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The site that can help you explore business opportunities with Japanese businessmen and learn about Japanese economy and business practices

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# Newsletter

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# J E T R O B a n g k o k U p d a t e

## 1. 11<sup>th</sup> JETRO Business Japanese Proficiency Test in Bangkok

The listening and reading comprehension portion of the JETRO Business Japanese Proficiency Test (JLRT) has been held on June 19th, 2005 from 12:15-15:25 hours at the Baromratchakumari Building, Chulalongkorn University.

The JETRO Business Japanese Proficiency Test measures and evaluates the Japanese communication ability of non-native speakers in a variety of business settings. As with the TOEFL and TOEIC tests, JETRO Business Japanese Proficiency Test examinees take a single unified test and are given a numeric grade.



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## 2. Seminar on Intellectual Property Rights in Cambodia

JETRO Bangkok has also been working on diffusing importance of protection of intellectual property rights. As one of our activities, JETRO dispatched speakers to the seminar entitled, "the Benefit of Industrial Property for the Promotion of Small and Medium Enterprises (SMEs)," on May 30 at Phnom Penh, Cambodia.

In the seminar, Mr. Matsuo, Director of Intellectual Property Department, explained what the Intellectual Property, and Best Practice in using Industrial Property. In addition, Mr. Sammi, Director of SME promotion Department, explained the management of the industrial property for SMEs by introduction of Japanese experiences.

*For more detail, visit [http://www.jetrobkk-ip.com/en/Reports\\_Studies.htm](http://www.jetrobkk-ip.com/en/Reports_Studies.htm)*



# Recent Publications

## Magazines:

### 1. Japan Spotlight, May/June 2005

<b>Publisher's Note</b>	~What is the ASEAN Economic Community? <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1186">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1186</a>
<b>Topics</b>	~ From "Education with Latitude" to Enhanced Curricula <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1183">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1183</a> ~ "Visible" International Contribution Sought - Japan Proactive in Aiding Tsunami-Hit Areas - <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1184">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1184</a> ~ Adequate Rules for Depositor Protection Urged - Japanese banks under pressure to stem use of forged cash cards - <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1185">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1185</a>
<b>Cover Story</b>	~ Current Conditions and Prospects for the Japanese Content Industry <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1161">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1161</a> ~ Content Development by a Cross-Industry Organization <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1162">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1162</a> ~ From National to Regional, Regional to the World -Interview with Mr. Kadokawa, GP, TIFF- <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1163">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1163</a> ~ What Lies Behind the Global Success of Manga? -Interview with Mr. Levy, President, TOKYOPOP <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1164">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1164</a> ~ The Possibilities for the Future of the Japanese Film Industry <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1165">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1165</a> ~ Trends and the Outlook for Japan's Game Market <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1166">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1166</a> ~ The Impact of Digital Distribution on the Japanese Music Market <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1167">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1167</a> ~ Cutting-Edge Media Content and Traditional Performing Arts in Japan <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1168">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1168</a> ~ The Character Business in Japan <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1169">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1169</a>
<b>EXPO 2005 AICHI JAPAN</b>	~ Citizens Participate in a World Expo for the First Time -Sending Out Grass-roots Environmental Messages- <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1171">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1171</a>
<b>Business Profiles</b>	~ Japan Should Aim to Be a "Manufacturing-Led Country" - Interview with Mr. Nakamura, President, Matsushita Electric- <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1170">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1170</a>
<b>Japanese Mind</b>	~ From Japan to the World <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1172">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1172</a>
<b>Viewpoints</b>	~ The Prime Minister and Issues of Leadership <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1173">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1173</a>



