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# JETRO Chicago Midwest NEWSLETTER

Illinois • Indiana • Iowa • Kansas • Michigan • Minnesota • Missouri • Nebraska • North Dakota • Ohio • South Dakota • Wisconsin

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## JETRO Returns to Las Vegas for CES 2017 in January



JETRO Chicago is once again coordinating the Japan Innovation Showcase at the 2017 International Consumer Electronics Show (CES), to be held in Las Vegas, Nevada from January 5-8. CES 2017 will mark the 50th year that this show has been in existence.

CES 2017 will feature more than 3,800 exhibiting companies unveiling the latest consumer technology products and services systems.

There will be nine companies exhibiting in the Japan Innovation Showcase (Booth 41963), located in the Robotics Marketplace, on level 2, halls A-D of the Sands Expo and Convention Center.

CES is the largest conference and exhibition dedicated to consumer technologies. It is organized annually by the Consumer Technology Association (CTA). This year's show is expected

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## The Midwest-Japan Innovation Dynamic: JETRO's Role



### From the Chief Executive Director

**Ichiro Soné**  
*Chief Executive Director,  
JETRO Chicago*

As 2017 begins, I want to reflect on what the future will bring for advanced manufacturing. The U.S. Midwest and Japan are both global centers for this and "the next industrial revolution," such as the Internet of Things (IoT), will surely bring more business opportunities and collaborations for both sides.

In the auto industry, next-generation automobiles such as autonomous and electric vehicles (EV) have already had a big impact

on the industry. To be competitive in the global marketplace, major automakers have to work with new innovative suppliers, including ones outside of their conventional supply chains. This is where Japanese cutting-edge technology companies can contribute, and JETRO can play a significant role in connecting them to the U.S. automakers.

When we met with executives from Fiat Chrysler Automobiles (FCA) and Ford Motor last year, they both asked us if we could introduce them to new innovative Japanese companies with next-generation automotive technologies. From the Japanese suppliers' point of view, they initially came to the U.S. primarily to do business with Japanese automakers. Of course they would like to expand their business to U.S. automakers, but many of them have said that it is not easy to penetrate into their supply chain. But I believe that the new technological revolution has now completely changed their situation.

We hosted the "Japan Innovation Showcase" at FCA's U.S. headquarters in Michigan in February. We recruited 75 Japanese companies in the next-generation automobile technology field such

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## Caterpillar Japan: A Major Success Story

*This article is adapted from a story on the JETRO website.*

Caterpillar Japan Ltd., the Japanese subsidiary of global construction-machinery manufacturer Caterpillar Inc. (with headquarters in Peoria, Illinois), researches, develops and manufactures hydraulic excavators at their Akashi Campus in Hyogo Prefecture. The Akashi Campus is a key base for the Caterpillar group in this field, being comprised of the Hydraulic Excavator Development Center (HEDC), a global development base for the group's hydraulic excavator division, and the Akashi Plant, a mother factory for its excavator business.

The U.S.-based Caterpillar Inc. continues to grow in the global construction machinery industry, supplying more than 300 products to its customers in over 180 countries, chalking up sales of 47 billion dollars in 2015, and employing more than 100,000 people across the globe.

Caterpillar Japan Ltd. has about 2,100 employees in total at its Tokyo headquarters. It is the largest company in the Japanese construction machinery sector, possessing multiple affiliated companies under the collective name Caterpillar Japan Group, which are responsible for sections such as the Sales Division and the Chichibu Visitor Center for product demonstrations.

### Background of Caterpillar Japan's establishment

Caterpillar's entry into Japan began in 1963, when Mitsubishi Heavy Industries (then Shin

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Ichiro Soné spoke in Tokyo on December 1 at a North America Business Seminar organized by JETRO, SelectUSA and the Tokyo Chamber of Commerce. More than 200 people attended. Mr. Soné spoke on the Midwest and manufacturing business.

### Minnesota Visit



On November 17, The Economic Club of Minnesota presented a program for its members and sponsors in Minneapolis. Special guest speaker was Jun-ichiro Kuroda, Minister for Economy, Trade, Industry and Energy at the Embassy of Japan in Washington, DC (above left). Also presenting remarks was JETRO Chicago's Ichiro Soné (above right).

Minister Kuroda and Mr. Soné were able to meet with former U.S. Vice President and Ambassador to Japan Walter Mondale, on November 17.



Motoshi Yamada, Managing Director of the State of Illinois Tokyo Office visited the JETRO Chicago office on Wednesday, December 6 and met with Ichiro Soné. Mr. Yamada has represented the State of Illinois in Japan since the early 1980s.

