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TOYO ENGINEERING CORPORATION (CHINA)

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China's business hub still leads race

As the entire world eagerly anticipates the Beijing Olympics in August, all eyes have focused on the host city.

Preparations for the multibillion-dollar event may dominate media headlines around the world as the anticipation builds up.

Yet, Shanghai continues to assert its identity abroad as the city further consolidates its role as mainland China's commercial center.

Over the past several years, Shanghai has also acquired the reputation as the mainland's most cosmopolitan city as the choice of world-class restaurants, luxury brands and cultural events grew more diverse amid a boom in business.

companies were opened in the third services sector (retail and finance). We are seeing a change in the composition of investment. The increase in service-oriented enterprises is transforming the structure of the economy and the Shanghai Municipal Government is encouraging this," Kumamaru says.

With the implementation of a new set of laws that increases protection of employees, costs and wages have climbed, and companies have adapted to the demands of a highly dynamic market that accounts for nearly a quarter of the entire world's population.

Companies that originally entered China to take advantage of the tax incentives and cheap labor have since had to re-evaluate their strategies and restructure their entire business plans to fit the changing local market. One overarching condition to survive in this vast and competitive market is apparently: localization, localization, localization.

Well-known companies like Sony face stiff competition from local rivals who have lesser-known brands but can manufacture and sell quality goods for lower prices. In China, numbers mean everything.

For Japanese consumer electronics giant Sony, the priority in 2008 is to recruit more local staff.

Sony China's Executive Deputy President Shizuo Takashino says the company's No. 1 priority in 2008 is to localize its staff through recruiting local talent.

"It is our hope to increase our local staff and to employ local Chinese for management-level positions and engineer positions. China's growth is very important and sustaining this growth properly is important not only to the region but to the entire world," says Takashino.

Meanwhile, China's growth across the board continues to astound the world.

Last year, the country surpassed Japan in sales of notebook PCs and is now the second-largest market for personal notebooks after the U.S. In 2007, total shipments rose 50 percent from the previous year to 9.3 million units and that figure is predicted to reach 12 million this year.

Other industries, including automotive and telecoms, are following a similar trend. China is now ranked No. 2 in car sales, again falling behind the U.S. and eclipsing Japan. The country is also the world's largest telecoms market, with growth expected to spike in newer areas such as 3G, broadband and Internet value-added capabilities (including e-banking and e-commerce).

Japanese Consul General Yuji Kumamaru agrees, citing that last year, there was a sharp increase in Japanese companies entering service-driven industries, including finance and logistics.

"In 2007, 80 percent of new



In the competition to attract business, Shanghai has enjoyed a huge head start over several cities, including its domestic neighbors. To bolster its position, the city promotes itself as a multifaceted location by organizing international events, such as this annual marathon sponsored by Toray Industries China.



Yuji Kumamaru, Japanese consul general in Shanghai

The country's commercial and industrial backbone, Shanghai is home to over 50,000 foreign enterprises, more than 6,000 of which are Japanese, according to Kenji Muraoka of the Japan-China Economic Association (JCEA).

The JCEA, the oldest Japanese organization of its kind, helps Japanese companies entering China to obtain needed licenses and facilitate application procedures. It also promotes the interests of Japanese firms in the country.

With the heavy influx of multinational companies to Shanghai, the city's economy has gone down the path of many of the world's more developed markets.

"The nature of industry itself is changing in Shanghai. The shift has gone from manufacturing and exports to a focus on the Chinese market. Previously, companies thrived on cheap labor and the processing industry. Now, the economy is becoming more service based," says Muraoka.

Japanese Consul General Yuji Kumamaru agrees, citing that last year, there was a sharp increase in Japanese companies entering service-driven industries, including finance and logistics.

"In 2007, 80 percent of new

A symbolic business cooperation

Japanese conglomerate Mitsubishi Corp. has experienced much success in China because of its staunch efforts to promote the principles of good corporate citizenship, integrity, fairness and international understanding through trade.

With the increasing importance of the Chinese market, the largest trading company (*sogo shosha*) in Japan considers China one of the most important regions for developing its business.

Since opening an office in Beijing in 1980, Mitsubishi Corp. has expanded its Chinese operations to include one investment firm, six trading companies, four liaison offices, as well as a subsidiary in Hong Kong with two offices, all of which employ 660 Chinese staff and 80 Japanese workers.

