

JETRO Chicago Midwest NEWSLETTER

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Robotics on display at Aichi Expo

The 2005 World Exposition is underway in Aichi, Japan. More than 15 million visitors from around the world are expected to attend the event, that runs through September 25, 2005 in the Nagoya Eastern Hills (Nagakute Town, Toyota City and Seto City).

Robotic Technology will have a major presence, as Japanese companies demonstrate the latest innovations and opportunities. The Japan Association for the 2005 World Exposition will conduct a Robot Project at EXPO 2005. The project will feature working robots that clean, patrol, guide visitors, and perform other tasks, as well as prototype robots.

Japan's robotic technology is of a globally competitive standard and is expected to grow into one of the key industries of the nation. Years of research and development have already yielded numerous robots that are in practical use today. The market is estimated to reach 1.8 trillion yen by 2010.

More information on the Aichi Expo can be found at www-1.expo2005.or.jp/en. Look for the "Robot" link for more information about the robotics initiative.

Also see inside this newsletter for information on Osaka's efforts in developing the robotics industry.

Meet Takashi "Taka" Tsuchiya, new Chief Executive Director of JETRO Chicago



From the Chief Executive Director

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

I was quite excited to learn from JETRO Tokyo Headquarters that my next assignment would be as Chief Executive Director of JETRO Chicago. I first visited Chicago in 1972 while traveling during my college years, and I found it to be a beautiful and fascinating city. It is such a pleasure to be in the Midwest, the "Heartland" of America, and I am so looking forward to visiting

each of the 12 states in our region, some of which I have never visited. This is my third overseas assignment. The first was New York and the second Bangkok. I joined JETRO 30 years ago, after earning my Bachelor's Degree in American Studies from Tokyo University of Foreign Studies. I also obtained a Master's Degree in American Studies from the University of Hawaii. Prior to my move to Chicago, I was the Director of the Research Planning Division of JETRO's Overseas Research Department at Tokyo headquarters. My duties included planning JETRO's overseas research activities, allocating and supervising an annual research budget for the activities, and disseminating overseas economic and business information. I have vast knowledge and experience with handling business activities between

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Setting Up an Office in Japan: My Experience



Guest View

*Dave Baeckelandt
President, Chicago
Pacific Capital
Advisors, Inc.*

Setting up an office in Japan is complicated. Start with a dramatic difference in language and customs. Add on a heavy layer of expectations of both the home office and clients. Finally, factor in a 15 hour time difference and the complications in executing become exponential. That said, the difficulties you are likely to encounter – as I did in opening up the Tokyo office for local investment bank William Blair & Co. – are what Japanese entrepreneurs themselves

have tackled. In other words, they are not insurmountable.

Contrary to expectations, the biggest difficulty I found in establishing an office in Japan was not Japanese officialdom (thanks to a helping hand from JETRO we were able to leap many of the more obvious obstacles) nor in any perceived barriers to entry targeting foreign firms. (In my opinion there are less of these for an American firm in Japan than for a Japanese firm in the U.S.) Rather, the biggest hurdle there (as it is here) was in attracting qualified staff. In that role I used both headhunters and references, with uneven results.

On the executive recruiting side we held a bake-off and ended up using one of the pre-eminent global executive recruiting

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For general information, call the number above, or for a specific inquiry, use the form at www.jetrocgo.org/contact/inquiry.html

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



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

“How can I estimate costs of starting an office in Japan?”

There are a number of good sources of information on estimating the costs and processes of setting up an office in Japan. JETRO's headquarters website offers one of the best. In fact, The United Nations Conference on Trade and Investment (UNCTAD) and the World Association of Investment Promotion Agencies (WAIPA), recently gave the distinction of “Best Practice in e-Procedures” to JETRO for its “Investing in Japan” web pages, singling out its “Cost Simulation” and “Model Case” features, for their usefulness in helping foreign businesses figure the costs of setting up an affiliate or branch office in Japan.

This site features a model case and an easy-to-follow flowchart, which demonstrate the initial costs that an overseas company can expect to incur when setting up a company in Japan. Simple, plain-language explanations help you understand just what is involved.

Of course, the costs included in the model case include only those considered the bare minimum needed to set up a company, and actual costs may differ according to various business



circumstances. Please use these figures as a guide—not gospel.

You'll find the cost simulation at www.jetro.go.jp/en/invest/cost/.

And be sure to read the “Guest View” article in this issue of the JETRO Midwest Newsletter for some real-life experience in setting up an office in Japan.