<b>Feature</b>	~ What Does Japan Seek to Achieve at the UN? <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1174">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1174</a>
<b>Views from Asia</b>	~ East Asian "Cultural" Market in the Making <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1175">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1175</a>
<b>Business Profiles</b>	~ From Underwater Imaging Toward Satellite Communication -Interview with Mr.Furuno, President, Furuno Electric- <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1176">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1176</a>
<b>Special Article</b>	~ Japanese Civilization (Part 20) -The West under the Influence of India, c.1680-c.1780- <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1177">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1177</a>
<b>Finance</b>	~ The Difficult Environment of Life Insurance Management <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1178">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1178</a>
<b>Culture</b>	~ Are CDs Destined for Oblivion? -Young People Shy Away from Buying Albums: A Change in Music Listening Habits- <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1179">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1179</a>
<b>Keeping Up with the Times</b>	~ Hurdles for a Female Successor to the Throne <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1180">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1180</a>
<b>Gallery</b>	~ Traditional Crafts and Globalization - Preserving the Past While Creating the Future - <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1181">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1181</a>
<b>Japan in Person</b>	~ Kubo Masao: the Ultimate Gourmand <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=1182">http://www.jef.or.jp/journal/jef_contents_free.asp?c=1182</a>



**Publications:**

**Reports:**

**1. April's Japanese Business Sentiment in East Asia Improved**

JETRO's April survey of Japanese companies and affiliates operating in 12 countries/regions of East Asia revealed that overall business sentiment in April improved for the first time in nine months, with current diffusion indices returning to positive territory in two locations.

Sentiment concerning the next two to three months was mixed in April, leaving overall forward sentiment for the surveyed region unchanged in April.

*For further information, visit*

<http://www.jetro.go.jp/en/news/releases/20050421379-news>



**2. May's Japanese Business Sentiment in East Asia Declined**

The May survey revealed that overall current business sentiment in the region declined in May, with current sentiment slipping in most of the surveyed locations.

Sentiment concerning the next two to three months, however, picked up in most surveyed locations, especially in China and North Asia, helping to improve the overall forward business outlook in May.

*For further information, visit*

<http://www.jetro.go.jp/en/news/releases/20050526544-news>



**3. June's Japanese Business Sentiment in East Asia Continued to Decline**

The June survey showed that the region's overall current business sentiment declined for the second straight month, against a backdrop of soaring oil prices.

Overall forward sentiment improved slightly in the June survey, although indices remained in negative territory in Singapore, Malaysia and Taiwan.

*For further information, visit*

<http://www.jetro.go.jp/en/news/releases/20050629631-news>



**4. JETRO's Survey of Japanese Manufacturers in ASEAN and India**

Among Japanese manufacturers included in the survey, overall business performance was favorable in 2004.

Regarding expected profits in 2005, most surveyed companies foresee that demand in their domestic markets will expand in 2005.

According to the survey report, almost half of manufactures with production bases in both ASEAN and China reported that their production costs (for producing the same item) for the two regions were becoming equivalent. This underscores the fact that Japanese manufacturers in ASEAN have made successful efforts—especially in Vietnam, the Philippines and Indonesia—to cut production costs and bring conditions closer to that of their operations in China.

One way in which these companies have been working to lower production costs is by increasing their local procurement of parts and materials.

According to the report, 59.3% of surveyed companies expect that Free Trade Agreements (FTAs) or Economic Partnership Agreements (EPAs) between Japan and their operating region will benefit their business activities, through, for example, “abolition of tariffs” and “expedited customs procedures”. By country, more firms in Indonesia and Thailand expect favorable effects from such agreements.

Regarding FTAs/EPAs between China and the operating region or Japan, however, few respondents expect improvements in their business activities, with only 22.3% foreseeing favorable effects from the EPA between China and ASEAN.

*For further information, visit*

<http://www.jetro.go.jp/en/news/releases/20050406993-news>



**5. JETRO's Results of its Annual Survey of Foreign-affiliated Firms in Japan**

According to the results of the survey, which polled foreign-affiliated companies about their attitudes toward doing business in Japan, a majority of companies view the Japanese market favorably, and more than half of respondents plan to expand their operations in Japan.