Located in Pudong New Area, Mitsubishi Corp. (Shanghai) Ltd. has led the company's operations in the country. In the last five years, business volume has grown 400 percent and its staff has doubled.

"Mitsubishi Corp. is a well-respected company in China. Our commitment to China is well understood by both the public and private



Mitsubishi Corporation's office in Shanghai

sectors, and the Chinese government particularly appreciates the fact we can support what they want to achieve," says Chikara Yamaguchi, chairman and president of Mitsubishi Corp. (Shanghai) Ltd.

Already engaged in energy, metals, machinery, motor vehicles, chemicals, foods and general merchandise, the company has inaugurated two additional divisions: business innovation and business development.

The two new departments will assist clients in approaching the Chinese market and stepping into the global business environment with the added confidence of having support from Mitsubishi.

Taking further steps to respond to clients' requirements, Mitsubishi Corp. (Shanghai) Ltd. is actively reaching out to new businesses interested in entering China.

While some midsize Japanese companies remain cautious about entering the Chinese market, Yamaguchi believes high-value Japanese companies with strong growth potential should seriously consider China.

"We take the attitude that companies should look at China as a partner. Rather than focus on the risks and fast-changing regulations China presents, we suggest that companies work with a Chinese partner to enter the market and benefit from the wealth of opportunities on offer," Yamaguchi says.

By supporting Japanese companies that want to develop their stable foundation in China and by working with other companies that are venturing into the country, Mitsubishi Corporation (Shanghai) Ltd. looks set to consolidate its success in this massive market.

www.mitsubishicorp-cn.com



Chikara Yamaguchi, chairman and president of Mitsubishi Corporation (Shanghai) Ltd.

Shanghai Lantian Grocery Co. Ltd., the sole distributor of Sapporo Beer in mainland China, has seen a growing demand for the popular Japanese brand across the country. The company is located at Huayuan Mansion, Block 1, Rm. 18A, No. 3500 Kaixuan Rd. in Shanghai. Tel. : +86 6464 6751

The Shanghai Japanese Commerce & Industry Club provides members with information, advice and practical guides on doing business in Shanghai. It also offers information about Japanese investments in mainland China's principal commercial hub. <http://jic.shanghai.or.jp/>

The Japan-China Economic Association provides detailed information on current Japanese investments in China. Members of the group benefit from continued support and assistance with the changing business environment in China. www.jesh-web.com.cn

PwC bears the torch for professional services

China's gross domestic product grew 10.5 percent in 2007 and the economy shows no sign of slowing down. Besides a wealth of opportunities, however, the Chinese market presents significant risks. Today, companies recognize the need for professional support to make informed financial decisions and deal with regulatory uncertainties in China.

With more than 9,000 partners and staff members, and an extensive network of offices throughout mainland China and Hong Kong, PricewaterhouseCoopers is the leading professional services firm in the country.

Silas Yang, chairman and senior partner of PwC mainland China/Hong Kong believes the firm is well positioned to take advantage of the strong network developed throughout China.



From left: Frank Lyn, PwC China markets leader; Silas Yang, PwC China executive chairman & senior partner; and Saito Tsuyoshi, PwC partner

"As the eyes of the world turn to Beijing for the 2008 Olympics, PwC is proud to be the accounting services supplier to the huge event," says Yang.

Frank Lyn, China markets leader, is confident PwC will strengthen its reputation for quality and service in China well after the Olympic torch is extinguished.

"PricewaterhouseCoopers China plays an active role in the reform of state-owned enterprises," comments Lyn. "We assist local companies to invest overseas, and assist multinational companies investing in China." The firm's services also extend to Japanese companies that operate or plan to set up businesses in China, as well as Chinese companies that want to establish operations in Japan, according to Tsuyoshi Saito, the partner responsible for Japanese services in mainland China.

"While Japanese companies initially approached China as a manufacturing center, they now focus on the huge potential of the Chinese market as consumer spending increases. PwC understands the challenges involved and through our tailored services, daily communications, training classes and conference meetings, Japanese companies are better prepared for success in China. As Sino-Japan relations develop, PwC looks forward to playing an important bridging role in the two countries' continued bilateral relationship," says Saito.