Japanese Robotics in the 21st Century – Obtaining a Firsthand Assessment this Summer

Imagine, we're in the year 2050 and a fully autonomous humanoid robot team takes the field to compete against a human soccer club. This is the stated goal of the RoboCup international research project by Japanese researchers H. Kitano and Dr. M. Asada which plans to marry artificial intelligence into robotics technology. Importantly, the concept of RoboCup is being used by the City of Osaka as a catalyzing policy tool integrating the knowledge from private industry, especially small and medium size companies, with the academic community resulting in the growth of Osaka's robotics technology infrastructure. Already, an Osaka City humanoid robot, VisiON, earned the championship in the humanoid robot league during the World Championship held last July in Lisbon. And the Japan Open held in this city during May 2004 achieved a record setting attendance of 130,000 people.

When evaluating areas of potential growth in upcoming years, the “next-generation” robotics industry is capturing the spotlight. “Next-generation robots” generally refer to a class of robots that have a different function than the traditional industrial robot found in manufacturing, such as the robotic arm. These new machines designed to have a role in and cooperate with human life. Specifically, they may enhance control of entertainment systems, home systems such as cleaning and grass cutting, care systems in a hospital, security systems for defense and crime prevention, hazardous material handling and other environmental-based tasks, and more. The integration of robotics into everyday life may soon be as ubiquitous as the cellular phone is right now.



Director's Dialogue

Ralph Inforzato
Director, Business
Development, JETRO Chicago



Teruo Sasaki
Business Coordinator
City of Osaka Chicago Office

In Japan, Osaka is a major area that has assembled the skilled engineers and others in a community for development of this specialized science. It is like a “robotics laboratory,” first established last November. Researchers and production companies meet and plan, and are developing a healthy exchange and an industry-university consortium. Development of this project is a central part of Osaka's revitalization program.

The development of Japan's robotic technology (RT) clusters is not limited to Osaka City, but also includes Gifu City, Kanagawa Prefecture and Fukuoka Prefecture. Today, Japanese companies have 60% of the traditional industrial robots market. However, current Japanese industrial leaders such as Honda, Sony, and Hitachi are just a few companies that have also built humanoid-style “next generation” robots, which are mobile and react to a few voice commands. Already, robots in Japan are playing increasingly significant roles in various fields, particularly those that include dangerous work involving natural resources exploration, space exploration, maintaining nuclear installations; medical treatment and assisted care; services of a public nature such as cleaning and traffic regulation; and entertainment, household chores and other daily routines in society and the home.

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JETRO Around the Midwest

Seminars, Meetings and Events



Seminar for Japanese Businesses

Representatives from Deloitte & Touche LLP speak on tax issues at a recent seminar held for Japanese business executives on March 24 in Rosemont, Illinois, organized by JETRO Chicago.

Japan Lecture Series visits Indiana University

On February 23, the Kelley School of Business at Indiana University, Bloomington, IN, hosted JETRO Chicago's Japan Lecture Series. Presenters included Hideki Sho, Director, JETRO Chicago (above right) and Dave Baeckelandt, President, Chicago Pacific Capital Advisors, Inc. (lower right). Baeckelandt spoke on "Investment in Japan Perspectives."



Cincinnati to host Midwest U.S.-Japan conference, JETRO Symposium

Cincinnati and the State of Ohio are hosting the 37th Annual U.S. Midwest Japan Association Conference from September 11-13, 2005. The conference theme is "Midwest U.S. and Japan: Leadership in a Global Economy."

Topics relative to the strong relationship that Midwestern states share with Japan will be featured at the conference.

The conference takes place every second year in the Midwest U.S., alternating with a conference in Japan. The conference homepage with session and accommodation

information can be found at www.cincinnatiusa.org/mwja/.

On September 14, following the Midwest U.S. Japan Conference in Cincinnati, OH, JETRO Chicago is planning "Japan's High Technology Market Seminar". Representatives attending the earlier conference are invited to attend along with others who have a specific interest in business development in Japan's technology market.

