

We extend our sincere thanks to World Eye Reports for its help in the completion of this supplement

Asian interdependence key to surviving recession

Japan is the world's second largest economy and is looking to assume a leadership role during the current global financial crisis.

Aside from keeping its own economy in order, Japan has urged its Asian neighbors to boost financial cooperation and maintain existing regional development initiatives. Japan is among the many countries that view Asia as a vital contributor

to growth for its companies during this current global economic downturn.

According to figures from the International Monetary Fund, China is now the world's fourth largest economy, behind the USA, Japan and Germany. Figures released by the National Bureau of Statistics, show that China's gross domestic product grew by 9.9 percent in the first three quarters of

2008, confirming its role as one of the chief drivers of economic growth and underlining its importance as one of Japan's most important trading partners.

In 2008, China and Japan celebrated the 30th anniversary of their bilateral Treaty of Peace and Friendship. It was a fitting occasion and marked the fact that the two countries now represent the two most important economies in Asia. China is

now Japan's largest trade partner with their interdependence growing ever greater.

Commenting on the latest figures, Masako Yabuuchi, director of the Overseas Research Department of Japan External Trade Organization (JETRO), said: "Exports from Japan to China increased by 23.9 percent to total \$62.36 billion in 2008, while imports from China increased by 11.7 percent and reached \$68.4

billion and these amounts keep on increasing."

The figures underline how the two economies have become increasingly intertwined, with exports to China now playing a significant part in Japan's economic development. Japanese businessmen have been quick to identify China's importance as a trading partner.

Yukio Sakamoto, CEO and president of Elpida Memory Inc, one of Japan's leading manufacturers of Dynamic Random Access Memory (DRAM) integrated circuits, said: "Our business grew more than 100 percent within China in 2007 and we expect further growth of around 300 percent within the next three years."

The electronics industry is a vital part of the Japanese economy and represents around 25 percent of Japan's total exports. It has a total value of around \$15.3 billion and grew by 10.9 percent in the first half of 2008. Other sectors have proved similarly buoyant, with general merchandise reporting a growth of 23.3 percent while transportation reported a massive 55.1 percent surge during the same period.

through investments in China and in another of the region's strong economies, such as South Korea and Singapore, and thus reducing overdependence on one economy.

Several Japanese companies, however, have started to adopt a different policy. Recognizing the need for Japanese companies to succeed in China, a number are now moving towards a "China-plus-China" strategy where the country is no longer just treated as a low-cost manufacturing hub but also as a valuable target market

access to a new market to sell the products of the combined business. We also have freer access to raw materials. The combination of the two puts us in a very strong position to develop the business."

Wider cooperation

Japan is now one of the leading foreign investors in China. Aside from a substantial cash injection into the economy, China also benefits from its strategic partnership with Japan through increased employment levels, greater access to R&D facilities and technology transfer, as well as greater scope for human resource development.

It is the potential of the Chinese workforce that has appealed to companies, such as the Nikkei-listed Asahi Kasei Corp, one of Japan's leading chemical manufacturers. Shiro Hiruta, president of the Tokyo-headquartered company, said: "For a large conglomerate such as ours in Japan, China is, of course, a very important potential market. We must therefore look at the business trends and opportunities in China, but at the same time we must also think of the people of China and how we can contribute to their livelihood."

Increasing environmental concern has created another important area for cooperation for companies on both sides. A number of Japanese companies have already shifted toward a more environmentally friendly business model. AEON, the supermarket retailing group, for instance had already hosted a number of "environmental summits", aimed at creating greater sustainability and more eco-friendly trading.

Commenting on this new source of cooperation, Akihito Tanaka, AEON's Head of China Business, said: "AEON has planted more than 1 million trees along the Great Wall since 1995. When looking at how to help the environment, companies must be ever vigilant as to how their operations can be more energy-efficient."



Hiroaki Hara, Foreign Investment Director, INVEST JAPAN

for potential consumers.

This realization is prompting a major re-thinking on strategy for a number of Japanese businesses. Hiska Nobumoto, chairman, president and CEO of Akebono Brake Industry Co Ltd, one of Japan's most successful OEM brake manufacturers, typifies this new thinking: "I think the biggest challenge for all of us is to find out what products would be the most appropriate for the (Chinese) market. It should have the Japanese specifications but the price should be lower."

This new thinking has seen many Japanese companies actively seek out local partners to enable them to enter the Chinese market through a joint venture route. The Japanese metal trader, ALCONIX, is an enthusiastic proponent of this philosophy.

