

JETRO Chicago Midwest NEWSLETTER

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Successful mission visits BioJapan 2006 and JETRO's Biolink Forum

A group coordinated by JETRO Chicago recently returned from Japan where they visited and participated in both BioJapan 2006 (September 13 -15), and the JETRO BIOLINK FORUM 2006 (September 14) at the Osaka International Convention Center. Below are a few photos from this successful mission. Look inside for additional photos, plus get a report from Edward Bayham of Apath, LLC on his company's experiences.



Eli Lilly and Company executives Dr. Hideki Sakamoto & Dr. Uwe Peukert with Ichiro Kitasato, Chairman, BioJapan 2006 and President of the Japan Bioindustry Association.

Dr. Darren Ji, Director, Business Development, East Asia, Procter & Gamble Corporation with JETRO staff members at JETRO's Business Matching Briefing



Jim Alexander, Vice President, Business Development, St. Louis RCGA (left) with State of Illinois Tokyo office officials, Akiko Kimura, Trade Coordinator and Motoshi Yamada, Managing Director at the State of Illinois' BioJapan Exhibition Booth.



TAP Pharmaceuticals team lead by (left) Rich Daly, President of Marketing and Commercial Strategy, JETRO President Hiroshi Tsukamoto, Eric Waehner, Julia Ellwanger and Niko Drivas.



Indianapolis conference reflects dynamic state of U.S.-Japan relations



From the Chief Executive Director

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

I had the opportunity to attend the 38th Annual Midwest U.S.-Japan Association Conference, which was held in Indianapolis, this past September. This year's conference drew a record 570 participants. In addition, those in attendance included five Midwestern governors representing the states of Indiana, Kansas, Nebraska, Ohio and Wisconsin, two Japanese governors, from Saitama Prefecture and Tochigi Prefecture, many high-level business executives from large corporations in the U.S. and Japan, and Mr. Osamu Watanabe, Chairman and CEO of JETRO.

During the opening ceremonies of the conference, Governor Heineman from the State of Nebraska announced that his state

would be opening its first overseas office in Tokyo this November.

In sum all signs pointed to a high level of enthusiasm for further expansion and business alliances between the U.S. and Japan.

This kind of excitement concerning expansion for future development is also recognized by Japanese companies within the greater Chicagoland region. According to survey results released in August by the Japanese Chamber of Commerce and Industry of Chicago (JCCC), 51.8% of the 137 Japanese respondent companies are gearing up for growth in the latter half of this year.

Currently, a vast majority of Americans view U.S.-Japan relations to be mature and static since there is not much media coverage as compared to China and India. This view is obviously incorrect considering actions taken by organizations such as the Midwest U.S.-Japan Association and the survey conducted by JCCC. Please remember that the business relations that exist between the U.S. and Japan are still expanding and quite dynamic.

Demand for U.S. beef to Japan will take time ... plus confidence building and marketing



Guest View

John Stewart CEO and Founder, Creekstone Farms Premium Beef, LLC

On August 29, 2006, JETRO Chicago staffers Junichiro Yamakuchi and Ralph Inforzato visited Creekstone Farms Premium Beef, LLC at Arkansas City, Kansas, and met with John Stewart, the company's CEO and Founder, who offers his perspective on the current situation in Japan, concerning imports of U.S. beef.

Creekstone Farms was founded in 1995 as a genetics producer of pure bred Black Angus beef in northern Kentucky. In 1999, the company established its own Black Angus Beef brand. Our facility has been built for animal welfare, food safety and the production of quality beef. Creekstone Farms goes above and beyond existing quality standards and does more than is required for every box of beef.

In 1999, Creekstone's Black Angus Beef brand obtained USDA certification, and partnered with the Sumitomo Corporation to ship its first order to Japan in April 2001. During this time, all of Creekstone's business was brought to

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Nebraska opens new business office in Tokyo

Nebraska Governor Dave Heineman has announced plans to open the state's first international trade office. The Nebraska Center will be located in Tokyo and will be open for business by Lt. Gov. Rick Sheehy during a trade mission later this fall.

The new office will serve as a hub for Nebraska's international business operations, including recruitment and expansion of Japanese-owned companies, agricultural market expansion, and the cultivation of multinational partnerships for economic growth.