Hideo Takaura, CEO of Japan-based PwC Aarata, recognizes the growing importance of China to its business. "China operations become a very fundamental success factor for key Japanese companies. As a professional services firm, Chinese-related business is one of the important strategic priorities in PwC Japan's business plan. We will continue to invest our human resources into Chinese related business in order to satisfy our clients' needs," says Takaura.

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www.pwccn.com



Innovative business solutions are not just about numbers

Winning business solutions are found beyond the numbers. Complementing our depth of industry expertise is our extensive knowledge of the local business environment in China. We focus on your key business issues, providing you with innovative strategic solutions, to position your business at the top of the league.

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Drink to your health



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Fact File

Area: 7,039.5 sq. km.
Population: 18.45 million
Currency: Chinese renminbi (RMB)
Exchange rate: \$1 = 7.61 RMB

GDP: \$171.55 billion
GDP real growth: 13.3 %
GDP per capita: \$9,298.00

Unemployment: 4.4% (urban areas)
Inflation (consumer prices): 8.7%

Main industries: Metallurgy, maritime building, shipbuilding, chemicals, electronics, textiles, light industries, commerce, banking, shipping, machinery, electrical machinery, apparel, optical and medical instruments, iron and steel products

Exports: \$ 424.6 billion (Jan-Apr 2008)
Imports: \$ 366.6 billion (Jan-Apr 2008)

Major exports (commodities): Machinery and equipment, Apparel, Optical and medical equipment, Iron and steel

Main export markets: U.S., Japan, Hong Kong, Germany, South Korea, Netherlands

Main import markets: Japan, Taiwan, South Korea, U.S., Germany

Source: Shanghai Foreign Economic Relations & Trade Commission

Teijin Group's operations in China have huge impact on the industry worldwide

Celebrating its 90th anniversary this year, Teijin has evolved from Japan's first producer of rayon and synthetic fibers to a highly diversified multinational company with business interests spanning five segments: synthetic fibers; films

and plastics; pharmaceuticals and home health care; fiber products marketing and IT; and new products.

Since Nantong Teijin Co., a manufacturer of polyester filament fabrics, was established in 1994 and Teijin Chemicals Plastic

Compound Ltd. in 2002, Teijin Group has actively been developing a variety of business in the Chinese market for more than 10 years.

Teijin Group is a leading company that provides chemical materials and business solutions both in this fast-growing market and worldwide.

With Shanghai serving as Teijin's headquarters in China, the group has established a polycarbonate plant in Zhejiang province, newly built R&D facilities, and a sales base for the vast northern and eastern China in the city.

"Shanghai is the center of our business in China and the starting point from which we hope to expand heavily in the near future," says Hiroshi Morimoto, the chief representative of Teijin Limited in China.

"Since competition is fierce in China, we will have to bring all our facilities to China in order to win over others," says Morimoto, who is obligated to maintain the company's position in China and

Asia as the leading producer of polycarbonate resin (PC).

Teijin's polycarbonate plant produces a variety of highly flexible plastic materials (such as PC), which are utilized for a wide range of products, such as automobile headlights, laptop casings, and plastic containers for cosmetics and purified water.

With China being the second-largest automotive market in the world, things have been extremely good for Teijin this year and beyond.

Morimoto, who has been in charge of Teijin's Shanghai operations for the past four years, hopes to introduce new advanced technologies, like Eco-fiber, into Chinese market.

"We are not only a manufacturer of plastic products but also their distributor. Without any intermediary, we will consistently uphold the highest level of quality and service in the shortest delivery time," he insists. ●

www.teijin-china.com



Hiroshi Morimoto, the chief representative of Teijin Limited in China

Toyo Engineering plays significant role in China's development

With over 35 years of experience in China, the subsidiary of Japanese construction giant Toyo Engineering has built a strong reputation for leading several foreign-funded projects that have contributed much to the country's development.

Today, Toyo-China has enlisted a long list of international clients, capitalizing on its extensive expertise in the field and valuable knowledge of the Chinese market.

"We work closely with Chinese collaborators in our industry because we have a long history in the country. This translates into more knowledge and subsequently, better service for foreign companies with the best support from Chinese collaborators. We are very proud

of the fact that not only the client but also our collaborators give us a high reputation and trust," says Toyo-China Company Director and President Juzan Cho.

