

For Six Month Period Ending AUG 24
(Insert date)

Name of Registrant **Whitehouse Associates, Inc.** Registration No. **2190**
dba Int'l Public Relations Co, Ltd.
dba Japan Steel Information Center
Business Address of Registrant **523 West Sixth Street, Suite 804, Los Angeles, CA 90014**

I-REGISTRANT

1. Has there been a change in the information previously furnished in connection with the following:

(a) If an individual:

- (1) Residence address Yes No
- (2) Citizenship Yes No
- (3) Occupation Yes No

(b) If an organization:

- (1) Name Yes No
- (2) Ownership or control Yes No
- (3) Branch offices Yes No

2. Explain fully all changes, if any, indicated in item 1.

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SECTION
REGISTRATION UNIT

IF THE REGISTRANT IS AN INDIVIDUAL, OMIT RESPONSE TO ITEMS 3, 4, and 5.

3. Have any persons ceased acting as partners, officers, directors or similar officials of the registrant during this 6 month reporting period? Yes No

If yes, furnish the following information:

<i>Name</i>	<i>Position</i>	<i>Date Connection Ended</i>
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4. Have any persons become partners, officers, directors or similar officials during this 6 month reporting period?
Yes No

If yes, furnish the following information:

<i>Name</i>	<i>Residence Address</i>	<i>Citizenship</i>	<i>Position</i>	<i>Date Assumed</i>
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5. Has any person named in Item 4 rendered services directly in furtherance of the interests of any foreign principal?
Yes No

If yes, identify each such person and describe his services.

6. Have any employees or individuals other than officials, who have filed a short form registration statement, terminated their employment or connection with the registrant during this 6 month reporting period? Yes No

If yes, furnish the following information:

<i>Name</i>	<i>Position or connection</i>	<i>Date terminated</i>
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7. During this 6 month reporting period, have any persons been hired as employees or in any other capacity by the registrant who rendered services to the registrant directly in furtherance of the interests of any foreign principal in other than a clerical or secretarial, or in a related or similar capacity? Yes No

If yes, furnish the following information:

<i>Name</i>	<i>Residence Address</i>	<i>Position or connection</i>	<i>Date connection began</i>
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II—FOREIGN PRINCIPAL

(PAGE 3)

8. Has your connection with any foreign principal ended during this 6 month reporting period? Yes No

If yes, furnish the following information:

Name of foreign principal

Date of Termination

-
9. Have you acquired any new foreign principal¹ during this 6 month reporting period? Yes No

If yes, furnish following information:

Name and address of foreign principal

Date acquired

-
10. In addition to those named in Items 8 and 9, if any, list the foreign principals¹ whom you continued to represent during the 6 month reporting period.

**Consulate General of Japan in Los Angeles
Japan Iron & Steel Exporters' Association**

III—ACTIVITIES

11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in Items 8, 9, and 10 of this statement? Yes No

If yes, identify each such foreign principal and describe in full detail your activities and services:

(Please see attached, Question 11)

¹The term "foreign principal" includes, in addition to those defined in section 1(b) of the Act, an individual or organization any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual. (See Rule 100(a)(9)).

A registrant who represents more than one foreign principal is required to list in the statements he files under the Act only those foreign principals for whom he is not entitled to claim exemption under Section 3 of the Act. (See Rule 208.)

12. During this 6 month reporting period, have you on behalf of any foreign principal engaged in political activity² as defined below?
Yes No

If yes, identify each such foreign principal and describe in full detail all such political activity, indicating, among other things, the relations, interests and policies sought to be influenced and the means employed to achieve this purpose. If the registrant arranged, sponsored or delivered speeches, lectures or radio and TV broadcasts, give details as to dates, places of delivery, names of speakers and subject matter.

(Please see attached, Question 12)

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13. In addition to the above described activities, if any, have you engaged in activity on your own behalf which benefits any or all of your foreign principals? Yes No

If yes, describe fully.

²The term "political activities" means the dissemination of political propaganda and any other activity which the person engaging therein believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting, or changing the domestic or foreign policies of the United States or with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party.

