. This is not just an economic cycle where everyone is affected the same way. Many of the issues facing the industry are common, where many constituencies can work together to find resolution. As an example, vehicle warranty costs the industry \$12 - 13 billion annually, equivalent to approximately 2 percent of sales. As the industry continues to globalize its vehicle production and component sourcing footprint, vehicles become more complex and warranty terms become more comprehensive and long term. It also becomes increasingly important to have the ability to prevent – or quickly and effectively resolve – warranty issues so there is no recurrence in same or future models.

Suppliers and vehicle manufacturers must focus on consumer satisfaction, because an emphasis on warranty cost reduction alone will not achieve the objective. This different focus or change in mindset will inevitably address the issues of vehicle manufacturers, dealers and suppliers, while at the same time yielding consumer satisfaction – the key to mutual success. A joint effort of the Original Equipment Suppliers Association and the Automotive Industry Action Group is, in fact, addressing this important quality issue. Leading the way are team

members from Toyota Motor Engineering & Manufacturing North America, Inc., General Motors Corporation, Ford Motor Company and 15 OESA member companies.

At the seminar in April, JETRO Chicago helped all participants to learn more about monozukuri, including how North American and Japanese enterprises can better enhance collaboration and sustain a culture of manufacturing talent. Also in the mindset of monozukuri, OESA is initiating two new activities. First, OESA is planning an event where North American suppliers can develop closer collaboration with Japanese companies. This OESA event on July 24, 2007 will address how North American suppliers of excellence can work more effectively to sell their innovative products to new domestic vehicle manufacturers via the Tier 1 supplier. In addition, OESA is launching a Product Development Council where members will meet quarterly to share their insights and experiences associated with effective innovation and product development.

Activities such as these are critically important to sustain the competitiveness of the global automotive industry, because collaboration – a core principle of OESA – cannot be realized without an active, collaborative environment. That is why OESA is so pleased to have opportunities to work with JETRO Chicago to bring North American and Japanese firms together.

For collaboration to be effective, it must occur throughout the entire supply chain. OESA, through its own activities and in support of organizations such as JETRO Chicago, is positioned to help members in the automotive industry. This thinking, truly, is in the mindset of monozukuri.

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colorful, lively, and fun display areas. Of course, the name of the game here (and, I suspect, the real draw for many of the attendees) is samples, samples, samples. Nearly every exhibitor, down to the smallest booth, had some kind of free bread, Japanese or Western pastry, chocolate or other sweets

for the taking. The largest exhibitor areas were akin to professional kitchen sets for television cooking shows, with many foreign bakers and patissiers on hand to show their skills.

This year, MOBAC Show had 261 exhibitors, and over 60,000 attendees, 2,000 of which were international attendees. It seemed that about half of the attendees were business people, and half were members of the general public.

Though MOBAC Show is geared toward the domestic Japanese audience, one could find some international exhibitors doing business. For example, the Wild Blueberry Association of North America (WBANA) promoted the health benefits and tasty flavor of wild blueberries,

grown only in the northeast U.S. and Canada.

I assisted with the exhibition booth of JPMA, the Japan Packaging Machinery Manufacturers Association. JPMA is the only packaging machinery-focused association in Japan, with 253 member companies, including 155 packaging machinery manufacturers along with 98 packaging material manufacturers, trading companies and packaging-related equipment manufacturers. JPMA also organizes the Japan International Packaging Machinery Show, called JAPAN PACK, held every other year at Tokyo Big Sight. The next JAPAN PACK will be held from October 16-20 of this year (www.japanpack.jp).

While in Tokyo, I also had the opportunity to visit JETRO's new headquarters, and to tour its state-of-the-art business library and IBSC (Invest Japan Business Support Center). I encourage any of you with plans to visit Tokyo on business in the future to please take advantage of the fine offices and facilities available to use for free.

I recommend anyone interested in the Japanese food industry to consider MOBAC Show a valuable experience. As a vertically integrated show, it is an excellent opportunity to observe the various business relationships in that market. It is also a great venue for test marketing to the Japanese buying public. The next show will be in Osaka in 2009.