Hideo Yamashita, the company's senior managing director, said: "The joint venture gives us

Chinese investments

INVEST JAPAN is the government agency charged with overseeing the \$150 billion worth of foreign investment in Japan. Hiroaki Hara, one of the organization's directors, is very clear about the importance of Chinese investors: "We have seen a lot investment in the wholesale and information systems sectors from Chinese companies, such as Lenovo and Shanghai Electronic Group."

His sentiments are echoed by JETRO's Yabuuchi: "The economic relationship [between China and Japan] is very tight. Japan and China are part of one economic organism. This is the economic reality. We should maintain and develop this key relationship."

Some foreign investors have adopted a "China-plus-one" strategy, which is about balancing their presence in Asia

Toyota Tsusho targets cultural understanding for growth in China

For millions of people around the world, the name "Toyota" has long been synonymous with dependable vehicles built with hi-tech engineering and a distinctly Japanese-style of innovation. Few, though, are aware of the Toyota Tsusho Corporation, an affiliate company of the world's largest car manufacturer and one that plays a vital role in its continuing success.

Toyota Tsusho was established in 1948, originally to provide consumer finance for car purchases. Since that time its

role has broadened enormously and it is now one of the world's largest trading companies with interests stretching far beyond its initial automobile remit.

A series of mergers – with the Kasho Company in 2000 and with the Tomem Corporation in 2006 – as well as organic growth has seen it trading in a wide range of non-automotive markets, including chemicals, foodstuffs, as well as industrial and consumer goods.

According to the Tokyo-based company's President and CEO, Junzo Shimizu, this diversification has been the key to the company's success: "Too much dependency in one industry is not ideal because of the many changes taking place in the world today. To achieve sustainable growth in the future, we need to diversify our busi-



Toyota Tsusho President and CEO Junzo Shimizu

ness areas, whilst maintaining a balanced business portfolio and keeping automotive as our core business."

Complementing its automotive-related business, Toyota Tsusho has divided its other activities into a number of separate operating divisions – Metals, Machinery & Electronics, Energy & Chemicals, Produce, Foodstuffs & Consumer Products, and Services & Materials.

►Toyota, Page S2



Toyota Tsusho lends support to cultural activities such as a Japanese chess festival in Beijing.

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Up until now, Toyota Tsusho has been satisfied with supporting the global automotive industry and other manufacturing sectors. While continuing to provide that valuable support, we will also point out new directions and, starting now, play a leading role in diverse fields. Look for bold, new contributions from Toyota Tsusho.



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JAPAN-WEBSCAPE

The Japan External Trade Organization (JETRO) is a government-funded organization that promotes bilateral trade and investment between Japan and the rest of the world. Aside from helping attract more foreign direct investment (FDI) in the country, JETRO also assists small and medium-sized enterprises to expand overseas. www.jetro.go.jp

INVEST JAPAN monitors all FDI entering the country and works closely with JETRO in providing important information about setting up a business in Japan. It also handles all queries related to internal investment in Japan. www5.cao.go.jp/invest-japan

The Tokyo Foundation is a non-profit, non-partisan organization that undertakes policy research,

encourages the implementation of government policy and organizes fellowship and scholarship programs to develop management and leadership skills. www.tokyofoundation.org/en/

The Japan Center for International Exchange (JCIE) is an independent, non-governmental organization dedicated to strengthening Japan's role in international networks of cultural exchange and cooperation. www.jcie.or.jp/jcie/

ABIC is a private non-profit group set up by the Foreign Trade Council to assist foreign companies in Japan by sharing its linguistic expertise and international business acumen. Set up in 2000, the group currently has 1,720 members. www.abic.or.jp/en/overview.html

Norinchukin: Banking on China to build its market

In the wake of the 1997 Asian financial crisis, several Japanese banks realized that they had to rethink their approach to the global market if they were to survive.

Under the leadership of Deputy President and Co-CEO Yoshio Kono, the Norinchukin Bank weathered the financial turmoil by consolidating its

foundation in Japan and diversifying its investment portfolio abroad. Kono is to be President and CEO as of April 1 to succeed his predecessor Hirofumi Ueno.

Kono, who had worked for the bank for 36 years, expanded the financial group's activities to include asset management through global investments

in financial products such as specialized bonds and loan packages, private equity and real estate development.

As part of its globalization strategy, Norinchukin has renewed its focus on China.

"We are starting to invest in private equity and, particularly, in Chinese real estate development as we focus on China's huge potential for future economic growth," explained Kono.

In China, millions of people

are moving from the countryside to urban areas and Norinchukin is mainly targeting the country's second-tier cities as investment locations.

But, Norinchukin is not forgetting its roots.

"Coming from my background in the agricultural ministry, I believe the Chinese agricultural sector will be very important to the future of the bank. Norinchukin would like to act as a representative of Japan to help build a deeper

relationship with the people and government of China by sharing our knowledge of primary industries financing, as well as investments," said Kono, whose experience in dealing with the 1997 crisis should prove useful for this current economic downturn.

