



Enhancing the Competitive Edge of Japanese 'Monozukuri'
Industries and User Confidence Worldwide

Executive Summary

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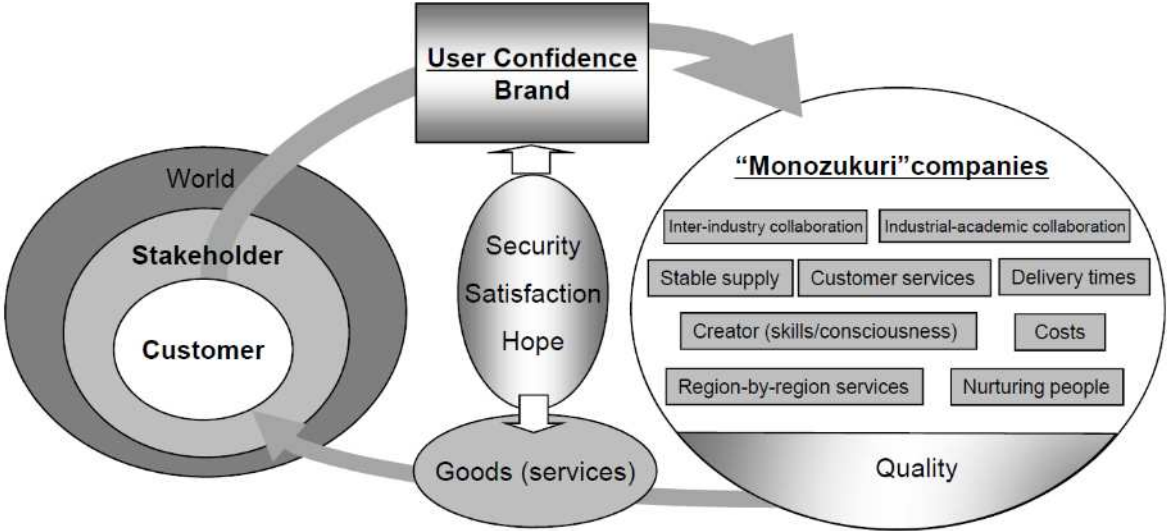
(Japan Association of Corporate Executives)

“Enhancing the competitive edge of Japanese ‘monozukuri’ industries and user confidence worldwide: Three recommendations with six courses of action”

For Japanese ‘monozukuri (producing goods and services with outstanding quality and cost-performance in the world)’ industries to make a further leap forward in the future, they must also attain user confidence worldwide. We must build a win-win situation where Japan gains the trust of each country as the world leader in manufacturing, striving to further strengthen the competitive edge of Japanese ‘monozukuri’ industries. Our endeavor must be to create ‘monozukuri’ industries that both contribute to and are trusted by the world and the public.

The foundations of such ‘monozukuri’ industries are, first of all, to provide the user safe and secure goods and services with outstanding quality and cost performance, while paying due consideration to the global environment. The same consideration must be made to the process of delivering goods and services to the user. Secondly, at every step of the way, from research and development to production, sales and after-sales services, there must be collaboration with other fields and industries, collaboration between industries (inter-industry collaboration), industrial-academic collaboration and intra-industry collaboration. Furthermore, globally sustainable ‘monozukuri’ operations adapted to each region of the globe through cooperation and collaboration are also to be realized in order to continuously nurture and turn out technologies and human resources which are the foundations of ‘monozukuri’ industries. This series of activities will give rise to a sense of security, satisfaction and hope towards goods and services that ‘monozukuri’ corporations produce and ‘monozukuri’ corporations themselves, and ongoing ‘kaizen’ (improvement) will enhance corporate brand value and public trust toward them.