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IV—FINANCIAL INFORMATION

14. (a) RECEIPTS—MONIES

During this 6 month reporting period, have you received from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise? Yes No

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies.³

<i>Date</i>	<i>From Whom</i>	<i>Purpose</i>	<i>Amount</i>
Monthly	JISEA	Fee	\$18,000.00
Monthly	JISEA	Expenses reimbursed	\$12,026.79
Monthly	Consulate General	Fee	\$ 4,200.00
Special	Consulate General	Editing fee	\$ 1,075.00
Special	Consulate General	Japan Week Forum	\$ 1,000.00
Monthly	Consulate General	Expenses reimbursed	\$16,076.53
Total			\$52,378.32

(b) RECEIPTS—THINGS OF VALUE

During this 6 month reporting period, have you received any thing of value⁴ other than money from any foreign principal named in Items 8, 9 and 10 of this statement, or from any other source, for or in the interests of any such foreign principal? Yes No

If yes, furnish the following information:

<i>Name of foreign principal</i>	<i>Date received</i>	<i>Description of thing of value</i>	<i>Purpose</i>
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³A registrant is required to file an Exhibit D if he collects or receives contributions, loans, money, or other things of value for a foreign principal, as part of a fund raising campaign. See Rule 201(e).

⁴Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

15. (a) DISBURSEMENTS—MONIES

During this 6 month reporting period, have you

(1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in Items 8, 9 and 10 of this statement? Yes No

(2) transmitted monies to any such foreign principal? Yes No

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies, including monies transmitted, if any, to each foreign principal.

<i>Date</i>	<i>To Whom</i>	<i>Purpose</i>	<i>Amount</i>
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(Please see attached, Question 15)

\$28,103.32

Total

15. (b) DISBURSEMENTS—THINGS OF VALUE

During this 6 month reporting period, have you disposed of anything of value⁵ other than money in furtherance of or in connection with activities on behalf of any foreign principal named in items 8, 9 and 10 of this statement?

Yes No

If yes, furnish the following information:

<i>Date disposed</i>	<i>Name of person to whom given</i>	<i>On behalf of what foreign principal</i>	<i>Description of thing of value</i>	<i>Purpose</i>
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(c) DISBURSEMENTS—POLITICAL CONTRIBUTIONS

During this 6 month reporting period, have you from your own funds and on your own behalf either directly or through any other person, made any contributions of money or other things of value⁵ in connection with an election to any political office, or in connection with any primary election, convention, or caucus held to select candidates for political office?

Yes No

If yes, furnish the following information:

<i>Date</i>	<i>Amount or thing of value</i>	<i>Name of political organization</i>	<i>Name of candidate</i>
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V—POLITICAL PROPAGANDA

(Section 1(j) of the Act defines "political propaganda" as including any oral, visual, graphic, written, pictorial, or other communication or expression by any person (1) which is reasonably adapted to, or which the person disseminating the same believes will, or which he intends to, prevail upon, indoctrinate, convert, induce, or in any other way influence a recipient or any section of the public within the United States with reference to the political or public interests, policies, or relations of a government of a foreign country or a foreign political party or with reference to the foreign policies of the United States or promote in the United States racial, religious, or social dissensions, or (2) which advocates, advises, instigates, or promotes any racial, social, political, or religious disorder, civil riot, or other conflict involving the use of force or violence in any other American republic or the overthrow of any government or political subdivision of any other American republic by any means involving the use of force or violence.)

16. During this 6 month reporting period, did you prepare, disseminate or cause to be disseminated any political propaganda as defined above? Yes No

IF YES, RESPOND TO THE REMAINING ITEMS IN THIS SECTION V.

17. Identify each such foreign principal. 1. CONSULATE GENERAL OF JAPAN
2. JISEA

⁵Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

18. During this 6 month reporting period, has any foreign principal established a budget or allocated a specified sum of money to finance your activities in preparing or disseminating political propaganda? Yes No

If yes, identify each such foreign principal, specify amount, and indicate for what period of time.

