Changes in the Japanese Market –
A Foreign Firm’s View

International Symposium
Recent Developments in the Automotive Supplier Industry
in Japan and the EU

by EU-Japan Centre for Industrial Cooperation, German Institute for Japanese
Studies, Industrial Investment Council

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ZF Group Structure

ZF Friedrichshafen AG
Shareholder: 93.8 % Zeppelin-Foundation, Friedrichshafen / 6.2 % Dr.-Jürgen-Ulderup Foundation, Lemförde
Corporate Headquarters Friedrichshafen
In 2003: 8.93 billion EURO Sales   53,487 Employees

Divisions

- Car Driveline Technology
- Car Chassis Technology
- Commercial Vehicle and Special Driveline Technology
- Off-Road Driveline Technology and Axle Systems
- Powertrain and Suspension Components
- Steering Technology – ZF Lenksysteme GmbH
  A joint venture with Robert Bosch GmbH

Regions

- North America
- South America
- Asia Pacific

Business Units

- Rubber-Metal Technology
- Marine Propulsion Systems
- Aviation Technology
- Aftermarket Trading

Sales and Service Organization

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Committed to Systems

ZF Sachs AG
In 2003:
1.91 billion EURO sales
16,511 employees

Suspension
Shock absorbers for passenger cars
Shock absorbers for commercial vehicles
Nivomat (Leveling)
Shock absorbers for railway applications
Semi-active damping systems (CDC, PDC)
Modules for active chassis systems (ABC / ARS)
Motorcycle dampers

Powertrain
Clutch systems for passenger cars
Clutch systems for commercial vehicles
Torque converters
Autom. clutch and drive systems
Electric drives
Dynastart (CSG)
Timing Chains

Sachs Race Engineering

ZF Trading

Foundry
Iron and aluminum die casting
No “one-fits-all”

From uniform market structure …

**Toyota**
Deepening of group network
- takeover of suppliers

**Nissan**
Loosening of group network
- selling of suppliers

… to 12 OEM strategies

Challenge: Understanding the diverse structures
Think globally, act locally

- Global alliances
- Global players
- Global production locations
- Global platforms
- Global prices

BUT:
Final decisions made in Japan

Challenge: Global customers require global partners … in Japan
Do not try to compete

From isolated OEM solutions

OEM designs, supplier makes
- “build to print job”

To utilization of supplier competence

OEM sets parameters, supplier designs & makes
- “development partner”

Challenge: Managing needs and expectations… not necessarily the same
Optimize the magic triangle

The one and only influencing factor on...

Cost

Quality

Efficiency

... Specifications!

Challenge: Discovering new ways of partnership
Get involved early

From exclusive component design…

… to modular systems

Component suppliers

OEM

OEM

System partner

other markets

other OEMs

Challenge: Transfer of responsibilities
Challenge: Finding the Win-Win configuration

OEM System partner

- Brand
- Concept
- System design
- Coordination of sub suppliers
- Coordination of system suppliers
- System cost control
- Interface architecture
- Logistics
- Warranty

Shift your focus
Achieve Win-Win

**Efficiency**
- OEM concentrates on core competencies
- OEM reduces supplier interfaces

**Quality**
- OEM receives complete and tested modules for “plug & play” assembly
- OEM knows the responsibility for system quality is in one hand

**Cost**
- OEM benefits by eliminating duplication of effort
- OEM gains potential for massive cost reductions by standardization and systems approach

**System partner:** Control of environment

**Challenge:** Know your strength
Do you have it?

Empowered decision making at local level

Committed top management at HQ

Excellent project and program management

Financially solid organization with proper risk management

Intelligent management of alliance network

Resources for continued investment in innovation and technology leadership

Conclusion: Be honest with yourself
Thank you for your attention
Recent Developments in the Automotive Supplier Industry in Japan and the EU
日本とEUにおける自動車サプライヤー産業の発展