The Foundations of Enhancing the Competitive Edge of Japanese ‘Monozukuri’ Industries and User Confidence Worldwide are to be Created through Ongoing ‘Kaizen’ (Improvement) Activities on Each Factor



In order to realize the aforementioned ‘monozukuri’ industries, we need to make use of the strengths of Japanese ‘monozukuri,’ by fusing these into a new form of ‘monozukuri’ able to take the lead in a new generation. We would like to disseminate globally three recommendations and six courses of action deriving from this new initiative for strengthening the foundations of ‘monozukuri’ in a new age.

Recommendation 1) Achieve Open Collaboration

Uncertainty towards the future of the global economy is increasing with the dramatic rise in resource prices and financial instability originating in the United States. Although there are signs of introspective mindsets in Japanese society, including in politics and economic management, now is the time for us to firmly recognize the strength of Japanese ‘monozukuri’ and to publicize this throughout the world.

The strength of Japanese ‘monozukuri’ up to now has been grounded in

meticulous product development through the skilled use of teamwork and collaboration, with the automobile industry being typical example. However, this teamwork has so far been limited to being comparatively inward-looking, with collaboration being limited to Japan and to Japanese workers from within the same industry. Continuous initiatives are necessary to improve this teamwork and enhance collaboration within the current framework. What will be indispensable to 'monozukuri' in a new era will be initiatives which go beyond the current framework, involving outward-looking collaboration with people and organizations from different backgrounds.

Open collaboration, which is what such outward-looking collaboration involves, must be made a part of each and every step of the 'monozukuri' process, from research and development to sales, production and after-sales services. We would like to publicize this open collaboration throughout the world as the base foundation of 'monozukuri' for a new era. By doing so, we can also gain new ideas from outside, and through fusing this new knowledge with our own, the base foundations of 'monozukuri' for a new era can be sublimated.

The types of open collaboration are shown below:

Open collaboration with different fields and industries

E.g.) Bringing leading business areas to establish new businesses, joint industrial-academic research and fusion of advanced technologies

Open collaboration within the industry

E.g.) Standardization of intellectual property rights, joint research themes, collaboration with diverse suppliers

Global open collaboration

E.g.) Collaboration with non-Japanese human resources, world-wide cooperation and division of labor

The following are the signs of initiatives made towards open collaboration.

1. Active mobilization and utilization of intellectual assets

In addition to the creation and protection of intellectual assets, these assets should be mobilized by 'open collaboration' to create new businesses among different industries, being actively utilized to encourage standardization within respective industries.

2. Promotion of industry-government-academia joint research in the 'research community'

To achieve 'open collaboration' at each stage of the creation, research and development of intellectual assets, promotion will be made of open industry-government-academia joint research in the 'research community.'

3. Expansion of 'Products'-based Supply Chains and Value Chains

Expand 'products'-based systems and services business operations and supply new added value in the value chain. Furthermore, open collaboration should work to reduce trading costs by experimenting with new collaborations in the supply chains.

4. Formation of Systems for Establishing Japanese-style 'Monozukuri' Overseas (from a hub and spoke centered around 'monozukuri' in Japan to multilateral hub and spoke bases centered around Japanese-style 'monozukuri' worldwide)

Act on human resource development bases to expand Japanese-style 'monozukuri' internationally, spreading open collaboration to the world. Work to develop innovations in production systems through international exchange and division of labor. In other words, Japanese-style 'monozukuri' should be taken overseas to form additional hub and spoke bases, so that there will be multilateral 'monozukuri' bases to cooperate and collaborate with one another.

Recommendation 2) Secure outstanding Quality and Strive for further Innovation (Enhancing the value of the 'Japan Brand')

The level of quality built up under the 'Japan Brand' is also an indispensable basis for a new era of 'monozukuri.' We must ensure outstanding quality and engage in further innovations to continue evolving into the future.

Incorporating quality management into corporate management is as necessary as product quality itself in order to ensure outstanding quality and to endeavor towards further innovations. This should be engaged in under the leadership of

the top management of corporations while taking into account a balance of the competitive requirements for products (quality, warranty, prices and delivery times).