Consulate General of Japan in Los Angeles (see pg. 5, item 14)
Japan Iron & Steel Exporters' Association, Tokyo (see pg. 5, item 14)

19. During this 6 month reporting period, did your activities in preparing, disseminating or causing the dissemination of political propaganda include the use of any of the following:

- Radio or TV broadcasts
- Magazine or newspaper articles
- Motion picture films
- Letters or telegrams
- Advertising campaigns
- Press releases
- Pamphlets or other publications
- Lectures or speeches
- Other (specify) _____

20. During this 6 month reporting period, did you disseminate or cause to be disseminated political propaganda among any of the following groups:

- Public Officials
- Newspapers
- Libraries
- Legislators
- Editors
- Educational institutions
- Government agencies
- Civic groups or associations
- Nationality groups
- Other (specify) _____

21. What language was used in this political propaganda:

- English
- Other (specify) _____

22. Did you file with the Registration Section, U.S. Department of Justice, two copies of each item of political propaganda material disseminated or caused to be disseminated during this 6 month reporting period? ^{W/B} Yes No

23. Did you label each item of such political propaganda material with the statement required by Section 4(b) of the Act? Yes No

24. Did you file with the Registration Section, U.S. Department of Justice, a Dissemination Report for each item of such political propaganda material as required by Rule 401 under the Act? Yes No

VI-EXHIBITS AND ATTACHMENTS

25. EXHIBITS A AND B

(a) Have you filed for each of the newly acquired foreign principals in Item 9 the following:

- Exhibit A⁶ Yes No
- Exhibit B⁷ Yes No

If no, please attach the required exhibit.

(b) Have there been any changes in the Exhibits A and B previously filed for any foreign principal whom you represented during this six month period? Yes No

If yes, have you filed an amendment to these exhibits? Yes No

If no, please attach the required amendment.

⁶The Exhibit A, which is filed on Form CRM-157 (Formerly OBD-67) sets forth the information required to be disclosed concerning each foreign principal.

⁷The Exhibit B, which is filed on Form CRM-155 (Formerly OBD-65) sets forth the information concerning the agreement or understanding between the registrant and the foreign principal.

26. EXHIBIT C

If you have previously filed an Exhibit C², state whether any changes therein have occurred during this 6 month reporting period. Yes No

If yes, have you filed an amendment to the Exhibit C? Yes No

If no, please attach the required amendment.

27. SHORT FORM REGISTRATION STATEMENT

Have short form registration statements been filed by all of the persons named in Items 5 and 7 of the supplemental statement? Yes No

If no, list names of persons who have not filed the required statement.

The undersigned swear(s) or affirm(s) that he has (they have) read the information set forth in this registration statement and the attached exhibits and that he is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his (their) knowledge and belief, except that the undersigned make(s) no representation as to the truth or accuracy of the information contained in attached Short Form Registration Statement, if any, insofar as such information is not within his (their) personal knowledge.

(Type or print name under each signature)

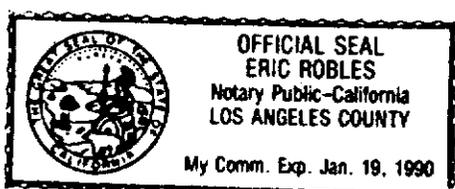
(Both copies of this statement shall be signed and sworn to before a notary public or other person authorized to administer oaths by the agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions who are in the United States, if the registrant is an organization.)

Jack P. Whitehouse

JACK P. WHITEHOUSE

Subscribed and sworn to before me at Los Angeles, California

this 28th day of September, 19 87



Eric Robles

(Signature of notary or other officer)

²The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, constitution, and bylaws of a registrant that is an organization. (A waiver of the requirement to file an Exhibit C may be obtained for good cause upon written application to the Assistant Attorney General, Criminal Division, Internal Security Section, U.S. Department of Justice, Washington, D.C. 20530.)