Established originally in 1923 as a quasi-governmental financial institution and privatized in 1959, the Norinchukin Bank has become one of Japan's largest and most

prominent banks and functions as the central depository of the country's agricultural, forestry and fisheries cooperative systems.

With representative offices in Beijing and Hong Kong and branches in the world's financial centers — including New York, London, and Singapore — Norinchukin's global network enables 24-hour coverage of the world's markets under the control of its head office in Tokyo. www.nochubank.or.jp



Norinchukin Bank President Yoshio Kono

The Norinchukin Bank

Expert engineering from Japan

In 1964, one of the world's leading non-ferrous metals producers, Mitsui Mining & Smelting Co Ltd, established MESCO Inc to handle the maintenance work of their plants and facilities as they expanded and developed their engineering technology and functions.

Forty-five years later, the company has grown into a specialized engineering company that offers complete solutions not only to non-ferrous ore dressing and smelting plants but also to other industrial facilities, such as metal processing and construction materials plants.

It has developed an expertise in pollution control and environmental preservation.

To diversify its business activities, MESCO acquired a pipe business unit in 1988, and today, it is a major player in the field of polyethylene piping in Japan.

Many specialized piping projects have used MESCO's

One of our strengths is that we have a good international network and are able to supply not only Japan but also other countries.

KEI SHIBATA
MESCO President

long and complex polyethylene pipes and pipe systems.

Its strength in non-ferrous metal engineering has allowed MESCO to collaborate with several other similar companies, such as Xstrata Technology Pty Ltd in Australia, for a number of landmark projects around the world.

To consolidate its global presence and meet the require-



MESCO President Kei Shibata

ments for the globalization of the Japanese economy, MESCO has established subsidiaries in North America and other parts of Asia.

"One of our strengths is that we have a good international network and are able to supply not only Japan but also other countries. Another

advantage we have is that we have accumulated experience and technologies giving us the ability to do turnkey contracts," said MESCO President Kei Shibata.

Due to current license restrictions, MESCO is unable to provide its comprehensive line of services in China. But, in recent years, it has received handling machine orders for zinc and copper smelters in Yunnan, Hunan and Inner Mongolia and has transferred some of their environmental-related technologies to companies there.

MESCO hopes to widen its collaboration with Chinese companies and eventually offer its services from planning to project management, operation supervision and maintenance. www.mesco.co.jp

MESCO



Fiber products

Part of the fiber of modern life

Anyone who has ever used a computer, a calculator, a clock, a digital wristwatch or a mobile phone — in other words, practically everyone — has probably used a Chisso product.

Chisso has played a pioneering role in the chemical industry since its establishment in 1906. For more than a century, it has developed a wide range of chemical products like fertilizers, high-purity metallic silicon, polypropylene, synthetic fibers and liquid crystals that have enriched the lives of people around the world.

Paying close attention to changes in people's daily lives, Chisso long ago anticipated the coming of this information-driven age and aligned its business structure accordingly.

"Our information technology materials, especially liquid crystals, play a significant role in the development of next generation IT equipment," said Kazuhiro Hirata, the executive officer and general manager of the 3,000-strong company.

As one of two major



Company founder Shitagau Noguchi

dominant liquid crystal manufacturers worldwide, Chisso is said to represent almost half of the global production of liquid crystal, a critical ingredient used on the displays in cell phones, computers and televisions, among many others.

"Our products are so much a part of day-to-day life you can find them where you least expect them," Hirata explained.

Another of its specially mentioned businesses is synthetic fibers which are used

in the production of sanitary products, disposable diapers and medical masks, and are effective for flu prevention. One of the main production bases is Chisso subsidiary Guangzhou ES Fiber.

Chisso has several subsidiaries in China, including the Shanghai-based Chisso China, which was set up in 2004 to handle sales throughout the country.

Shanghai Jin Chang Engineering Plastics, a joint venture with Shanghai Petrochemical, one of the largest chemical companies in the country, produces polypropylene compounds, which are used in a variety of applications for automobiles and appliances.

"We have been a pioneer in the chemical industry for over 100 years, and our strong team spirit to always provide the best products has been the key to our success," Hirata said. www.chisso.co.jp

chisso

On the cutting edge of publishing

A leader in the human resources industry in Japan, Recruit launched its business nearly 50 years ago by publishing free magazines targeted at new university graduates looking for jobs.

Since then, Recruit has added multiple titles to its name, with both paper-based and web-based magazines in Japan and China that generated more than \$5.6 billion in sales in 2007.