Among firms planning to expand their operations in Japan, 66.8% intend to broaden their sales function and 56.6% plan to introduce new products or services. More than half of these firms, however, cite a shortage of available high-skilled personnel, in particular for sales and engineering positions, as a possible impediment to their plans for expansion. Foreign electronic

products manufactures and firms in the chemical, medical and pharmaceutical sectors will seek expansion through ramping up their R&D function, participating in an M&A or establishing a business alliance with a Japanese company.

*For further information, visit*

<http://www.jetro.go.jp/en/news/releases/20050413221-news>





# E v e n t s i n J a p a n

## 1. JETRO Biolink Forum 2005 to Be Held on September 6<sup>th</sup> at Yokohama, Japan



JETRO will hold BIOLINK FORUM 2005 on September 6th at the Pacifico Yokohama as a pre-event to the BioJapan 2005 World Business Forum, which opens the following day. BIOLINK FORUM is JETRO's international biotech cluster networking and information-gathering event that brings together representatives from biotech clusters around the globe.

Last year's BIOLINK FORUM attracted more than 300 representatives from some 40 biotech clusters in 16 countries for international exchange and networking on an unprecedented scale. Companies and organizations from overseas biotech clusters are invited to participate in this important event!

*For more information, visit  
<http://www.jetro.go.jp/en/news/announcement/20050408076-news>*



## 2. Twelve New Projects Selected for FY2005 Region-to-Region Initiatives Program

JETRO selected 12 new projects for its FY 2005 Region-to-Region Initiatives Program. The first group of projects has been launched this April and will be followed by a second round of projects in the latter half of FY2005. Projects are launched at two points in the fiscal year to allow for greater flexibility in project deployment.

Some of the newly selected projects for FY2005 include:

- Business tie-ups in the animation and gaming industry: Mitaka city, Tokyo/Shenzen, China

- Joint R&D and business tie-ups in bio-medical equipment industry: Kobe, Japan/ Minnesota, USA

- Joint R&D and new ventures in biotech industry (protein productions): Kita-Kyushu, Japan/England

The Region-to-Region Initiatives Program aims at invigorating regional economies in Japan and other countries through two-way industrial exchanges of technology and business know-how through, for example, new business or venture tie-ups and joint R&D schemes. JETRO works closely with each participating region to help them achieve their objectives by offering advice, conducting surveys, and dispatching/accepting business missions for industrial exchange.

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## 3. High-Tech Business Forum 2005

JETRO, together with the Korea Industrial Technology Foundation and the Chinese Association for Science and Technology, hosted the "JAPAN, KOREA, CHINA High-Tech Business Forum 2005", to provide an opportunity for companies from these countries to discover potential cross-border business alliance and tie-up opportunities in the ICT, life sciences, environment and energy industries.

The event took place on April 26th at the JETRO exhibition hall (Ark Mori Bldg. 5th floor, JETRO Tokyo) and featured keynote speeches and lectures by leading business figures and technology experts from Japan, Korea and China on issues surrounding cross-border business tie-ups in high-tech industries, with an emphasis on intellectual property rights protection and available government support in each of the three countries. On day two of the forum (April 27th), leading high-tech firms from each of the three countries gave company presentations and took part in the business matching session that follows; networking receptions were held on both days.





What's new on the net?

**1. Three New Reports Added to JETRO Japanese Market Report Series**

Three new reports have been added to the JETRO Japanese Market Report series. The new reports, which cover "Automobile Assembly Parts", "Hotels" and "Mail-order sales" fields, can be accessed through the below links.



- "Automobile Assembly Parts":  
<http://www.jetro.go.jp/en/market/reports/machinery/>
- "Hotels" and "Mail-order sales":  
<http://www.jetro.go.jp/en/market/reports/others/>

JETRO's Japanese Market Reports contain a broad overview of the market in Japan for various products, services and product categories. Reports include recent market trends, numerous facts & figures, pertinent laws & regulations and key considerations for entering Japanese markets.