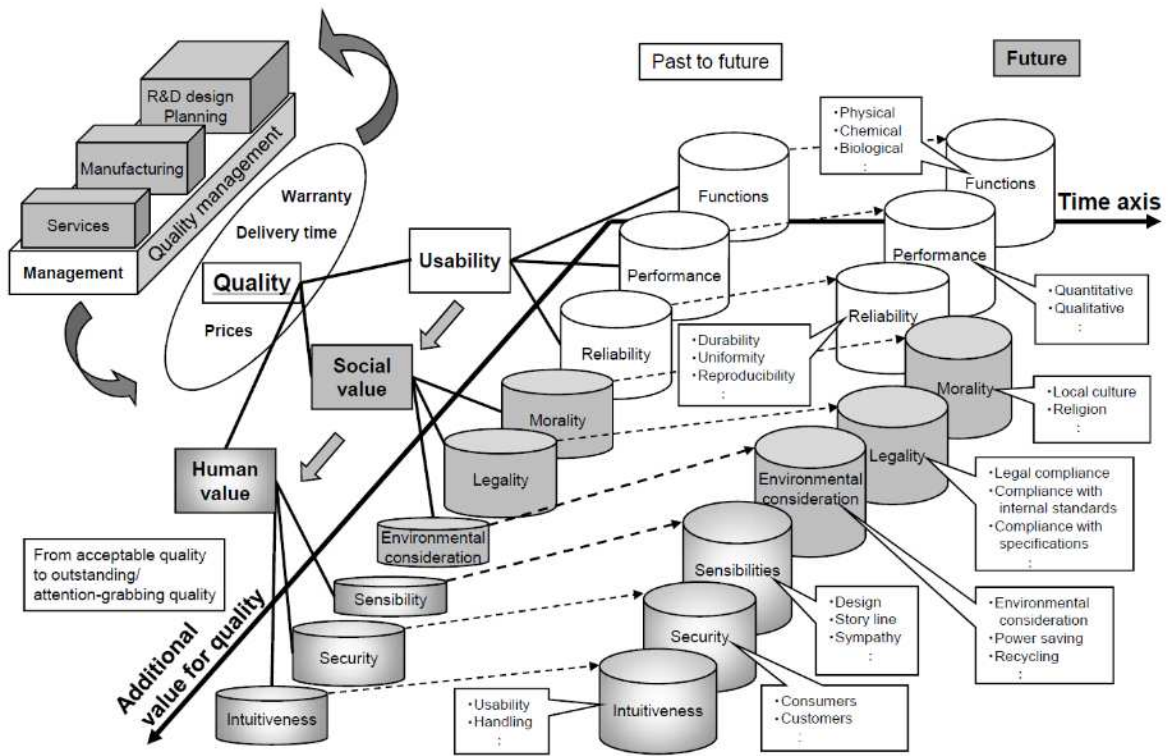
Up until now, the focus of quality has been on usability in terms of functions and performance. Now we have to focus on the human factors of quality, such as social consideration and environment sensibilities, as well as careful observation of the trend of the times. This is not to say that we will deemphasize functions and performance related to usefulness, but rather to say that we will move towards developing products with outstanding quality and overwhelming functions and cost-performance.

5. Work to secure outstanding quality and strive for further innovation

Promote inter-industry collaboration and industry-academia collaboration with different fields and industries in order to develop products with outstanding quality and products focused on social and human values.