More information is coming soon. Or contact Bryan Esenberg at JETRO Chicago: bryan_esenberg@jetro.go.jp

From Chiba ... to Wisconsin ... to Chiba

Recently, a delegation from Chiba prefecture visited the state of Wisconsin as part of a trip to the Midwest



Brad Schneider, Wisconsin Dept. of Commerce, Intl Department; Beng Yeap, Wisconsin Dept. of Commerce, Intl Department; Michiaki Tokonami, Chiba Prefectural Government; Michael Hamalainen, Chiba Prefectural Government; Yoko Kanenari, JETRO Chiba; Scott Reigstad, Forward Wisconsin



Soon afterward, a Midwest delegation made a visit to Chiba prefecture for business meetings, tours and lunch with Governor Demoto of, Chiba prefecture (below).



The group above included Kim Komutanon, Pyxis; Michael Zwick, NeoClone; Micheal Hamalainen, Chiba Prefecture; Harry Burrell, Lucigen; other mission members and Chiba support staff.

Upcoming programs in the Midwest include:

Executive Briefing: BioMission to Japan - Connecting the Wisconsin Biotech Community to Japan - Friday, June 3, 2005 at University Research Park in Madison, WI. For more information please contact JETRO Advisor Taka Hagsako, thagisako@commerce.state.wi.us or 608-266-9487.

Four Midwest companies visit Nagoya, Chiba, Tokyo on JETRO mission

The JETRO Business Mission to Greater Nagoya, Chiba and Tokyo runs from Sunday, May 15 through Saturday, May 21, 2005. Participating Midwest companies and delegates include:

- Prashanth Darba, PhD, President and CEO, SmartSoftKey, Inc., Madison, WI
- Ralph Kauten, President and CEO, Quintessence Biosciences, Inc., Madison, WI
- Koh Fujimoto, CDH Corporate Risk Management, Inc., IL
- Stephane Perrey, Representative Director, Third Wave Technologies Japan (U.S. headquarters: Madison, WI)

Watch for reports on their experiences in future issues of the newsletter.

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Director's Dialogue

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Government, industrial and academic institutions are pursuing these developments on an individual and cooperative basis in Japan, and with their American and European colleagues.

The market size for robots in Japan, which is on the order of \$7 billion, is predicted to grow to 30 billion by 2010 and \$80 billion by 2025. The robot market is at present largely taken up by industrial robots, but it is expected that by the time the next-generation robots begin to sway the trends, an ever-greater market share will belong to robots that provide assistance in daily life, medical treatment as well as those that provide help of a public nature. In fact, a significant portion will be accounted for by robots intended for the daily support of living, otherwise known as "service robots."

This year, 2005, will see Japan hosting a series of world class events organized under major themes centering on robotics, including the Osaka RoboCup and Aichi Expo 2005 (see page 1 of this newsletter), which will showcase the latest in the wide-ranging abilities of next-generation robots. Advanced RT exhibitions, such as Robotrex, those showcasing basic manufacturing technology, such as Core-Tech Japan, will also be held in Osaka.

To take advantage of the timing of these events, JETRO will organize a Robotics Mission to Japan this July to ascertain the state-of-the-art of Japanese RT, to attend all of the above events, to conduct RT site visits and to above all build relationships with the Nagoya and Osaka robotics communities. Simply put, this is a mission of RT discovery in Japan. Our JETRO Robotics Mission to Japan is set from July 9 to July 16. For a brochure and more information please contact Ralph Inforzato or Bryan Esenberg of JETRO at 312 832-6000. For specific information on the Osaka market, contact Teruo "Terry" Sasaki of the City of Osaka Chicago Office at 312-832-6000.

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firms. Their staff were impressive and their command of both cultures and languages effortless. Unfortunately, the one senior person we ended up hiring through them was a supreme disappointment and a drain on management.

Fortunately, the time-honored and transnational approach of who-you-know works well in Japan. Thus, my CFO (who worked for a competitor, had Japanese and US CPA accreditation, a great demeanor, and was not exorbitantly expensive) was an acquaintance of my secretary. The first sales team we hired (also from a competitor) was recommended to us by our largest client. But the most important and successful hire I made was the head of Tokyo team at Brown Brothers Harriman ("BBH"), an old and established Baltimore investment bank.

BBH had just made the decision to reduce their commitment to supplying their overseas offices with important resources. Simultaneously, the head of their sales effort, whom I will refer to as Mr. H., was chaffing at the prospect of little advancement. When Mr. H.'s right hand man (at whose wedding in Tokyo I was the sole non-Japanese) left to become the head of a competitor's operation, Mr. H.'s task became even more difficult.