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**2. 15<sup>th</sup> Survey of Investment-Related Cost Comparison in Major Cities and Regions in Asia in English and Thai versions**

In November 2004, JETRO conducted a comparative survey of investment-related costs in major cities and regions in Asia.

In this survey, the data on investment-related costs in the subject cities were presented in a comparable format with local currency costs converted into US\$. These costs included wages, land prices, office rents, telecom expenses and public utility rates.

*For full report in English, visit*  
<http://www.jetro.go.jp/thailand/e/data/15thinvestsurveyeng.pdf>

*For full report in Thai, visit*  
<http://www.jetrobkk.or.th/html/board/15thinvestsurveytha.pdf>



## Exploring Japan

The following is the interview on “Japan Should Aim to Be a Manufacturing-Led Country:-Second to None in Digital Home Appliance Technology” with Nakamura Kunio, President of Matsushita Electric Industrial Co., Ltd. by Mr. Okabe Hiroshi, a deputy chief editor of the Economics News Section, Kyodo News, released in the Japan Spotlight of May/June 2005

**C**ALLING for “Deconstruct and Create,” Nakamura Kunio, president of Matsushita Electric, is seeking to press ahead with the company’s reforms. Widely known as a strong advocate of corporate restructuring among Japanese business leaders, Nakamura stresses that Japan’s manufacturing sector is springing back to life on the strength of the highest technology in the world with the advent of digital home appliances. He says Japan should seek to be a manufacturing-led nation in the years ahead. Putting “global excellence” as his corporation’s goal he pushes managerial reforms. Nakamura talks about his views on manufacturing industry and the basic strategy for the Matsushita group’s restructuring.

**Panasonic**



**The Japanese electronic industry – and the manufacturing sector as a whole – is said to have resurged on the back of the explosive spread of digital home appliances. How do you assess the strength of Japanese manufacturing industry?**

**Nakamura:** In the 1990s, the United States prevailed in the fields of IT and personal computers, allowing the Japanese manufacturing sector no role to play. The Japanese manufacturing sector remained dismal and sluggish for years. However, I was confident that it would be able to demonstrate its abilities in the forthcoming age of digital network home appliances. I predicted a “digital Big Bang era” would come, and now I believe such a “Big Bang” age has set in. When Windows 95 was introduced, the PC software was the sole means of accessing the Internet. Even Americans are reportedly using only 12-13% of the PC’s total capability. At that time, I was living in the United States and thought using the PC merely to access the Internet was of no use. Today we have numerous gadgets that can access the Internet. You can surf the net with cell phones and TVs. Moreover, we can

easily operate TVs by only pressing buttons while the PC does not work unless we enter commands. I predicted the diffusion rate of PCs would reach a maximum of around 50-60%, and this turned out to be true. We should not create the so-called “digital divide” society. I firmly believed that Japan would be able to prevail if it focused on those devices that both young and old people can easily operate. Japanese industry has a full range of key digital devices such as flat-panel TVs, DVDs and digital still cameras. We also dominate these devices in terms of intellectual property. Japanese manufacturing industry is moving on a track to full recovery.

**A few years ago, the pessimistic view was widespread that Japanese manufacturing sector has lost its international competitiveness.**

**Nakamura:** When the US economy was at its heyday and was called a “new economy,” such a view was spreading in Japan that by only extricating itself from its manufacturing-led industry could change Japanese industrial structure. There were some critics who went to extremes to say Japan would remain unchanged as long as the automobile and electronics industries exist. More specifically, they said long-established Japanese companies such as Toyota, Nippon Steel and Matsushita should retire from the playground. Looking at the realities of the Japanese economy, however, you can understand that the manufacturing sector accounts for 22% of the GDP. In addition, manufacturing industry is in charge of exports. Japan can make both ends meet only by aiming to be a manufacturing-led country.