### JETRO Hosts Corporate Governance Event

On September 27, JETRO Chicago hosted a program organized by the Japan America Society of Chicago entitled "Corporate Governance Reform in Japan: A Progress Report." Nicholas Benes (right), Representative Director of The Board Director Training Institute of Japan, updated attendees on Japanese efforts to improve corporate governance. This is a key piece of Prime Minister Shinzo Abe's economic reform agenda. In 2014, the Stewardship Code was introduced, which encourages institutional investors to be more actively involved in the companies they invest in and operate in the best interests of their shareholders. In 2015, Japan enacted a new Corporate Governance Code, which seeks to install more independent directors on the boards of publicly traded companies. The new code also pushes Japanese corporations to improve transparency and adopt more rigorous accounting standards.



Ichiro Soné was the featured speaker at the Japan America Society of Minnesota (JASM) Corporate Roundtable on Wednesday, October 26, in Minneapolis. Also appearing was JETRO Chicago's Executive Director, Business Development, Ralph Inforzato.

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For general information, call the number above.

The JETRO Chicago team offers a wide variety of business support services for companies in the Midwest planning to initiate a business presence or seeking to add to their existing investment in Japan, and/or work with Japanese companies. Please feel free to contact us.

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### Hokkaido Delegation

A delegation from Hokkaido Prefecture led by Hokkaido Vice Governor Yasuhiro Tsuji visited Ann Arbor, Michigan to tour the American Center for Mobility and M-City, which is a research and development testing facility for autonomous vehicles. Vice Governor Tsuji is pictured standing, 4th from right, along with the Director of the University of Michigan Mobility Transformation Center, Dr. Hwei Peng, 3rd from right. The Hokkaido delegation was joined by Kevin Kalb and Akira Kawachi of JETRO Chicago, standing far left.

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## Indiana & Japan: We're Like Neighbors



**Guest View**  
**Jim Schellinger,**  
*Secretary of  
 Commerce,  
 State of Indiana;  
 Former President of  
 Indiana Economic  
 Development Corp.*

Although thousands of miles separate Indiana and Japan, the distance between us feels very small. As two friends, we may be physically separated by land and an ocean, but when it comes to our cultural and economic ties,

we're as linked as two close neighbors.

Indiana's bond with Japan has grown over the decades into a close relationship that supports some 260 Japanese business facilities and more than 52,000 jobs across Indiana. Here in Indiana, we're proud to be home to the largest amount of Japanese investment per capita of any U.S. state.

That success is based on Indiana's world-class business climate and shared timeless values, including integrity, excellence, hard work and modesty, but it's also because our relationship with Japan is a priority for us in Indiana. This autumn on my first visit to Japan as the president of Indiana's lead economic development agency, I witnessed how our common traditions in agriculture, manufacturing, and technology keep us connected.

In October, we were honored to join with JETRO, Takenaka Corporation, Japan's



*Keiji (Ken) Hayashi, Senior  
 Advisor, International Business  
 Promotion, Takenaka Corporation,  
 with Jim Schellinger.*

oldest architectural, engineering and construction firm, and Barnes & Thornburg, an Indiana-based law firm, for a series of seminars on investing in the Midwest U.S. These seminars, which were focused on helping Japanese businesses better understand the principles of operating in the U.S. Midwest, gave us a chance to speak with leaders throughout Japan who may be considering their first foreign direct investment in our region.

No matter whether we were in Tokyo, Utsunomiya or Osaka, Japanese business leaders had great questions and were genuinely interested in Indiana and our robust economy, which has added more than 156,000 new jobs just since 2013.

One of my favorite parts of the presentation was seeing Japanese executives' enthusiastic reaction to a public-private partnership program called the Indiana Regional Cities Initiative, which is investing \$126 million in state matching funds into three Indiana regions, with the aim of transforming our state's regions into globally-recognized centers for attracting and retaining top talent to support growing businesses.

Beyond these great seminars, we also had the opportunity to visit with a few of Indiana's friends while in Japan, including officials at Honda, which produces the Civic and CR-V in Greensburg, Indiana, and Moriroku Chemicals, which is opening a new joint venture with Chubu Chemical along a new stretch of Interstate 69 in Washington, Indiana.

On December 11, Indiana celebrated a historic day – 200 years of being a state. As part of the festivities, I was honored that our friends from the Industry, Labor and Tourism Department of Tochigi Prefecture, Indiana's sister state, joined us to celebrate the special bond we share. I'm so thankful for the friendship we share with Japan, and know that while thousands of miles may separate us geographically, in our hearts our bond is shared, with the best still yet to come over another 200 years.

## Japan Pavilion to Feature 13 Exhibitors at Home & Housewares Show

For the sixth time JETRO will organize the Japan Pavilion at the International Home and Housewares Show (IH+HS), at Chicago's McCormick Place from March 18-21, 2017. There will be 13 companies exhibiting in two pavilions, one in the North Hall (Booth #7941) and one in the South Hall (Booth #868).