III---ACTIVITIES

11. Two clients under Registration No. 2190

A. Consulate General of Japan in Los Angeles

Registrant conducts general counseling in public relations, contacts and responds to requests for information from news media and opinion leaders, plans and participates in seminars on Japan for schoolteachers in consular district (Southern California, Arizona and New Mexico), edits speeches and other materials prepared by consular officials, assists in plans for special activities such as Japan Week events in consular district.

For instance, registrant participated in planning and conduct of teachers' seminar at the Santa Barbara County School District on March 31. Registrant arranged and participated in luncheon for Japanese economist with several journalists from the Los Angeles Times. Registrant also participated in planning and conduct of Japan Week L.A. from June 11 - 19, including complete planning and conduct of forum on future of U.S.-Japan relations. Registrant arranged for presentation of encyclopedias and VCRs on Japan to school board of Los Angeles Unified School District on June 1.

On a number of occasions during reporting period registrant assisted news media representatives in their planning for visits to Japan, including representatives of Los Angeles Times, Los Angeles Herald Examiner, Forbes magazine, KNXT-TV, and others.

In connection with Japan Week L.A., registrant assisted in backgrounding a number of journalists at the L.A. Times, venue of the future relations forum, including Marvin Seid, editorial writer, and Nancy Yoshihara and Donna Walters, business writers. Audience to forum was invited by a Japan Week committee.

Registrant also responded to requests for interviews with Consul General of Japan for local operations of ABC-radio, CNN and KCBS; and discussed U.S.-Japan trade issues with freelance writer Roger Skrentny and a Japanese program of importing English teachers with Ed Reingold of Time magazine and others.

Opinion leader contacts by registrant are generally for the purpose of determining local opinions on status of U.S.-Japan relations. Registrant also attends meetings as observer when topics of bilateral interest are discussed.

B. Japan Iron & Steel Exporters' Association (Japan Steel Information Center)

Registrant conducts public relations activities to present the status of the Japanese steel industry and its position on relevant issues. Such activities include contacts with news media representatives, analysts and economists, academia, opinion leaders and representatives of steel-related organizations.

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III---ACTIVITIES (cont.)

12. Two clients under Registration No. 2190

A. Consulate General of Japan in Los Angeles

Political activity during reporting period involved co-sponsoring and conducting a June 16 U.S.-Japan forum on the future of the two countries' relations. [Please see attached folder: "The Pacific Partnership Forum: Facing the Future Together".] Due to registrant's minor sponsorship role and to actual control of forum by Japan Week L.A. Committee, DOJ disclaimer could not be printed on the folder, although all participants were advised of registrant's status with DOJ Foreign Agents registration. Audience of about 150 local business, academic and political leaders was by invitation only through invitation lists compiled primarily by the Japan Week L.A. Committee.

B. Japan Iron & Steel Exporters' Association (Japan Steel Information Center)

During the reporting period, registrant prepared and mailed one news release and one speech reprint as follows:

. News release: "Service Is Key to Competitive Steelmaking", mailed on March 27, 1987 to 40 trade and general business publications in western US.

. Speech reprint: "A Steel Survival Plan", mailed on March 27, 1987 to 116 persons, including above news media, plus opinion leaders in business, academia and political sectors.

In other developments related to political activity, a number of seminars have been conducted during the period with the use of a slide presentation entitled "Trial by Fire". The presentation has been reported previously, although the script itself has been updated and that update is attached herewith. No copies of the script are for distribution, although the DOJ disclaimer slide (previously reported) is always used as the first slide of the presentation.

Seminars were conducted to communicate the status of the Japanese steel industry and its position on current issues. With an emphasis on management methods, seminars for students were conducted at the University of Utah School of Business, Salt Lake City (3-11-87), University of Colorado School of Business, Denver (3-12-87), University of Southern California School of Business, Los Angeles (5-27-87), University of LaVerne MBA candidates, LaVerne, Calif. (4-27-87 and 6-23-87).