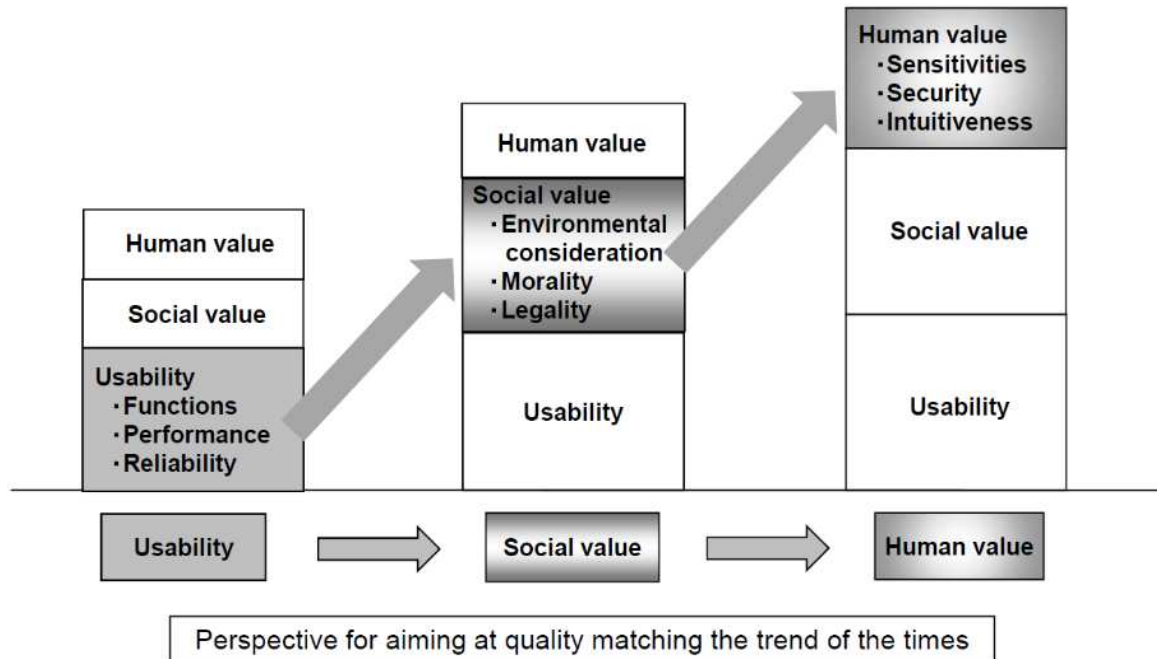
The following diagram shows a framework for attaining and maintaining outstanding user confidence worldwide on quality.

Framework for Attaining and Maintaining Outstanding User Confidence Worldwide on Quality (Diagram 1)



Framework for Attaining and Maintaining outstanding User Confidence Worldwide on Quality (Diagram 2)

Framework for Attaining and Maintaining outstanding User Confidence Worldwide on Quality (Diagram2)



(Composed by the Keizai Doyukai secretariat with reference to "Hinshitsu Hoshō Katsudo on Susumakata (Promoting Quality Assurance Activities)", Masao Umeda)

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Recommendation 3) Secure, Nurture, and Utilize Diverse Manufacturing Human Resources

For the foundations of 'monozukuri' in a new era, it is vital to secure, nurture and utilize human resources for 'monozukuri' in order to achieve open collaboration as per recommendation 1, and to secure outstanding quality and to engage in new innovations as per recommendation 2,.

'Monozukuri' in a new age requires the nurturing and utilization of diverse human resources, regardless of gender, age or race. While promoting overseas human resources being able to cope with Japanese-style 'monozukuri' and encouraging cultural interchange, we must also spread information outwardly by sending

Japanese human resources overseas and encouraging collaboration between people from different cultures.

Below are shown the courses of action for securing, nurturing and utilizing diverse human resources for 'monozukuri'.

6. Work to Secure, Nurture, and Utilize Diverse Human Resources for 'Monozukuri.'

It is vital for corporate human resources development systems to provide work environments suited to each individual.

More support should be given to science education by not only the government but also by industrial circles, in order to attract the younger generation to 'monozukuri' industries. We need to examine appropriate incentives for the development of human resources for 'monozukuri'. It is essential for 'monozukuri' corporations to provide their employees with joy and pride, as well as attractive workplaces, salaries and benefits in their jobs. .