Six of the 13 companies will be exhibiting at IH+HS for the first time. All of the exhibitors will be showcasing the highest quality of "Made in Japan" home goods, which will include everything from traditional tableware and woodenware, artisan glassware, grass baskets and bags, bento boxes, and teapots to smart gadgets, eco-friendly and stylish tote bags, shelving and shower accessories.

**For further information:** <http://www.housewares.org/HousewaresConnect365/> and search for Japan External Trade Organization.

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to attract more than 165,000 attendees from 150 countries.

For more information on Japan's robotics industry or to schedule a meeting with one of the Japanese exhibitors during CES 2017, contact Kevin Kalb at [kevin\\_kalb@jetro.go.jp](mailto:kevin_kalb@jetro.go.jp).

### Japan Innovation Showcase @ CES 2017

Concordia Co., Ltd.	<a href="http://www.concordia-cs.com/english/">http://www.concordia-cs.com/english/</a>
ITD Lab Corp.	<a href="http://www.itdlab.com">http://www.itdlab.com</a>
MIRAISENS, Inc.	<a href="http://www.miraisens.com/">http://www.miraisens.com/</a>
MJI Inc.	<a href="http://mjirobotics.co.jp/en">http://mjirobotics.co.jp/en</a>
PARO Robots U.S., Inc. / Intelligent System Co., Ltd.	<a href="http://www.parorobots.com">http://www.parorobots.com</a>
Rosnes Corporation	<a href="http://www.rosnes.jp/index_en.html">http://www.rosnes.jp/index_en.html</a>
Tokyo Decal Industry, Ltd.	<a href="http://www.tdicorp.co.jp/en/">http://www.tdicorp.co.jp/en/</a>
TSUBAME RADIO CO., LTD.	<a href="http://www.tbm-japan.com/english/index.html">http://www.tbm-japan.com/english/index.html</a>
Yukai Engineering, Inc.	<a href="http://www.ux-xu.com/?language=en">http://www.ux-xu.com/?language=en</a>

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## JETRO Takes Japan's Food Promotion to a New Level

JETRO Chicago, following the goal set several years ago by the Japanese government to double Japan's food and beverage exports globally by 2020, has increased its efforts to bring those products to the attention of the Midwest's food industry and consumers. This includes familiarizing Americans with methods of using Japanese ingredients in both traditional preparations and other cuisines. Until recently, many American chefs and home cooks often thought of most Japanese ingredients as imparting a strictly "Japanese" flavor or experience. As wonderfully popular as those Japanese tastes have become across the U.S., there are many other equally delicious flavor profiles and products enjoyed in Japan that JETRO would like to introduce to the Midwest.

Towards that effort, JETRO Chicago established a Japanese Cuisine & Ingredients Working Group to explore new paths. The Group's members represent food retail, importing and distributing, culinary education, fine dining, foodservice, food industry research, media and promotion industries, both Japanese and American. After hearing their valuable insights and suggestions, JETRO Chicago was inspired to greatly expand its efforts, including going directly to consumers.

### Promotion of Japanese cuisine to consumers

In order to increase the diversity and enjoyment of Japanese cuisine, its foods and ingredients to as many people as possible, JETRO decided to reach out in new directions. Chicago's many popular food-focused events offer great opportunities to accomplish this but perhaps its premier showcase of culinary arts for the public is Chicago Gourmet, the Illinois Restaurant Association's annual tasting festival featuring 200 restaurants and chefs and attracting nearly 14,000 attendees over one weekend. This year, for the first time, JETRO decided to take advantage of this unique chance to promote Japanese food to that size enthusiastic audience. Along with the Consulate General of Japan in Chicago office, JETRO co-sponsored the Chicago Sister Cities International Tasting Pavilion at "Bon Appétit presents Chicago Gourmet 2016," held September 23-25.

The pavilion offered dishes characteristic of 11 of Chicago's 28 foreign sister cities. Osaka, Japan was represented by four local restaurants whose chefs created dishes using Japanese ingredients with exciting twists.

Designing his dish with Gourmet's festival atmosphere and "Food is Art!" theme in mind, Chef Hector Marcial of Jellyfish chose a rice roll (maki) with shrimp tempura, avocado, pickled ginger & eggplant and Japanese spice blend (togarashi). Chef Marcial wanted to bring the reds and greens of a Japanese autumn to his guests. Chef Katie Dong of Strings Ramen Shop served her "Level 3" ramen (out of 5 spiciness levels) made with a variety of peppercorns and chilies, and spicy pork. The long lines for her ramen

proved American's insatiable love of the Japanese noodle dish.