We import raw materials and energy resources, and add value in the form of products for exports so as to earn foreign currency, and import foods and energy resources. I can never agree with the view that the manufacturing sector can be replaced by the services industry. If the manufacturing industry goes into a decline, the Japanese yen will plummet against other major currencies, and we would be

unable to import even the essential product of oil. The manufacturing sector should be resolved to do business in the firm belief that Japan can spring up only by seeking to be a manufacturing-led country.

**Is there fierce competition with US and European rivals in the field of digital home appliances? Up-and-coming South Korean and Taiwanese firms may pose a threat to Japanese makers. Some analysts say China is a threat to Japan now that it has developed into a major production center for the world.**

**Nakamura:** US and European makers as well as other Asian firms cannot match Japanese companies as far as the digital area is concerned. In the area of flat panel TVs, for example, Japan dominates the fields of broadcast-reception and high-quality picture technology. Looking at Matsushita-made digital still cameras, for example, we also hold most of the core technologies such as charged coupled devices (CCDs) and the lenses. Japanese companies have the advantage of licensing technologies to foreign manufacturers so that they can assemble the products.

**Government support may be necessary for Japanese manufacturers to achieve technological development to establish a manufacturing-led country.**

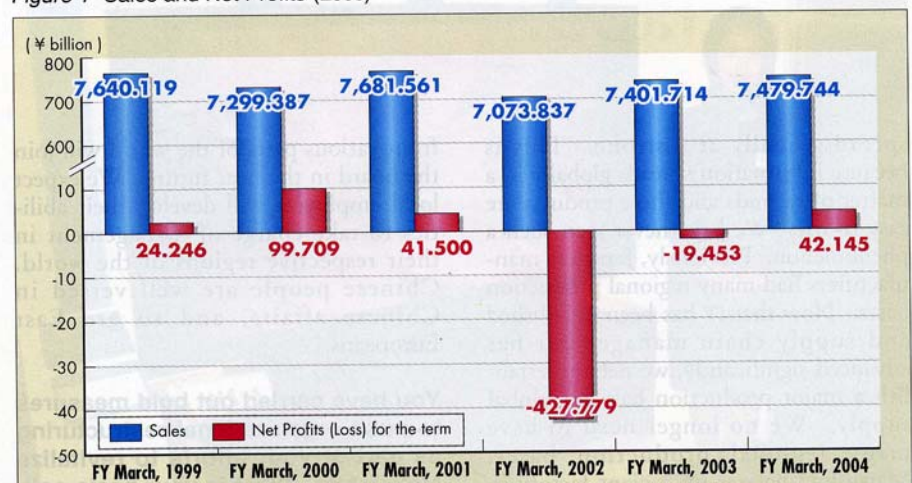
**Nakamura:** Japan has changed. Specifically, a large number of joint teams have been established by the government, industries and academics, prompted by the reorganization of national universities into independent administrative entities. Professors are now proactively launching research and development ventures. The most important task of the government is to support private businesses in their bid to bolster international competitiveness. We now see a rapidly improved environment where the government, private sector and academics fulfill their respective responsibilities. Japan is especially strong in the technique of making goods compact; that can be further advanced by nanotechnology and biotechnology in the future. We have seen successful partnerships in these areas. Japan seems to have started restoring its energy and strength.

**A new business plan calls for Matsushita to achieve ¥1 trillion in sales in China in 2006. Please explain your basic policy concerning the China business.**

**Nakamura:** China has two faces. It is an export-oriented country, producing goods at low labor costs and exporting them. In other words, it is a factory of the world. Japan boasts a high technological level while China mass-produces goods at low labor costs. In this way, it is important for us to build up bilateral relationships that ensure harmonious coexistence. The other face is that China is growing at a torrid pace, with its markets expanding rapidly. Coastal areas in China have now a total of 70 million affluent people, a larger number than Japan.