"We aim to satisfy the needs of those who read our publications, to provide them with the most up-to-date and reliable information on varying fields such as housing, bridal and baby, travel, automotive and lifestyle and, of course, our mainstay, human resources,"



Recruit President Hitoshi Kashiwaki

explained President Hitoshi Kashiwaki.

"Through it's more than 300 publications, that attract over 18 million total readers, Recruit provides a wide range

We aim to satisfy the needs of those who read our publications, to provide them with the most up-to-date and reliable information on varying fields.

HITOSHI KASHIWAKI
Recruit President

of companies an opportunity to advertise their products and services.

"Currently, people are in need of information, particularly through the Internet and the Web. Six years ago, we served 70,000 clients. Today, we serve over 280,000 clients.

We are able to provide the platform for companies which have information and wish to get it to the readers of our free paper and Internet publications," he said.

Upon becoming the company's president five years ago, Kashiwaki made efforts to enter the Chinese market. In 2004, Recruit launched the bridal magazine ZEXY in Shanghai. Also, in 2007, Recruit launched the restaurant coupon magazine Hujiaobeibe in Shanghai with editions in Shenzhen and Guangzhou soon to follow.

Kashiwaki believes that there is room for Hujiaobeibe to grow and expand across 50 cities in China.

Recruit also publishes bridal magazines in Beijing and Guangzhou and plans to expand distribution to other cities in China. www.recruit.co.jp

RECRUIT

Sounding board

Editor's note:

A number of top executives of Japanese companies share their viewpoints on cooperation with Chinese partners.

Chinese investment is necessary for the future of Japan. Japan is awaiting Chinese investment with open arms.

Masako Yabuuchi
Director of Overseas Research, Japan External Trade Organization (JETRO)

The government of Japan wishes to operate according to the politics and economy of China and elevate Sino-Japanese relations. We also want to build a mutually beneficial relationship, based on common strategic interests.

We have been devoted to streamlining the environment for investment into the country because Chinese investment is necessary for the future of Japan.

Hiroaki Hara
Director, Invest Japan, Foreign Investment Promotion



China is a very important manufacturing hub for Canon as we maintain close relationships there with many of our suppliers. We have chosen to place many of our produc-

tion facilities in China and in other Asian markets, not only because of the more affordable labor costs but also because there are many experienced and capable managers and employees we can trust there.

Tsuneji Uchida
President and COO of Canon

Japan cannot be expected to grow too much but there is still a lot of promise in the overseas market. So, for the domestic market in Japan, we must focus on higher added-value performance.

Shiro Hirata
President, Asahi Kasei Corporation

Uniquely, we have only one partner in China as compared with other Japanese car makers, which have at least two. And, we focus most intensively on our relationships and our management methodology with that one partner (Donfeng Motor Corporation) and that's been very good for us. This allows us to operate in a very open, transparent, win-win sort of style that's very productive.

Colin Dodge
Senior vice president, General Overseas Market Operations and China Operations, Nissan Motor

As a member of Asia, we are particularly interested in promoting community building in East Asia. Not necessarily like the EU, but as a community that can functionally cooperate when it comes to issues of common interest.

Hideo Katsumata
Managing director, Japan Center for International Exchange

China is still very much a powerful economy. The closer relations that Japan has with China, the better off Japan will be.

Akihito Tanaka
Head of China Business, Aeon Co

Hong Kong is still the first step in doing business in China, but Beijing is fast becoming a gateway for companies into the mainland.

Yukio Sakamoto
President & CEO, Elpida Memory

When production was good, there was no time to make ourselves stronger and leaner. But now that the economy is going down, we believe it is a good time to do so.

We have an excess of 2,000 people from production and we apply them to a new project to reform our company and make ourselves better.

Yoshiyuki Takada
Chairman, SMC Corporation

>Toyota, From Page 5

In line with this diversification program, Toyota Tsusho has formally adopted "Vision 2015 — Lead the Next", a far-reaching agenda aimed at establishing a 50-50 balance between its automotive and non-automotive businesses within the next six years.

As part of the same development push, the company is also looking to increase its business with developing countries and, especially with the so-called BRICS economies — Brazil, Russia, India, China and South Africa. The company has been doing business in China since 1971 and is particularly keen to increase its share of this potentially huge market.

Shimizu said: "China is essential to Japan's development as a country and for Toyota Tsusho's growth as a company. We currently have 176 ventures in China. We are constantly forming new partnerships in other areas of our business aside from automotive-related ones in order to meet our objective of diversifying into other businesses."

This year marks the 30th anniversary of the opening of the company's first office in Beijing. Since then, it has opened 19 new offices,

formed several partnerships and invested \$285 million in China.

The company sees investing in cultural initiatives, aimed at improving relationships and understanding between China and Japan, as a key measure in developing its business in the country.