Initially registered in Shanghai as a construction company, Toyo-China has evolved into a total solution services provider for engineering and construction projects. Since entering the country in 1972, it has completed over 135 projects.

"With a well-localized workforce, we aim to achieve global quality in our service. We stick to attention to detail that comes from the Japanese approach. Then, we integrate the Chinese perspective and educate our staff further in global standards. They are and they will be our greatest

assets who will bring their abilities to the industry even out of China," he says.

Cho's desire to cultivate local talent and capabilities for the benefit of the company also has a personal significance. As the son of Chinese émigrés living in Japan, the company executive considers himself half-Chinese and half-Japanese with a vested interest to help in the development of his parents' homeland.

"Though I grew up in Japan, my father always wanted his children to somehow contribute to the advancement of China. I feel proud that Toyo-China can play a role in China's continuing development," he says. ●

www.toyo-eng.co.jp.



Toyo-China Company Director and President Juzan Cho

'We stick to attention to detail that comes from the Japanese approach. Then, we integrate the Chinese perspective and educate our staff further in global standards. They are and they will be our greatest assets who will bring their abilities to the industry even out of China'



Toyo-China built this OXO alcohol plant in Nanjing for BASF-YPC.

Delivering sound, vision and soul

If the head of consumer electronics giant Pioneer in China has his way, Chinese consumers will be hearing and seeing like never before.

According to Pioneer China Chairman and Managing Director Danjo Yasuhiko, the bulk of the company's business comes from its OEM car audio business as Japanese car manufacturers account for 25 percent of automobiles sold in China.

"We hope to educate the Chinese about our car audio products as it is still a relatively new concept in China. First, they need to understand the product and the next step is understanding that a car is not just for driving. It can also be for entertainment. Our car audio products are part of a lifestyle,"

Yasuhiko explains.

The Pioneer China chief also intends to promote other aspects of the Pioneer brand, which goes into the field of home entertainment.

With the home audio market still in its growing stages in China, Yasuhiko plans to promote Pioneer's home audio products through its 130 exclusive shops in the country and expand business in the untapped western region of China.

Home entertainment products generate only 10 percent of the company's net sales in China, a figure that Yasuhiko wants to raise through the promotion of Pioneer's "Kuro" black label plasma display panel televisions and home theater systems. ●

www.pioneerchina.com



Global leader focuses on growth

What started off as a joint venture between Hitachi and Mitsubishi in 2003 has become a company that has made a name for itself, and carved a distinct place within the semiconductor industry in Shanghai and abroad.

Renesas describes itself as a provider of a state-of-the-art platform that creates "a ubiquitous society" through a variety of interlinkable systems and products, and an interface that allows compatibility between the company's three core business fields: automotive, mobile and PC/AV.

In that ubiquitous society, all existing assets should be available for usage to the maximum possible extent with minimal effort and maximum convenience.

Masahiro Yamamura, the chairman, director and CEO of Renesas Technology China, says the strongest segment of Renesas' global business is the microcontroller unit (MCU), in which the company is the leader.

Yamamura reveals that the company's priorities in 2008 will be its MCU business,

along with its Systems Solutions for System-on-Chip (SoC) and its Standard Product Business for analog and discrete devices area. The company has reported a cumulative annual growth rate of 11 percent.

"Our potential for growth in China is very promising. And as consumption within China is expanding, the domestic market is our primary focus. We are doing our best to design China market-oriented and specific products," says Yamamura.

As China has already surpassed the U.S. as the world's single-largest telecom market and is projected to soon have the world's most Internet users, Renesas' technological innovations in the fields of security, miniaturization, power conservation, networking and interface will be in high demand as these industries continue to mature.

Currently, Renesas has several sales and marketing offices in China, and two manufacturing and R&D facilities.

Based on Renesas' strong network in China, Yamamura says his hope is "to see a steady



Masahiro Yamamura, chairman, director and CEO of Renesas Technology China

increase in our sales numbers, even more than our market growth." ●

www.cn.renesas.com

Innovation by chemistry

After almost 15 years in China, Toray Industries China President and Vice Chairman of the Board Eizo Tanaka believes 2008 will be the best year yet for the company.