Kamehachi is one of Chicago's first Japanese restaurants and is a favorite for its quality classic fare. Its Chef Christopher Fennell is also known for his innovative use of ingredients. His fresh

tuna tataki (seared) slices on flavored rice cakes with microgreens was a marriage of east and west. Chef Ajay Popli of Arami brought a modern Japanese treatment to his "Ebi Poke" dish of poached shrimp and wakame seaweed dressed with a sweet/hot vinaigrette of soy sauce, sesame oil, yuzu (a Japanese citrus), chili sauce and rice wine vinegar. Chicago Gourmet had 30 stations in total offering Japanese cuisine.



*Strings Ramen Shop served their spicy pork and chili ramen at the International Pavilion.*

President & CEO of the Illinois Restaurant Association, Sam Toia, explained, "Japanese cuisine has become increasingly popular in recent years, most notably with sushi and sashimi, but we've also seen an increase in restaurants offering authentic Japanese fare beyond just sushi. The popularity of ramen has skyrocketed in recent years, along with increased availability of robata grilled items, donburi and desserts featuring Japanese ingredients like green tea and black sesame."

Visitors to Chicago Gourmet this year also got the rare opportunity to try Wagyu beef from Japan at a separate pavilion sponsored by the Japan Wagyu Beef Export Promotion Committee. They also watched two demonstrations of how to prepare the highly prized beef. JETRO Chicago supported a similar introduction to Wagyu held by the visiting promoters earlier that week at Chicago's Kendall College School of Culinary Arts. Attendees included culinary educators, students and industry representatives, many of whom had never tried Wagyu before.

### Visiting food and beverage producers from Japan

This year, JETRO Chicago has also worked with several food missions targeting the Midwest market.

In October, Tottori Prefecture's JETRO Director explored the potential in the U.S. market for his region's famous and distinctive Wagyu beef brand by meeting specialty distributors and retailers, and chefs who serve Wagyu from Japan.

In November, a Miyagi Prefecture seafood producer introduced his smoked oysters and scallops, as well as seaweed products, to potential importers, distributors, retailers and chefs. Although he is already exporting to Asia, this was his first attempt to break into the U.S. market.

Also in November, eight food producers from across Japan came to explore the potential for their products in the Chicago and Midwest market, meeting with distributors and retailers. The products included sauces, chili and citrus pastes, fresh wasabi, black garlic, mustard powder, a variety of noodle types and flavors, snacks, croutons, sake and fruit liqueurs. JETRO gathered opinions on them from a wide range of food and beverage experts to help the producers better understand how to succeed with American consumers.

JETRO will continue its heightened promotion of Japanese products with sake tastings planned for early next year in Chicago. The events aim to introduce the taste and quality of sake from Japan to the public, as well as showcase new products to industry. There remains plenty of room for growth of Japan's food and beverages in the Midwest market and beyond.



*Chicago Mayor Rahm Emanuel and Ichiro Soné of JETRO Chicago at Chicago Gourmet's Opening Ceremony.*

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## Indiana Mayors' Trip Deepens Relationship with Japan

*By Louise Ronald, for the East Central Indiana Regional Partnership*

Indiana Mayors Mike Pavey and Dave Snow are so looking forward to their next trip to Japan that they are ready to take language lessons. Being able to say more than “konnichiwa” and “arigato” will, they hope, make a favorable impression on executives of the parent companies of Japanese firms in their cities. The two had an opportunity to meet with those executives in November during the first trip to Japan sponsored by the East Central Indiana Regional Partnership, a 10-county organization headquartered in Muncie.

Pavey is Mayor of Rushville, a city of about 6,300 and home to INTAT Precision, a supplier for Toyota and one of the town's top employers. Snow's city of Richmond has a population of about 36,800 and five Japanese businesses – Asahi Tec, Suncall, TBK, Yamaguchi Manufacturing and Yukiya.

Partnership President Mindy Kenworthy said Japanese companies employ nearly 4,000 people in East Central Indiana. Pavey, Snow and Kenworthy were joined on the tour by Rush and Wayne county economic development officials John McCane and Valerie Shaffer, and Theresa Kulczak, Executive Director of the Japan-America Society of Indiana, which facilitated the trip with the assistance of JETRO Chicago.

In Tokyo, the group was welcomed to JETRO headquarters by Executive Vice President Tatsuhiro Shindo, who shared information on initiatives to strengthen business and trade with the United States. The delegation conducted nearly two dozen meetings over eight days, including face-to-face sessions with presidents of the parent companies of the Japanese industries in their towns.

Shaffer and McCane speculated that the presidents might not have been involved without the mayors' presence. Kulczak and Kenworthy agreed.