It has recently sponsored a number of programs aimed at fostering cross-cultural wellbeing — including training in how to play the erhu (a traditional Chinese two-stringed lute-style instrument), lessons in Chinese calligraphy and instructions on how to play Shogi (a form of Japanese chess).

Shimizu is a strong advocate of these initiatives and of the company's approach to environmental responsibility: "We hope that there is greater cooperation between China and Japan both culturally and in business. As an environment-related business, we believe we can make a substantial contribution to building a sustainable society through our activities as a trading company."

"I have seen a lot of improvements made in China over the years and we hope to contribute even more to its society by utilizing our expertise in every way possible." www.toyota-tsusho.com

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NYK keeps faith with China

Despite the global slowdown, China will undoubtedly remain a key global manufacturing hub over the next 10 years.

While many companies have reduced spending to lessen the impact of the crisis, some enterprises, such as NYK Group, believe that the way to survive the downturn is to stay the course and work more closely

with China.

"We have strategically invested in both car carrier and container vessel terminals in major ports in China. We believe that these investments in the gateways of China have contributed to the development of China as the world's manufacturing hub and market," said Takao Ito, NYK line chief

representative for China.

He added: "At the same time, these investments have become the connecting dots for our integrated logistics services in China which holds vast land area and huge potential in integrated logistics business."

As Shanghai becomes a more vital international shipping and logistics center through further centralization of shipping and logistics facilities, NYK has increased to 22 its weekly connections to the port.

Shanghai has increased container-handling volume by 50 percent in the last three years and handling volume was seen to exceed 500,000 TEUs last year.

To strengthen its bases for container transportation and provide high-quality logistics solutions in northern and eastern China, NYK plans to invest in the development of Phase 3B of Daxiao Yangshan Container Terminals in Shanghai and has already invested in Phase 3 of the Dayaowan Container Terminals in Dalian.

Viewing Dalian as the logis-

We have strategically invested in both car carrier and container vessel terminals in major ports in China. We believe that these investments in the gateways of China have contributed to the development of China as the world's manufacturing hub and market.

TAKAO ITO
NYK line chief representative for China



NYK's International Container Terminal at Dalian.



NYK Line Chief Representative Takao Ito presents an NYK Scholarship to a Shanghai Maritime University student in 2008.

tics hub for northeast China, especially for the automobile industry, NYK and a group of local investors inaugurated a dedicated terminal for automobiles in Dalian's Dayao Bay back in July 2006, where it holds a 30 percent stake. Apart from investments

aimed at bolstering its position as an integrated logistics service provider and contributing to the development of China's logistical infrastructure, NYK hopes to make a positive impact on the lives of

the Chinese. NYK believes it is the company's responsibility to cooperate with the Chinese society. They currently support scholarship programs at Shanghai Maritime University, Dalian Maritime University, and Wuhan University of Technology. NYK also provided relief assistance to the victims of the tragic earthquake in Sichuan province. www.nyk.com

Cultural connection key to export boom for pulp/paper giant

China has become the prime target in the Nippon Paper Group's bid to become one of the world's top five pulp and paper production companies. The group is looking to neighboring China after the penetration of its domestic market reached saturation point and the 36th annual consecutive drop in Japanese birthrates indicated a long-term fall in demand.

Signaling his interest in developing business with China, Yoshio Haga, president

of Nippon Paper said: "China has become very important to our company in the last five years. We are now sending staff members to China to study the language and learn and understand the cultural differences. We believe that adapting our knowledge in line with the needs of our overseas operations is crucial to doing good business in other countries."

The Nippon Paper Group was founded in March 2001, following the merger of Nippon Paper Industries



Nippon Paper Group President Yoshio Haga

Co Ltd and Daishowa Paper Manufacturing Co Ltd. A subsequent surge in domestic demand for paper products fuelled rapid growth for the Tokyo-headquartered group.

Nippon's move in to China is based on sound business sense.

Japan has a population of around 128 million, each using on average some 250 kg of paper every year. By contrast, China's 1.3 billion strong population only consumes an average of 50 kg per person per year - offering a



We believe that adapting our knowledge in line with the needs of our overseas operations is crucial to doing good business in other countries.

YOSHIO HAGA
President of Nippon Paper Group

vast untapped market for the paper manufacturer and the company's philosophy of "growth-oriented management".

This philosophy has seen the group adopt the international "Tree Farm Strategy" and invest in cultivating some 200,000 hectares of forested land in Brazil. The group already has similar investments in Australia, Chile and South Africa.