It is important to put Mr. H. in perspective to appreciate the asset he was to BBH and the asset he became to me at William Blair. Mr. H. was a Tokyo University grad (the pinnacle in a highly hierarchical society), a CFA (Chartered Financial Analyst – the highest designation for a financial professional involved in investment banking and related disciplines), and a very erudite individual with a first-rate reputation among clients and competitors. His team, which had been with him a number of years, functioned like a machine. In an environment where quality service is nearly the state religion (and next to which our service levels in the U.S. are an embarrassment), Mr. H.'s team was regaled as the masters of this impossible art.

But even with BBH management's missteps, recruiting Mr. H. and his team was not by any means a slam-dunk. It helped a great deal that our mutual clients (and his former #2) made firm presentations that William Blair was a quality firm and that I was discrete and a man of my word. The fact that William Blair had committed substantial treasure to the Tokyo effort and that the buy-in for the Japan effort was both long-term and at the most senior level internally covered another

source of potential concern. But the fact is that recruiting Mr. H. took nearly a year of daily contacts between me and him - patient, persistent, and positive messages - before he was convinced that it was in his best interest (and that of his team) to make the move to William Blair.

One mistake *gaishikei* (foreign firms) sometimes make in recruiting quality people in Japan is to throw money at the problem. Although compensation levels are premium for good people in Japan, the best people are not motivated by money and it is unlikely that you are getting more than a mercenary if you dangle a bigger paycheck before your prospective hire. Most (if not all) of the quality people I have met with (and I have met with literally hundreds in Japan in recruiting for my office) were motivated by the following in rough order of importance.

- a) Reputation of the prospective employer (local and overseas);
- b) Stability of and HQ commitment to the Japan operation;
- c) Maintenance of compensation and status at least equal to their current position;
- d) The confirmation to come over as a team or self-contained unit.

Naturally, there are also quirks that one does not see in the U.S. For example, because of the tax regimen, one of the perks frequently requested (and granted to critical staff) was for apartment rentals to be paid direct by the company on a pretax basis (this made sense for all parties involved). Another was for the corporate payment of the monthly *teiki* (train pass). But to me, in an environment where the superb national work ethic is reinforced by peer pressure and results in outstanding production, these were modest expenses.

In the end, of course, the successful establishment and growth of a Japan operation hinges on far more qualitative issues than I have described above. Unswerving dedication by the man sent from the corporate HQ. A willingness to accept that American business practices are not the only path to success; an ability to fight and protect your troops from unnecessary and demoralizing political influences and the need to lead from the front are only some of the qualitative measures that keep your most important asset – people – happy and productive. And in my business, where the assets went up and down in the elevators every day, happy local assets made for a happy home office.

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Japanese and foreign companies, therefore I look forward to assisting you in any way necessary.

I look forward to continuing the biotechnology activities previously initiated by JETRO Chicago, and eagerly anticipate focusing on a new sector, robotic technology. With regards to promoting investment in Japan, I personally plan to create many opportunities, which will be mutually beneficial for both Midwestern and Japanese companies.

Prior to investing in Japan, the current situation of the Japanese economy is a definite determining factor. The Japanese economy continued to gradually recover in 2004, supported by strong external demand and capital investment and the underlying strength of personal consumption. This latest recovery, which began in January 2002, is the third since the Japanese "economic bubble" burst around 1990, but unlike past recoveries it is being driven by the corporate sector. Particularly notable is the fact that the elimination of the "three excesses" (excess facilities/equipment, employment and debt) plaguing the Japanese economy for over 10 years was nearly completed. Production and consumption weakened in the latter half of last year, and currently the economy is said to be in a correction phase. However, considering the

underlying strength of demand in a wide range of areas, as well as the near elimination of the three excesses and other positive developments, such a correction could be good for sustained growth over the longer term. Attention should focus upon whether or not the correction phase makes a quick shift to a steady recovery by the 2nd half of 2005. I personally believe that the Japanese economy will become stronger as a result of these recovery activities.

In addition, economic integration has been steadily progressing in East Asia including Japan, Korea, China and the ASEAN countries. Each of these countries has their own incentives for attracting foreign investment. Among many of Japan's appealing points, I would like to stress the following: 1) the world's second largest market; 2) business hub of Asia's growing economies; 3) innovative technologies. As you can see from the above-mentioned points, Japan has much to offer to foreign companies looking to invest in Japan.

Once again, I can assure Midwestern companies that JETRO Chicago will support your business activities with Japanese companies the same as before. I am excited to begin my tenure here in Chicago, and I personally look forward to working with you.