“The Mayor is, in a sense, the CEO of the community,” Kulczak. “Had we not had the mayors, it would have been very difficult to get into some of those meetings,” said Kenworthy. For their part, the mayors appreciated the opportunity to express gratitude for the companies' presence in their towns. Pavey said that's not something to take for granted. “We get lazy,” he said. “We call people when we need people. I think (the Japanese) respect the fact that you stay in touch. The decisions that are made for the companies here in the United States are made by the mother company over in Japan. If you really want to stay on ... track with what they're doing, you've got to have those conversations back and forth.” By meeting face-to-face, officials from both towns were able to learn about – and begin to deal with – questions and concerns expressed by the parent companies. All agreed that was the trip's biggest benefit.

Snow and Pavey recommend other mayors do their homework before making a similar visit.

Snow stressed learning etiquette which, he said, isn't just about manners in Japan. “The way that we do things here in America is that as long as your inner morality is good, then you're OK,” said Snow. “If you're somewhat flawed socially – you don't push your chair in, you don't always say thank you, you don't always conduct yourself well – people around you will defend you by saying, ‘But he's a good person.’ ... In Japan ... everything you do outwardly is a direct expression of your inward morality. That is hard for Americans to understand.” For Snow, conforming to etiquette meant some changes to his diet. But he was determined to eat everything put before him. “To turn that food away would be to reject the relationship, so I did not do that,” he said.



*On November 14, the East Central Indiana Region Study mission visited Mitsubishi Heavy Industries' M Square (Showroom) in Tokyo. (From left): Koichi Imura, Mitsubishi Heavy Industries, Ltd.; Theresa Kulczak, Japan-America Society of Indiana; Naoki Kojima, Mitsubishi Heavy Industries, Ltd.; Mayor Mike Pavey, City of Rushville; Paul F. Roland, State of Indiana, Japan Office; Valerie Shaffer, Economic Development Corp. of Wayne County, IN; Mindy Kenworthy, East Central Indiana Regional Partnership; John McCane, Rush County Economic & Community Development Org.; Mayor Dave Snow, City of Richmond; Dragi Trifunovich, Mitsubishi Heavy Industries, Ltd.; Tony Suzuki, State of Indiana, Japan Office.*

Because in the end, the whole purpose of the trip was to strengthen relationships. Both mayors want to return to Japan as soon and as often as their budgets will allow. In the meantime, they are dipping into the language. “I think (having learned some Japanese) will speak volumes on our next trip about the importance of the relationship,” Snow said.

## Japanese Medical Device Manufacturers to Exhibit in California

Ten Japanese companies will participate in JETRO's Japan Pavilion at MDM West, one of the largest medtech design and manufacturing exhibitions. The event, scheduled for February 7-9, 2017, will be held at the Anaheim Convention Center in Anaheim, California.

Organized annually by UBM, the MDM West event is held concurrently with five other shows: West Pack, Automation Technology Expo (ATX), Plastec West, Electronics West and Pacific Design & Manufacturing. Over 2200 companies will exhibit, and more than 20,000 business executives and engineers expected to attend.

The companies in the Japan Pavilion (Booth 2039) are eager to expand their business in the United States with medical device manufacturers. The companies will exhibit a range of technologies, including advanced microprecision machining, polishing, photoetching and surface treatments. For more information about MDM West, visit [www.MDMwest.com](http://www.MDMwest.com). For questions about the Japan pavilion, contact Ms. Yu Ueno at JETRO Los Angeles ([yu\\_ueno@jetro.go.jp](mailto:yu_ueno@jetro.go.jp)). Exhibitors include:

- Dainichi Co., Ltd. .... [www.kk-dainichi.co.jp](http://www.kk-dainichi.co.jp)
- Kaneko Manufacturing Co., Ltd. .... [www.t-kaneko.co.jp](http://www.t-kaneko.co.jp)
- Kyoei Denko Co., Ltd. .... [www.kyoei-dk.co.jp](http://www.kyoei-dk.co.jp)
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- Onox MTT Co., Ltd. .... [www.onox.jp](http://www.onox.jp)
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## Caterpillar ... from page 1

Mitsubishi Heavy Industries) and Caterpillar set up Caterpillar Mitsubishi Ltd. in Sagami-hara City, Kanagawa Prefecture under equal ownership.

Already active in the construction machinery industry since before the joint company was established, Mitsubishi Heavy Industries had opened a special plant in 1960 for construction machinery on the site owned by its Kobe Shipyard & Machinery Works, where it produced the "Y35," the first domestic hydraulic excavator in Japan. That site would become a prototype for the Akashi Campus of the current Caterpillar Japan.

Starting its business during a period of high economic growth which saw a boom in construction, Caterpillar Mitsubishi increased its earnings without a hitch through manufacturing bulldozers and wheel loaders. In 1987, Caterpillar Mitsubishi and the Akashi Plant of Mitsubishi Heavy Industries merged into Shin Caterpillar Mitsubishi Ltd. This new company would expand the hydraulic excavator business by beginning production of the "E200B," the first hydraulic excavator under the Caterpillar brand.