As well as sales offices in Shanghai and Beijing, Nippon Paper also has joint venture projects in Shandong, Zhejiang and Shanghai. www.np-g.com

Success a fact for Link Theory

Link Theory Holding's (LTH) is now one of the world's fastest growing women's fashion retail brands and one that is increasingly looking to China as a key part of its global expansion plans. The January launch of its third outlet in Shanghai now brings its total number of mainland China stores to seven, with a further four operating in Hong Kong.

Although the company's expansion into China is still in its infancy, Ricky Sasaki, CEO of LTH, sees a great fit between the company's philosophy and the Chinese market: "Theory has a seemingly simple philosophy: making great clothes with a focus on fit, fabric quality, and integrity. Clothes that seem simple though are, in fact, very intricate with attention paid to every detail. Our philosophy is that these clothes have to work for the customer's everyday lifestyle."

"Theory is not about an age or a demographic. Our customers are united by an aesthetic and a sense of style. We believe that customer is here in China - just as much as she is in Tokyo or New York."

LTH was established in Tokyo in 1999 as a joint venture between Tokyo-based Link Theory and New York's Theory, an already successful women's fashion brand launched in the US some two years earlier. In 2003, Theory was fully acquired by its Japanese partners and the combined company re-launched under the LTH brand.

The brand was inspired by a vision of modern fashion and the way fashion businesses should be run. The company remains committed to innovation, passion and inspiration.

RICKY SASAKI
CEO of LTH

Theory has remained the merged company's core brand. It has also adhered to Theory's founding principle of introducing innovative brands and contemporary styles to highly-fashion-conscious markets.

Theory's core demographic remains contemporary women with demanding and versatile lifestyles. LTH characterizes these women as: "sophisticated, urban and highly discriminating". Its own research indicates that many designer brands have neglected this growing niche for contemporary clothing.

Its belief is born out by the success of the company - with "contemporary" styles now the fastest-growing sector in the multi-billion dollar fashion industry. It has also seen the company now employing more than 1,800 staff in stores and affiliates throughout North America and Asia - including



Link Theory CEO Ricky Sasaki

the key style capitals of Paris, New York, Tokyo, London, Beijing and Shanghai.

Sasaki believes that Theory's simple design philosophy - clean silhouettes, quality, craftsmanship and fit - have been the key factors in building the brand, rather than traditional marketing techniques: "The brand was inspired by a vision of modern fashion and the way fashion businesses

should be run. The company remains committed to innovation, passion and inspiration. In the beginning, we spent zero dollars on advertising, relying instead on word of mouth."

It is a strategy that now sees countless women around the world finding their favorite black trousers or most comfortable pair of jeans through a Theory outlet. www.link-theory.com/en_US

Pan-Asian policy brings cosmetic cheer for Kao

"Yoki-Monozukuri" is a Japanese term that literally means "excellent product development." But the far-sighted management at one of Japan's top household goods and cosmetics companies has extended this concept into a philosophy that is at the heart of its business initiatives.

For Kao Group, "Yoki-Monozukuri" goes beyond product development. Kao corporate guidelines define the term as "a strong commitment to develop products and brands of excellent value for consumer satisfaction."

The corporation's President and CEO, Motoki Ozaki

believes this phrase has proved to be a key tenet in the advancement of the company: "Kao's success reflects our dedication to the cleanliness, beauty and health of our customers. We've been active in these areas for over 100 years and continue to develop excellent products that satisfy people and enhance their lives."

The Kao legacy began back in 1890, when company founder Tomiro Nagase started selling "Kao" soap in his Tokyo store. Today the company develops and markets its products around the world.

Addressing Kao's focus on



Kao Corporation President Motoki Ozaki

China, Ozaki said: "We have been conducting product development based on the principles of 'Consumer-driven' and 'Genba-ism,' defined as the importance of observing things at genba (genba literally means actual spot. At Kao, 'Genba-ism' is defined as the importance of observing things on-site)."

"In China and other countries, Kao applies these precepts by visiting general households to survey, observe and understand lifestyles, daily habits and product usage, all from a research perspective. Kao uses the results in product development so that people can use our products with joy and satisfaction."

The key to truly understanding consumers' needs lies in sharpening our receptiveness and insight and grasping trends, leading to continual evolution and creation of high value-added products.

MOTOKI OZAKI
President of KAO Corporation

"The key to truly understanding consumers' needs lies in sharpening our receptiveness and insight and grasping trends, leading to continual evolution and creation of high value-added products."

From 2005, Kao has upheld "Asia Harmonization including Japan" as a group slogan. Under this business process innovation, Kao Japan and Kao Group companies in Asia are sharing know-how to find optimum efficiencies in R&D, production, marketing and sales.