Seminars for business opinion leaders were conducted for the World Trade Association, Salt Lake City (3-11-87), Colorado International Trade Association, Denver (3-12-87), Denver Chamber of Commerce (3-12-87), Japan America Society, Tucson, AZ (3-13-87).

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Registrant Activities

Registrant also responds to requests for information from news media, academia, businessmen and others, provides publicly-available information relating to the Japanese steel industry. Reports of activities are regularly discussed with an advisory committee comprised of managers of Japanese steel and trading firms located in Los Angeles.

During the reporting period registrant conducted seminars (please see Question 12, next page) and made contacts with or responded to requests for information from such reporters and editors as:

- . Allan Ota, Portland Oregonian - 2-25-87. Labor relations in Japan.
- . Andrew Tanzer, Forbes - 2-26-87. Background of labor relations.
- . Art Wong, Long Beach Press-Telegram - 4-29-87. US steel imports.
- . Lad Kuzela, Industry Week - 5-13-87. Steel industry restructuring.
- . Peter Bardsley, Seattle Journal of Commerce - 5-14-87. Restructuring.
- . John O'Malley, L.A. Business Journal - 6-9-87. Special issue article.
- . John Heins, Forbes - 7-8-87. Steel visits in Japan.

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Supplemental Statement
6 month ending August 24, 1987

15(a). FINANCIAL INFORMATION

QUESTION 15 (a) Disbursements-Monies

TO WHOM	PURPOSE	AMOUNT
Office production	News release/ofc.reports	\$ 1424.76
Entertainment	Media/research	159.60
Translator	Service rented	150.00
Directory ad	Telephone	0.00
Allens'	Clipping service	0.00
USPO/DHL/OCS	Postage	483.06
In-House	Photocopies	1933.40
AT&T/Pac-Bell	LD tel,Telex, Fax	501.01
Mileage & parking	Local travel	476.10
Airlines/Car rental	Outside travel	2800.00
Special publications	Research	379.68
ITT/Mead data/Nexis	Research/Data bases	735.00
J.D.Roche, Inc.	Printing	1343.92
Kodak/Fox photo/3M	Slides for seminar	0.00
BusinessWire/PR newsservice	News releases	690.00
Parking/ Hotels/ Airport	Gratuities	0.00
Hotels/Stock Exchange Club	Meetings/Seminar space	0.00
Messenger Service Co.	Pick-up/Delivery service	200.00
Town Hall/Stock Exchnq Club	Registration/Dues	0.00
Rental Companies	Equipment rental-Seminar	1600.00
Survey of Pub. Op. Leaders	Analyst	0.00
Honoraria	Speaker	3200.00
	Total	\$ <u>16,076.53</u>

Supplemental Statement
6 month ending August 24, 1987

15(a). FINANCIAL INFORMATION

QUESTION 15 (a) Disbursements-Monies

TO WHOM	PURPOSE	AMOUNT
Office production	News release/ofc.reports	\$ 2279.00
Entertainment	Media/research	2512.15
Translator	Service rented	750.00
Directory ad	Telephone	81.00
Allens'	Clipping service	450.00
USPO/DHL/OCS	Postage	155.23
In-House	Photocopies	492.00
AT&T/MCI/Pac-Tel	LD tel,Telex, Fax	773.42
Mileage & parking	Local travel	130.55
Airlines/Car rental	Outside travel	619.47
Special publications	Research	860.87
ITT/Mead data/Nexis	Research/Data bases	231.99
J.D.Roche, Inc.	Printing	233.24
Kodak/Fox photo/3M	Slides for seminar	23.15
BusinessWire/PR newsservice	News releases	0.00
Parking/ Hotels/ Airport	Gratuities	800.00
Hotels/Stock Exchange Club	Meetings/Seminar space	494.72
Messenger Service Co.	Pick-up/Delivery service	250.00
Town Hall/Stock Exchnq Club	Registration/Dues	540.00
Rental Companies	Equipment rental-Seminar	350.00
Survey of Pub. Op. Leaders	Analyst	0.00
	Total	\$ <u>12026.79</u>

PARTICIPANTS IN THE PACIFIC PARTNERSHIP FORUM

Moderator: Marvin Seid, Editorial Writer, Los Angeles Times, specializing in East Asia, Middle East, energy and the arts. A native of Los Angeles, holds a Master's degree in Journalism from UCLA; joined The Times as copy editor in 1957, became editorial writer in 1960.