"Nebraska has had a strong relationship with Japan," Gov. Heineman said. "With the opening of this office, we hope to pursue an even stronger partnership over the long-term by enabling Nebraskans to work more closely with Japanese companies on business investment and development efforts."

Governor Heineman also announced the hiring of Koji Nagasaka, who will serve as executive director of the Nebraska Center.



Koji Nagasaka

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On the Bio Mission to Osaka ...

At right, Akiko Kimura, State of Illinois North Asia Office (left), and Terry LaRocca of the State of Illinois Department of Commerce and Economic Opportunity (right), chat with Niko Drivas and Julia Ellwanger of the TAP team.



(Above) Minneapolis Mayor R. T. Rybak speaks at BioJapan 2006

The Minnesota delegation visits Kyoto University, where they toured the International Innovation Center.



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JETRO Chicago's Taka Tsuchiya with State Representative Suzie Bassi, 54th District, Illinois, and Kenneth A. Nelson, Mayor of the City of Rolling Meadows, IL at the August 30 International Trade Commissioner Networking Event in Rolling Meadows.

On September 20, JETRO Chicago hosted 4 students from Fukui Prefectural University. Students were led by UIC alumnus Prof. Susumu Kudo, Dept. of Economics, Fukui Prefectural University.



Mr. Junichiro Yamakuchi introduced topics including the US Economy, Japanese company activities in the Chicago metropolitan area and briefly mentioned upcoming elections. Bryan Esenberg briefly explained about Chicago's role in the economy and as a global city. Ayumi Soobratty and Mimi Ochiai actively participated and helped with translation. The students are economics undergraduates.

JETRO visits Indianapolis for Midwest U.S. - Japan Association Meeting

JETRO had a good presence at the 2006 Midwest U.S. - Japan Association Conference in Indianapolis from September 10-12. JETRO Chairman and CEO Osamu Watanabe served as a conference speaker and moderator (panel pictured at right, below).

At top left, Mr. Watanabe meets with Nebraska Governor Dave Heineman.

At top right, JETRO Chicago's Kelly Denerwellis prepares handout material at the JETRO booth.



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Japan has big role at International Manufacturing Technology Show



Director's Dialogue

Yuji Shiozaki,
Director of Industrial
Machinery,
JETRO Chicago

The International Manufacturing Technology Show (IMTS) was held September 6 through 13 at Chicago's McCormick Place Convention Center. IMTS is a trade show exhibiting the latest machine tools, robots, and other machine equipment related to manufacturing technology. IMTS is one of the largest industrial

trade shows in the world, and is held every other year in Chicago. This year, more than 91,000 attendees visited IMTS from over 40 countries. I felt overwhelmed by so many big cutting-edge machines that were displayed in 1.1 million square feet of floor space.

From automobiles and airplanes to watches and cell phones, almost all machines are produced by machine tools. Therefore, machine tools are called "Mother Machines." For example, fuel-efficient cars are getting more popular due to the escalating price of oil. Many kinds of metal auto parts need to be cut more precisely to improve efficiency of engines. In manufacturing industries, which are always seeking cost savings, machine tools are required to perform many kinds of cutting in

one machine, and high-speed cutting, in order to increase productivity.

Robots also take active roles at manufacturing sites these days. Robots can do hard jobs that humans can't do, and can keep working for a long time. Adding intelligence to robots enables complicated jobs by sensing an incorrect situation and choosing the appropriate adjustment in operation, using its own judgment.

Manufacturing technology is often unfamiliar to the general public. However, it supports our developed society, and its advancement contributes to enrichment of our lives.

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Resurrecting a Drug Research Licensing Program in Japan

Edward Bayham, Vice President, Business Development, Apath, LLC, recently returned from this year's JETRO Biotechnology Mission to Japan. He shares his thoughts here.

Apath, LLC is an antiviral drug discovery company in St. Louis. The company was founded in 1997 by Charles M. Rice, Ph.D. to commercialize Hepatitis C Virus (HCV) discoveries made in his laboratory at Washington University in St. Louis. The technology was licensed exclusively to Apath and is now covered by six issued U.S. patents, and numerous foreign patents. Apath has sublicensed these patents to twenty-five pharmaceutical companies in the U.S., Europe and Australia for their internal HCV drug discovery research, and has earned more than \$10 million in licensing revenue. Despite these successes in major pharmaceutical markets, the Japanese patent applications were still mired in the prosecution process and previous sublicensing efforts were rebuffed.