Ozaki is emphatic that this harmonization was a hugely important turning point for Kao: "Thanks to the commitment of all members in Japan and across Asia to work together, business units of Kao

Japan and group companies throughout Asia are exerting synergies as never before. We will further dedicate ourselves to enriching the lives of people throughout Asia by offering pan-Asia brands, including Bioré (skin care), Laurier (sanitary napkins), Attack (laundry detergent) and Asience (premium hair care), as well as cosmetics brands Kanebo and Sofina."

Alongside the group's commercial success, Ozaki is keen to ensure the highest ethical standards within the group. His efforts were recently rewarded with Kao's inclusion in the Dow Jones Sustainability Indexes, a prestigious family of indexes listing the world's most socially responsible businesses. www.kao.com



World Eye Reports

Merged steel giants set international trend

With consolidations and mergers now heading many a corporate agenda as the global credit crunch sees companies desperate for cost-cutting and new revenue streams, two Japanese metal manufacturers are claiming to be well ahead of the game.

Back in 2003, the Mitsubishi Corporation and the Nissho Iwai Corporation (now the Sojitz Corporation) agreed to merge their steel products divisions and created a new joint venture company, Metal One Corporation.

The two companies believed the merged operation would generate considerable cost savings and, in turn, provide greater flexibility and productivity to their combined client base.

Commenting on the success of the venture, Moriji Kanada, president of Metal One, said: "After initially setting up Metal One, we have spent the last five years modernizing and restructuring our steel distribution function and services. This has allowed us to generate \$1 billion in new investments and enabled us to provide added-value across all of our activities."

"When we launched Metal One, our consolidated turnover was \$16.4 billion. In 2008, it was nearly \$35 billion. During this time we have been able to expand our business in Japan and overseas, as well as strengthening our core functions and services."

Metal One attributes much of its success



Zhang Yuanrong (third left), vice president of China Minmetals Corp, and Moriji Kanada, president of Metal One, at the launch of the Minmetals Steel Wuhan Co Ltd in December 2005.

to the worldwide surge in demand for steel, particularly from companies in China.

Metal One now has seven offices and 34 business subsidiaries in China.

These include not only a series of coil centers, but also a string of ancillary companies providing sales, processing and manufacturing services for a range of steel products.

In order to better meet the needs of construction machinery manufacturers, 2008 saw the company open steel processing plants in both Hangzhou and Suzhou. The two new launches were carried out in association with

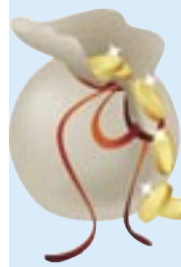
the Keiyo Blanking Kogyo Co Ltd of Japan.

As well as importing Japanese technology and know-how, Metal One has also been seeking strategic partnerships to allow it greater penetration into Chinese market.

The first fruit of this policy is Minmetals Steel Wuhan Co Ltd, a joint venture with the Chinese steel trading giant, Minmetals. Speaking after the announcement of its Chinese joint venture, Kanada said: "Our aim is to lead the world in terms of our innovative approach to steel distribution."

www.mtlo.co.jp

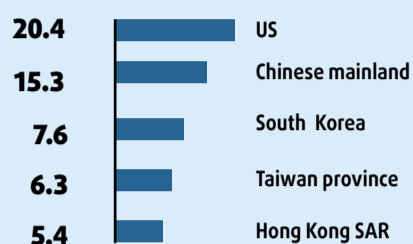
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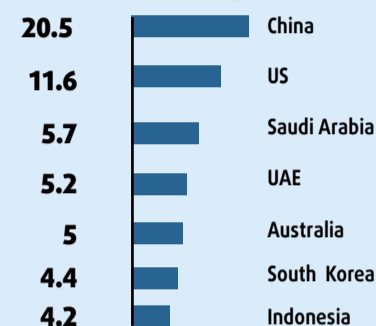
Full name: Japan
Area: 377,835 sq km
Population: 127.29 million
Currency: Japanese yen (JPY)
Ave exchange rate: \$1=93.05 (JPY)
GDP real growth: 2 percent
GDP per capita: \$33,500
GDP: \$4.272 trillion
Unemployment rate: 3.8 percent
Inflation (CPI): 0.1 percent

Major industries: Motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles, processed foods
Major exports: Transport equipment, motor vehicles, semiconductors, electrical machinery, chemicals
Major imports: Machinery and equipment, fuels, food, chemicals, textiles, raw materials
Exports: \$678.1 billion free on board (f.o.b)
Imports: \$573.3 billion f.o.b.

Main export markets (percent share):



Main import markets (percent share):



China key link in global 'wellness' innovation

Otsuka Pharmaceutical Group has been closely linked with China since the 1981 establishment of China Otsuka Pharmaceutical Co Ltd, a pioneering partnership between a foreign and Chinese company in the domestic pharmaceutical industry.