Demand for audiovisual devices, air conditioners, refrigerators, washing machines and car electronics is projected to grow strongly. Robust growth is also expected for such industrial products as compressors. Matsushita is implementing measures to enhance and expand production in various areas of China. "Another Matsushita" is in sight in China. What is important is not to see the Chinese market from a single angle. It has multiple faces. In Japan, luxury goods are mainly bought by middle-aged and older consumers. By contrast, consumers in their 30s are the main buyers of Mercedes-Benz and Rolex in China. Meanwhile, about 3 million students graduate from colleges and universities every year in China. It is no easy task to improve social infrastructure so that such a large number of graduates can find their jobs. With the idea of creating "another Matsushita" in China, the Matsushita group plans to hire a total of 2,000 university graduates over the next three years. This stems from our belief that the best way for us to do business successfully in the country is that Chinese

Figure 1 Sales and Net Profits (Loss)



Source: Matsushita Electric Industrial Co., Ltd.  
Note: Matsushita achieves an amazing revival from 2002



people play active roles as main players.

**The latest trends show that digital products sell explosively at a stroke on a global scale when new products are launched.**

**Nakamura:** In the past, audiovisual products were produced first in Japan, went to the United States and then spread to Europe. Today such products spread globally at a stroke. This is because information spreads globally in a matter of seconds and these products are easy to use. We have never seen such a phenomenon. Previously, Japanese manufacturers had many regional production bases. Now that IT has been established and supply chain management has advanced significantly, we need to establish a major production base for global supply. We no longer need to have many regional production bases. Matsushita has set up a giant factory in Japan to produce plasma-display TVs for the global market. Japanese makers' production system has changed markedly, and Matsushita has taken the lead in adopting and completing a new production system.

**How do you plan to utilize overseas personnel in the global operations of the Matsushita group?**

**Nakamura:** Matsushita is aiming to create a diversified business group – a diversity of personnel in terms of nationality, age and gender. Our efforts have only just started, however. At present, we have one European executive officer at the head office and we need to add more. We hope more employees from various parts of the world will join the board in the near future. We expect local employees will develop their abilities to take charge of management in their respective regions of the world. Chinese people are well versed in Chinese affairs, and so are East Europeans.

**You have carried out bold measures to push organizational restructuring as part of your efforts to revitalize Matsushita. What is your basic policy of reorganization, and what problems do you face?**

**Nakamura:** Matsushita's organization had become rigid. We had built up a pyramid-shaped organization and concentrated on management training for those expected to assume supervisory posts. As a result, only the number of managerial posts had increased. We tried to sort out what managerial administration is, and came to the conclusion that the positions of section and department chiefs are passing points of information. The conclusion led us to introduce IT. Top executives' ideas can be shared by the frontline employees with IT. At the same time, top executives can be shared by the frontline employees with IT. At the same time, top executives can directly obtain information from the frontline. The direct flow of information between top management and employees makes the posts of section and department heads unnecessary. Therefore, I abolished such posts. What became important is the role of team leaders, with each member facing the customers. In addition to creating such flat organizations, management should boldly pass a large part of its powers on to each organization. The organizations cannot get a lift as long as they rely on instructions and orders from top management. I have experienced myself not enjoying jobs simply to follow the instructions and orders of higher-ranked people. Human beings cannot fully demonstrate their abilities without their own ingenuity. Matsushita still has things to do to improve such organizations.

**Matsushita recently implemented an early retirement system as part of efforts to spur managerial reforms for the first time in nearly 90 years since its foundation. I am given to understand that your policy is to keep a tight grip on reform despite a strong recovery of earnings.**

**Nakamura:** I believe the early retirement system proves meaningful only when those who have contributed to the development of Matsushita are fully rewarded and thus have no concerns after retirement. Some critics say Matsushita's early retirement system amounts to "daimyo restructuring" (well-paid severance package). But I think it is only natural that we should pay sufficient allowances to early retirees. I have never heard of any complaint or criticism from them. We would otherwise be locked in a dispute. I have learned lessons from my own experience in the United States. The employees with a short period of job experience tend to be laid off first in the country. But businesses lose their vitality if they lack the energy of new employees, and social uncertainties may arise.