"While the first 10 years were tough for us, we have made great progress in the past two years. 2008 will see the beginning of our inland expansion focusing on the China market and less on re-exports," says Tanaka. "We shall fully utilize all our hard and soft resources, run in-depth training programs for our employees, and seek out local talent for engineering and management positions."

Established in 1926, The Toray Group has evolved into a dynamic, highly diversified conglomerate involved in advanced materials. Business areas range from basic materials to processed products such as carbon

'We create jobs for Chinese people... and consider ourselves a model of good citizenship through our contribution to Chinese society'

fibers and water treatment membranes.

In China, Toray Industries China is known for its quality fiber and textiles, business lines that make up 60 percent of its business in the country. The company's "total textile bases" in Nantong and Qindao have adopted Toray Japan's total integrated supply chain management model, which will be its key strategy for further expansion.

The innovative TOREX fabric, used by Nike, Adidas and other athletic brands, is well known in China. To promote sports in China, Toray has hosted the annual Toray Cup Shanghai International Marathon in close partnership with the Shanghai Municipal Government since 1997. The marathon was run by 20,000 athletes in 2007 and will be held again Nov. 30 this year.

The company's R&D centers in China are also a source of pride for the



Toray Industries China President and Vice Chairman of the Board Eizo Tanaka

Toray Group.

Established in 2002, Toray Fibers & Textiles Research Laboratories China research the requirements of the Chinese market. It develops new fiber and textile products in close cooperation with Chinese government institutions and universities.

Located in the Zizhu Science-Based Industrial Park, the Shanghai branch of the laboratory focuses on the development and cultivation of chemical polymers and water treatment research.

Through cooperation with key R&D and production bases in Europe, the U.S. and Asia, Toray looks forward to a brighter future.

Tanaka plans to continue investing in IT-related materials to ensure the company remains ahead of the competition in China.

"While we utilize Japanese capital we are a Chinese company," insists Tanaka. "We create jobs for Chinese people, purchase our raw materials from local markets and consider ourselves a model of good citizenship through our contribution to Chinese society." ●

www.toray.co.jp; www.toray.cn

Yakult contributes to people's health and wellbeing around the world

Good bacteria in the stomach are vital to encourage the digestive process, aid absorption of nutrients and help digest food. As a leader in probiotics with over 70 years of research and development, Yakult is committed to help improve the health and wellbeing of people worldwide.

The Yakult story began in 1930 in Japan, when Dr. Minoru Shirota isolated a lactic acid bacterium that could survive in the stomach. Lactobacillus casei strain Shirota reached the intestines alive and contributed to a healthy

balance of stomach flora.

Dr. Shirota then developed "Yakult," the fermented milk drink that introduces the bacterium into the digestive tract. Today, the drink is enjoyed by 25 million people across five continents.

While the bottle size of Yakult in China is bigger than those sold in Japan, the health benefits are identical. Made from skimmed milk powder, sugar and water, Yakult guarantees 10 billion cfu of Lactobacillus casei strain Shirota per 100 ml bottle to help maintain a beneficial balance of good bacteria.

In China, the company is continuing to penetrate the market as more Chinese recognize Yakult's ability to improve the body's immune system by creating an improved balance of flora in the intestines.

Haruki Anzai, director and president of Yakult China Corp., has succeeded in spreading the Yakult message of health and happiness throughout China through education and promotion.

Anzai believes Yakult has great potential on the Chinese mainland and believes it will



Haruki Anzai, director and president of Yakult China Corp.

continue to be the probiotic health drink of choice in China.

"Our Chinese customers appreciate and understand the benefits of drinking Yakult," says Anzai. "Yakult represents a tasty, quality fermented health drink that helps to increase the good bacteria of the stomach flora through our exclusive strain of probiotics." ●

www.yakult.co.jp



On its 88th year, Yakult continues to serve small but effective doses of health around the world. Currently, the drink is marketed in at least 30 countries world wide.

Better Environment, Better Life

Recognizing that an enterprise cannot continue to exist without consideration of the environment, we are doing our part to help preserve and improve environmental conditions in Shanghai, something the city has made a renewed commitment to in recent years. Each and every employee of Mitsubishi Corporation (Shanghai) Limited is working hard to help raise the quality of life in this burgeoning city.



Mitsubishi Corporation (Shanghai) Ltd.

www.mitsubishicorp.com/en