Backed by 106 separate affiliates in 18 countries and regions around the world, the pharmaceutical giant now provides a wide range of proprietary pharmaceutical products, clinical nutritionals (intravenous solutions), diagnostic agents and medical foods, as well as several food and beverage products.

Set up in 1921, the company initially produced and sold chemical raw materials. In 1946 it entered the pharmaceutical business with a range of intravenous (IV) solutions.

It embarked on new drug evaluation and development throughout the 1970s and, in 1980, unveiled its first proprietary drugs - Mikelan and Meptin.

Its global expansion started in the early 1970s, with the opening of an overseas office in the US.



The move was planned as an initial step toward developing an international research and development network and expanding its pharmaceutical business.

Following its successful launch in the US in 2002, Otsuka subsequently brought its drug ABILIFY to China and more than 60 other countries across the world.

In 2003 it inaugurated the Otsuka Beijing Research Institute to develop new medication for under-researched illnesses.

Otsuka believes its worldwide reach and common strategies have benefited many in the markets it serves.

"In recent years, we have been promoting the globalization of this business through worldwide initiatives for the treatment of illnesses and the promotion of day-to-day wellness," said Masayuki Umeno, vice president of the group and executive director of the Otsuka International Asia Arab business division.

Otsuka Pharmaceutical's success has come from its unique combination of businesses. With pharmaceuticals as one pillar, Otsuka has developed the promotion of wellness through its "neutraceuticals" (nutrition + pharmaceuticals) business as its other pillar.

Otsuka's consumer product business takes advantage of the expertise gained in the course of pharmaceutical research and

development.

Neutraceutical products, such as the ion supply drink "Pocari Sweat" introduced in 1980, and the subsequent release of the balanced nutrient food "Calorie-Mate", have created entirely new business categories.

"Consumers today are more concerned than ever before about preventing illness and maintaining their day-to-day health. Starting with the launch of Pocari Sweat, Otsuka has focused its capabilities and ideas on creating scientifically-based products for the benefit of consumers," Umeno explained.

One of the best-known of Otsuka's brands, Pocari Sweat aims to replenish many of the electrolytes, which are lost through sweating during strenuous physical activity.

Market presence

Otsuka has two bases in China for its Pocari Sweat business: Tianjin Otsuka Beverage Co Ltd, and Otsuka Sims (Guangdong) Beverage Co Ltd.

Recently, Otsuka developed a number of new products, including "SOYJOY," which was launched under a shared brand name in Japan, the US and China. It is now distributed in a total of seven different countries.

SOYJOY is a baked fruit bar made from whole soybean powder. Promoted as a tasty and healthy food in bar form, its self-contained format allows

it to be eaten anytime and anywhere.

Soybeans are sometimes called "field meat" in Japan because of their high-quality and easily available protein.

In the US, the Food and Drug Administration claims that consumption of at least 25 grams (6.25 grams/meal) of soy protein per day may reduce the risk of heart disease.

Otsuka's SOYJOY partner in China is VV Food & Beverage Co Ltd, which produces some of the top-selling soy milk powders in the country and has been keen to develop its relationship with the Japanese pharmaceutical giant.

"China has been always our main business focus in Asia," says Umeno, addressing the reasons behind the 1981 launch of China Otsuka.

Following its initial introduction of plastic IV solution bags into the country, it has continued to consolidate its business in China.

The group now has 17 separate companies in China - including market leaders in IV solutions, pharmaceutical products, medical equipment, foods and beverages.

The group continues to place tremendous emphasis on research and development and set up Otsuka (Shanghai) Food Safety Research & Development as a pioneer in the food regulatory business.



The Otsuka-China office opened in 1981, becoming one of the first foreign companies to make its presence felt in China.



The exterior of Otsuka's head office in Japan

The group has also established Otsuka (China) Investment Co Ltd to support and monitor each company and centralize business acumen across the board in China.

Commenting on the company's approach to China, Umeno said: "In line with our corporate philosophy of 'Otsuka's people creating new products for better health worldwide' - our aim has been to contribute to the people of China by bringing into the domestic market our new technology and products."

"Our consumer products busi-

ness responds rapidly to changes in the social environment, including health consciousness, distribution systems and globalization. We promote product development and marketing activities that are scientifically-based and incorporate a global perspective. Overall, we work to contribute to the health of consumers as a leading wellness company."

Otsuka has consistently acted in the interest of global wellness, while working in partnership with local communities and in harmony with the

environment.

Charity efforts

After the May 2008 earthquake in Sichuan province, Otsuka responded rapidly by helping in the relief effort and donating intravenous solutions, following a practice it has maintained in disaster situations across the world.

For the past 10 years, it has also been operating the Otsuka Welfare Clinic in Peshawar in Pakistan, providing free health-care to refugees.

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