**Your company reportedly plans to actively promote female employees to managerial positions.**

**Nakamura:** The promotion of female employees forms one of the main pillars in a diversified society. That is particularly appropriate for Matsushita because we are producing a number of goods for use by women. It is only natural that female employees should join a variety of projects and give their viewpoints. It does not make sense to try to develop new products with a workforce of only men who are

not the main users of home appliances.

**Matsushita lagged behind its peers in entering the digital camera market, but has rapidly caught up with them. You compare the race for greater market share to the Othello game.**

**Nakamura:** In order to win the Othello game, we need strong basic techniques. But techniques, or technology in the market, is not everything. During intense competition for greater market share, we are required to offer specific products that can satisfy potential needs of consumers. We also need to be fast to create valuable goods. We may boast of having the largest market share for some products but we may lose to our competitors at any time soon. Desperate efforts are necessary to keep on winning the race. The most lagging player in some products may be able to win top slots and earn high profits, or vice versa. The reality is, we are always facing the fear of defeat.

**Matsushita has entered into technological partnerships with rivals such as Hitachi in the field of plasma TV panels.**

**Nakamura:** We analyzed our strength and areas to focus our investment. We have already done away with the principle of self-development. Our partnerships with Hitachi and other companies are the outcome of our efforts and policy. We are determined to win in the areas where we formed partnerships with other companies and concentrated our investment.



Panasonic "VIERA" 65-inch diagonal, high-definition plasma display TV

**What is your basic view on how to manage the gigantic Matsushita group, which has a workforce of more than 300,000 people around the world?**

**Nakamura:** Total sales of the Matsushita group reach 8 trillion yen, of which the largest TV business division accounts for only 7.7%. Meanwhile, Toyota's vehicle division accounts for 80% of total sales. As for Canon, the office equipment division accounts for 70% of total revenues. Matsushita is engaged in a wide array of businesses, with all of them on a scale of small and medium-sized businesses. We are a collective entity of such small and medium-sized businesses. Each firm should be strong. In order to grow stronger, we need to boldly turn our powers over to smaller units. In addition, Matsushita and its smaller units need to share and make full use of the outcome of technological R&D as well as accounting and personnel systems. We intend to make use of our own features. Once we think of ourselves as a big organization company, we would see our strength taper off.

**Japan faces the serious problem of a population decline stemming from a lower birthrate and a rapidly aging society. How do you think we should address the changing social structure?**

**Nakamura:** Japan has no choice but to bolster its own unique abilities if it wants to remain a major manufacturing-led country over the next few decades. The decline in population indicates a gloomy outlook for Japan's labor force. The number of so-called NEETs (not in education, employment or training) and "freeters" who have no fixed jobs is increasing among young people. Japan may have to accept more immigrants so as to remain a major manufacturing-led country. It would be ideal if Japan can serve as a R&D center while dispatching the results of development efforts to production bases in

various parts of the world.

### **Matsushita Electric Industrial Co., Ltd. and President Nakamura Kunio**

Matsushita was founded in 1918 by Matsushita Konosuke, who was called the "master of management." With its brand name Panasonic, Matsushita is an electronics maker that offers a comprehensive lineup of products ranging from home electrical appliances to information and communication devices, and housing-related equipment. Its consolidated sales for FY 2004 are projected to reach ¥8.8 trillion. Nakamura Kunio joined Matsushita in 1962. He served as chairman and president of Matsushita's US and British units respectively, after working with the domestic sales division. He became president of Matsushita in 2000, and soon launched organizational reforms under the policy of "Deconstruct and Create." He called for a customer-oriented approach and bolstering product value. Based on this policy, he pressed ahead with restructuring of the company's vertical administrative structure based on a product division system, and introduced a special early retirement system as a way to slim the organization. As a result, Matsushita achieved a "V-shaped" recovery.

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