While Shin Caterpillar Mitsubishi's business remained strong after its establishment, the situation in the construction machinery industry began to change due to a slowdown in the domestic construction machinery market and the rise of the market in China. For this reason, Mitsubishi Heavy Industries decided to withdraw from the construction machinery business. This led to Caterpillar in the U.S. raising the percentage of its stake in 2008, and the company was renamed Caterpillar Japan Ltd., as it remains today. In 2012, Caterpillar assumed 100% ownership and began sole administration of the Japanese subsidiary's bases, including Akashi Campus.

### Akashi Campus, a global base for hydraulic excavators

Caterpillar Japan's Akashi Campus is a plant dedicated to hydraulic excavators, which incorporates the Akashi Plant, a production division and the Hydraulic Excavator Development Center (HEDC) on a site that is about 210,000 square meters. Regarding the Akashi Campus, known as the lynchpin for Caterpillar's global hydraulic excavator production, Nobumi Toyoura, Operating Director and Technical Services Manager of the HEDC Excavation Division, explains: "We have set up a framework that has integrated the development and production of hydraulic excavators from small to large. We also provide designs and drawings to all of Caterpillar's hydraulic excavator production plants around the world. Pursuing uniform design on a global scale, we work to improve business efficiency while maintaining the highest quality for the entire group. Under our slogan, 'Showing Akashi's Strength to the World!' we are proud of playing a pivotal role in Caterpillar's worldwide hydraulic excavator business."

Caterpillar Japan was selected for the 2014 Subsidy Program for Projects Promoting Foreign Direct Investment, Site Location and Regional Development in Japan (also known as the Project for Site Location for Global Companies), sponsored by the Ministry of Economy, Trade and Industry. Mr. Toyoura says, "With this subsidy program, we were able to establish a software development base for hydraulic excavator development and build a vehicle testing site for hydraulic excavators. The existence of this program helped us convince our head office of the plan. We are thankful for this program."

### Advantage of Caterpillar: Win-win relationship with business partners

Mr. Toyoura explains that Caterpillar's advantage "is one of win-win mutual trust with dealers and suppliers that enables us to continuously



improve our product quality." He continues, "Most of our customers both in Japan and overseas have long been using our products and are familiar with their quality and operability as well as our company's productivity. Therefore, their comments are indispensable for our quality improvement and product development. We benefit from our dealers' networking, which allows customer input to reach our manufacturing and development divisions. I believe this is an advantage unique to our company with its worldwide presence. Our company designs products taking into consideration profitability as well as how our dealers can swiftly and accurately provide customers with maintenance services in the aftermarket area. We also highly value the attitude of growing together with one's suppliers instead of looking out for one's own profit alone. For this reason, we have heavily invested in building mutual trust with our business partners. A win-win relationship with one's partners contributes to enhanced customer satisfaction and the development of new products. This has been Caterpillar's business model since its foundation.

### Reason for continuing development in Japan and future outlook

Mr. Toyoura explains the reason why Caterpillar continues its development in Japan, saying, "Although Japan's share of the global construction machinery market has been shrinking, it still has many key players and they have an abundance of the kind of knowledge needed for product development. Having a presence in Japan is therefore a significant advantage for us."

Caterpillar is now the focus of attention with a series of announcements, including regarding its response to emission restrictions in Japan by equipping excavators with a device for reducing NOx (nitrogen oxide), and the release of the latest model of hydraulic excavators that utilize IoT. Regarding the company's outlook, Mr. Toyoura says, "To continue being the No. 1 company in the world, we are working hard in recruitment in addition to product development. Even though we have adopted cutting-edge virtual reality (VR) devices for more accuracy, in the end it is people who must operate these devices. Being a foreign-owned company, Caterpillar has a lower profile than Japanese companies, which poses an obstacle to our recruitment activities. To turn this situation around, we regularly hold such events as plant tours, VR experience workshops and workplace visits for preschool children so that they will become familiar with our company and work. Other essential matters we are working on include setting up a day-care facility in the company to improve the working environment for our female employees, as well as creating an environment in which foreign engineers can comfortably work."

### Support from JETRO

JETRO provided Caterpillar Japan with various forms of information when the company applied for the 2014 Subsidy Program for Projects Promoting Foreign Direct Investment, Site Location and Regional Development in Japan. Mr. Toyoura comments, "Thanks to JETRO, we were able to solve problems which would have been impossible on our own and smoothly carry out procedures. We are truly thankful for JETRO's active support and hope to be able to continue relying on them for advice and information in the future as well."