Apath representatives make a presentation to a Japanese company.

I joined Apath in July, 2005. Based on my previous business experience in Japan, I surmised that Apath's earlier efforts had failed because of a lack of personal contact and a lack of understanding of the unique characteristics of Japanese culture and business practices. Communications with the initial patent agent firm and with prospective licensing clients

were limited to e-mails and faxes. I explored opportunities to cultivate personal relationships with the target clients and developed a campaign to restart discussions.

The first phase in the campaign was to participate in the Business Forum at BIO 2006 in Chicago in April. This resulted in meetings with five Japanese pharmaceutical firms. While these meetings were useful for introducing Apath and its technology, the attending representatives were not directly involved in the targeted infectious disease segment.

The second phase developed as a result of prompting by Ralph Inforzato, Director of Business Development in the Chicago office of JETRO. He was aware of Apath's interests and recommended participation in BioJapan

2006 in Osaka in September. He also alerted Apath to the opportunity to compete in the Bio-Tech Business Plan Competition organized by Osaka City and the IBPC Osaka Investment Promotion Center. Stirred by the prospect of presenting at the Global Venture Forum at BioJapan and the lure of paid travel expenses, Apath submitted its entry. As a result of its excellent prospects in Japan and timely coaching, Apath was awarded the Silver Prize.

I was accompanied on the trip by Dr. Noueir, Director of Virology for Apath. We started in Tokyo and visited the new patent agent to gain a first hand report on the progress of patent prosecution and to emphasize the importance of the effort. Apath also enlisted a local legal consultant recommended by the patent agent and an interpreter recommended by the Tokyo office of the Missouri Department of Economic Development. Together we visited two very important prospects in Tokyo and were able to enjoy very productive meetings with key decision makers in both companies.

Moving on to Osaka, I delivered a presentation at the Global Venture Forum that was translated simultaneously into Japanese. During the three days at the meeting, Apath also visited Osaka City Hall for the award presentation ceremony; toured the exhibits and discovered exciting new technologies; networked at the evening social functions; and met with four more target prospects and several new contacts, such as venture funds and contract research organizations. The City of Osaka's IBPC and the GVF organizers contacted prospects in advance and scheduled personal meetings with Apath. They were a tremendous asset and enhanced the value of the trip.

Upon returning to St. Louis, discussions with prospects are moving forward smoothly and rapidly. Not only is there now a personal connection with key individuals in the pharmaceutical companies, there is a growing local support network working for successful, long-term business relations between Apath and its Japanese partners.



Apath representatives with City of Osaka officials at BioJapan..

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Manufacturing technology is not limited to the manufacturing sector. Medical applications are one of the more recent and highly regarded markets. In order to reduce a patient's burden, for instance, an implant like an artificial bone or joint may be needed, cut from some special material which is often difficult to cut, as fitting is individually customized to each area of his or her body treated. The rapid development of specialized machine tools for this field is also expected. Japanese machine tool manufacturers seek to expand their variety of technologies into the medical sector.

I'd like to tell you some major observations I made at IMTS.

Firstly, users' interest in capital investment is still strong. Many exhibitors say the number of visitors has increased from previous shows, and specific sales negotiations were conducted in their booths. Users' serious interest in purchasing machines, and deciding to order new machines based on rapid delivery times, implies strong demand in the U.S.

Secondly, manufacturers are carefully responding to the diversity of users' needs. Although brand new innovative technologies were not seen at the show, many manufacturers have developed their existing technologies and upgraded their machines to improve users' productivity and usability. Each machine has its own characteristics that meet a wide variety of users' needs.

Thirdly, Japanese manufacturers are accepted in the U.S. I was surprised that many Japanese manufacturers had big booths in the center of the show. There is a growing awareness that the spread of Japanese manufacturing technologies doesn't threaten U.S. industries, but contributes to the improvement of productivity in U.S. manufacturing.

I realized again at IMTS that technology always advances, and its progress is not limited. I look forward to seeing what newly developed technology is displayed at the next IMTS show in 2008.