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## JETRO Assists Midwest Companies' Efforts to Expand to Japan

JETRO Chicago's Business Development group has had a very busy 2016, promoting foreign direct investment (FDI) into Japan. Over the past year, the BD group has met with dozens of Midwestern companies to learn about their strategic plans for Japan and explain JETRO's services. To date, two companies from the Midwest have utilized JETRO's support to expand and grow their businesses in Japan.

### Source Pundit LLC

www.sourcepundit.com

In April, Source Pundit LLC opened its office in Yokohama. Founded in 2007 in St. Louis, Missouri, Source Pundit provides technology consulting and outsourcing services.



Source Pundit specializes in recruiting engineers from India, Malaysia and Indonesia and placing them with projects around the world. Their customers include some of the world's largest oil & gas companies. Source Pundit had several Japanese clients and recognized the need for a permanent presence in Japan. JETRO explained the different corporate structures available in Japan and helped Source Pundit to understand the process, timeline and costs for establishing a subsidiary corporation (Kabushiki Kaisha or KK). JETRO introduced Source Pundit to a judicial scrivener who prepared the documents for incorporating. In addition, Source Pundit consulted with JETRO's legal, tax and HR experts and worked closely with the staff at JETRO Tokyo and JETRO Yokohama. The company's next step in Japan is securing its dispatch license, which JETRO has also assisted with.

### Genesis Systems Group LLC

www.genesis-systems.com



Genesis Systems Group LLC of Davenport, Iowa, is the largest robotic arc welding workcell manufacturer in the USA. Founded in 1983, the company designs, manufactures and installs robotic welding systems. Genesis Systems has completed more than 3,000 system installations and has workcells in 8 different countries. The company serves clients in the automotive, aerospace and heavy industrial sectors. JETRO assisted Genesis Systems in 2009 when it first set up a representative office in Aichi Prefecture. The company participated in JETRO's Invitation Program at the 2009 Mechatronics event and later utilized the free temporary office space at the Invest Japan Business Support Center (IBSC) in Nagoya. JETRO provided site selection assistance in Japan and connected Genesis Systems with representatives from the Nagoya City government who discussed investment incentives. The company has since enjoyed strong sales in Japan, necessitating a larger office. In August 2016, Genesis Systems moved into a larger facility in Aichi Prefecture, which has approximately 18,000 square feet of manufacturing space. With the expansion, the company also added staff and currently employs approximately 35 people.

## Japan Market Information & Custom Reports from JETRO

For foreign companies considering expanding into Japan, JETRO can provide specialized market intelligence. This information can be helpful as companies go through the process of evaluating opportunities in Japan.

JETRO Tokyo publishes regular updates on the following topics: Environment, Energy, Information/Communication Technology (ICT); Life Science (pharmaceuticals, biotechnology, medical devices and health care); Manufacturing & Infrastructure; Tourism & Business Services; and General Investment & Business Environment. JETRO also regularly puts out detailed market reports. Recent reports have examined Japanese demand for Internet of Things (IoT) technology; medical records management software solutions; aircraft parts & maintenance; artificial intelligence; and health supplements.

In addition, JETRO can commission custom market reports for qualified companies. Since April 2016, more than 200 custom reports have been issued. Finally, companies considering investing in Japan may be eligible to have one-on-one meetings with JETRO's industry advisors in Tokyo. These consultants can advise companies on the following sectors: Medical Equipment, Pharmaceuticals, Health and Welfare; Semiconductor, ICT; Automobiles; Environmental/Energy; Restaurants, Retail; Apparel/Life Style. If your company is considering investing in Japan, or expanding an existing facility, and has questions about the Japanese market, please contact JETRO Chicago to learn how we can assist you.

You can also find newly updated reports on three attractive sectors (Electricity and Renewable Energy, Life Science and ICT), available as PDF downloads at <https://www.jetro.go.jp/en/invest/attract.html>.



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## Chief Executive Director ... from page 1

as autonomous driving, driver assist, safety systems and light-weighting, and from these, FCA then selected 25 exhibitors. This process was important to make business more effective and efficient. Among the exhibitors, nine companies were small and medium sized enterprises (SMEs), and 16 companies were not members of the Japan Auto Parts Industries Association (JAPIA). This is why JETRO is uniquely positioned to manage this kind of event, and it was a huge success.

Actually, one of the major challenges in the industry discussed at the Original Equipment Suppliers Association (OESA) Annual Conference the other day was how to find innovative small and medium sized companies. OESA strongly indicated that their Tier 1 members want to meet these small firms.

JETRO has a long history of assisting the auto industry. We have always worked closely with the U.S. Department of Commerce, as well as state governments in the Midwest and industry associations such as JAPIA and OESA.

Back in the late 1980s and the beginning of the 1990s, when Japanese automakers and Tier 1 suppliers rushed into the U.S. to set up plants, we assisted them one by one with the cooperation of state governments. In the 1990s, the biggest challenge for them was how to increase their local procurement. So we hosted "reverse trade shows" to introduce U.S. suppliers to them, with the cooperation of the U.S. Department of Commerce and many Midwest state governments.

After the turn of the century, we hosted "Monozukuri" seminars and workshops to convey the concept of the Japanese way of manufacturing to U.S. suppliers, working with JAPIA and OESA. And now we have reached a new phase.

We organized the "Japan Innovation Showcase" again at FCA this past November. This time, we focused on factory automation (FA) and the "smart factory" concept at the request of FCA, as it is an area of technology in which Japanese companies have historically been strong, with a great reputation. FA technology is facing a big change due to new innovations such as IoT. This time, we recruited 22 companies, and FCA selected 13, including four SMEs. Again, it was a great success. We will host this same event at Ford Motor headquarters in Dearborn, Michigan in March 2017.

We can also connect innovative Midwest companies to major Japanese automakers. A Minnesota company with metal coating technology asked us help put them in touch with major Japanese carmakers. So we went to the OESA Nissan Town Hall Meeting with the president of the company and introduced him to Nissan executives. The Nissan executives really appreciated this, as they said they hadn't even known such a company existed.

The most interesting aspect of these new technologies is that they are crossing over into other industries. IoT will change many areas as autonomous functions are important not only for the auto industry. For instance, construction machinery giants Komatsu and Caterpillar are both strongly committed to developing autonomous technology. A Caterpillar executive told me that it is very important to them because it's often tough to find qualified drivers to operate huge excavators in remote and mountainous areas in Africa and Indonesia. Komatsu has been promoting "smart construction," and unveiled an "Innovative Autonomous Haulage Vehicle" at MINExpo 2016 in Las Vegas. Agriculture machinery giant John

Deere has also been developing an autonomous tractor for many years. Unmanned aircraft have also been developed in recent years. These kinds of projects create more business opportunities for suppliers to cross over into other industries.

I mentioned in my past column that U.S. advanced manufacturers must work with Japanese suppliers not only in the U.S. but also in Japan, and how great Midwest companies like Boeing and Caterpillar have made significant investments in Japan. We recently assisted Caterpillar with getting Japanese governmental incentives when it expanded its R&D facilities in Hyogo.

It might be hard for some people to believe that Boeing's huge passenger plane wing and Caterpillar's massive hydraulic excavators are produced in a country with relatively high labor costs like Japan and shipped overseas, but these products are true examples of high-tech state-of-the-art cutting-edge products. They show how manufacturing for R&D-intensive, integrated processes has truly remained in Japan, thanks to the capability of engineers and the country's strong supplier base -- consisting of not just big companies, but also many SMEs as well. And the same can be said about the U.S. Midwest, where advanced manufacturing is very strong. Toyota is expanding its R&D facility in Michigan to work with U.S. innovation companies, and many other Japanese manufacturers are setting up and expanding R&D and production in the U.S.

JETRO assists Japanese companies with expanding in the U.S. and Midwest as well as U.S. companies expanding into Japan. We have helped 411 U.S. companies successfully set up or expand their business in Japan over the past 13 years. Naturally, we have a great network on both sides and can play a valuable role in bringing companies together.

JETRO can assist companies who want to develop their products in Japan. In recent years, there has been a move by foreign-affiliated companies to take advantage of Japan's outstanding technologies and know-how by establishing R&D centers in Japan, with an eye to the booming Asian market. Symbolic examples are the establishment of R&D centers in Japan by Apple and Nokia (Finland), which were announced in succession. According to the "2015 Survey of Trends in Business Activities of Foreign Affiliates" conducted by the Japanese Ministry of Economy, Trade and Industry (METI), 670 of 3,332 foreign-affiliated companies in Japan (21%) have R&D centers in Japan. In the manufacturing industry, 310 of 594 companies, or over half (52%), had R&D centers in Japan as of March 2015.

"Japan as an R&D center" generally receives high ratings abroad. The "Global Innovation Index 2016," released by the World Intellectual Property Organization (WIPO), Cornell University and INSEAD, ranked Japan as No.1 in innovation quality among 128 countries and regions in the world. In the "Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan Report 2015" published by METI in February 2016, Japan ranked at the top as an R&D center among investment destinations in Asia, which shows foreign companies' high regard for Japan. In a survey of foreign-affiliated companies in Japan conducted by JETRO in 2016, about 70% of the nearly 200 companies chose "high quality of R&D" as one of the most appealing aspects of the Japanese market.

You can check "JETRO Invest Japan Report 2016" at <https://www.jetro.go.jp/en/invest/newsroom/2016/387bc426efc2bd94.html>

Finally, I would like to conclude by repeating our wish that the New Year will bring much health, happiness and business success to everyone, from all of us at JETRO.