Yuji Shiozaki is JETRO Chicago's new Director of Industrial Machinery. He can be reached at 312-832-6000, ext. 109; Yuji_Shiozaki@jetro.go.jp.

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the Japanese market with its key alliance partners including Hannan Corporation, Nippon Ham, and Starzen Company, Ltd.

In recent years, restrictions due to fears of BSE (Bovine Spongiform Encephalopathy) halted all U.S. beef imports into Japan. Following a lengthy suspension of beef imports from the U.S., Japan has eased the restrictions somewhat, but a number of challenges remain, in adapting to ongoing regulation, in supplying and in marketing U.S. beef.

Returning to Japan will be difficult and will require meeting restrictive rules and regulations. We understand and respect Japan's perspective for accepting only cattle 20 months or younger. We are working to figure out the best solution in BSE testing technology for U.S. beef going to Japan. We realize that although current BSE testing is not effective for cattle under 20 months of age, we will do the BSE testing to provide Japanese consumers with a higher comfort level. I am optimistic that Creekstone can provide BSE testing by the end of this year.

Testing for BSE will be an additional step in obtaining a quality product that increases consumer confidence in Creekstone's beef products. The company already has numerous systems to ensure food safety such as a state-of-the-art E. coli testing laboratory, five carcass washers, inline metal detectors, zoned worker areas to eliminate cross contamination and more.

I believe that if U.S. producers can utilize a BSE test on every animal, it would provide Japanese consumers with greater confidence in the safety of U.S. beef while enabling the U.S. to regain market share in Japan. Doing a BSE test on every animal will also provide all consumers, whether in Kansas, Japan or Korea with a higher level of confidence knowing that all that can be done is being done to ensure product safety on behalf of consumers. We're already preparing to do BSE testing in our facility. Upon getting approval by the USDA we can begin per cow BSE testing within in the plant in 72 hours.

The first containers of Creekstone Farms' beef have already arrived in Japan. We will get back into the Japanese market slowly and it will take time. We think it is fair to say that U.S. beef products are currently the most carefully examined imports coming from the U.S. to Japan.

For one week in October we will

visit Japan and talk with our customers. In March 2006, we had direct meetings with the ruling party, the LDP. Creekstone Farms was honored to be in a dialogue with the Japanese government and was invited to speak to the members of the LDP inside the Diet building. Over the past three years, we have developed a strong relationship with the Japanese government. This past May, Japanese inspectors came to inspect our plant. After the inspection, I was honored to hear from a Ministry of Health inspector that our Creekstone plant sets the example that all American beef companies should follow. This comment is a great honor for us and confirms for us our efforts in creating high levels of food safety.

There are two main challenges to regain the Japanese market. First, there is fear of U.S. beef among the Japanese consumers. The re-opening of the Japanese beef market to U.S. beef younger than 20 months is the second major challenge for U.S. producers. The problem here is that we cannot obtain enough beef in the U.S. that is 20 months or younger to meet demand. With the 20-months-or-younger regulation for U.S. beef, it may take longer than five years to regain a significant market share in Japan.

Marketing challenges include some stiff competition. Australian beef has dominated the Japanese market during the past three years. Before 2003 Australia had a 30% market share in Japan, now its share is 50%. Australia is also spending money on marketing promotion in Japan and corn feeding their cattle in order to emulate western style beef.

The re-opening of the Korean market to U.S. beef will determine the pace and commitment of how U.S. beef producers re-enter the Japanese market. The Korean market will re-open to U.S. beef that is younger than 30 months (compared to beef 20 months or younger for Japan), and Creekstone's shipments will increase there.

In 2006, Creekstone plans on shipping 10%-15% of their products to Japan, then for the next six months (September through February) the company's shipments to Japan may be 5% to 30% of production. Before Japan's ban on U.S. beef, Creekstone Farms shipped 35%-40% of its products to Japan.

Creekstone's message to the Japanese consumer is simple: Creekstone Farms is doing everything in its power to make high quality beef products for Japan. I believe that all efforts must be undertaken to increase Japanese consumer confidence in U.S. beef and that BSE testing will make such a positive impact on the Japanese mindset concerning the safety of American beef. We are working very hard to get this in place for our Japanese customers.