Panelists as Scheduled

Jiro Tokuyama, Senior Advisor to Mitsui Research Institute and to Nomura Securities Company, Tokyo. The widely-respected economist has a Master's degree in that field from Tokyo University, has studied at Harvard under Dr. Henry Kissinger, at the Rockefeller Foundation of Woodrow Wilson School at Princeton, and at Columbia. Author of eight books, most on economic and political affairs, he is also the translator into Japanese of works of Vance Packard, Alvin Toffler, William G. Ouchi and Robert C. Christopher.

Glen S. Fukushima, Director for Japanese Affairs, U.S. Trade Representative, Washington, D.C. After graduation from a Los Angeles high school, received his A.B. from Stanford, J.D. from Harvard Law School, and worked with a prominent Los Angeles law firm. Joined USTR in 1985 and has been an integral part of the U.S. negotiating team on most U.S.-Japan trade issues, including MOSS talks. Said New York's Journal of Commerce (5-20-87): "He has emerged as one of Washington's brightest young stars."

Taizo Watanabe, Consul General of Japan in Los Angeles. The community-minded diplomat was graduated in law from Tokyo University, received Master's degree in international relations from Yale. Has served in Japan's Embassies in Washington, D.C. (total of five years), Nairobi, London and Bangkok, and was private secretary to then-Chief Cabinet Secretary Susumu Nishida. Posted to Los Angeles late in 1984. Because of frequent assignments as official Government spokesman, is known and respected by Japanese and American press corps.

William Watts, President, Potomac Associates, Washington, D.C. and Professorial Lecturer, The Johns Hopkins University School of Advanced International Studies. With a BA from Syracuse and a Master's degree also in Russian Studies from Harvard, was career Foreign Service Officer with U.S. State Department and served in U.S. Embassies in Seoul and Moscow. Moved to Ford Foundation, later to senior staff member of National Security Council at The White House. Widely-published author on U.S.-Asian affairs, lecturer, public policy research analyst and consultant to The Gallup Organization.

THE PACIFIC PARTNERSHIP FORUM Facing the Future Together

Tuesday, June 16, 1987
8:00 A.M. until 10:30 A.M.

8:00 - 8:30 Continental breakfast and assemble

8:30 - 9:00 Introduction by Moderator Marvin Seid

Views of Speakers:

Mr. Jiro Tokuyama

Mr. Glen S. Fukushima

Mr. Taizo Watanabe

Mr. William Watts

9:30 - 10:00 Moderator and Speakers respond to remarks

10:00 - 10:30 Audience joins discussion

10:30 Adjourn

The Forum is an event of **JAPAN WEEK L.A.**, which is supported and coordinated by the **JAPAN WEEK L.A. Committee** in cooperation with other sponsoring organizations.

Sponsors of this Forum include Nihon Keizai Shimbun, Inc., the **JAPAN WEEK L.A. Committee**, and International Public Relations Co., Ltd.



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国際ビジネスマンの日程。

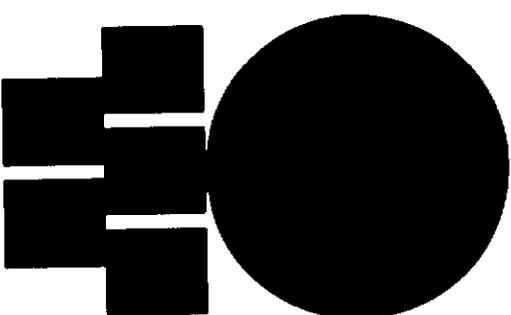
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の部数を誇る経済総合紙、日本経済新聞が、
クオーター・アトリート・ジャーナルを発行
するタワ・ジョンズ社と提携提携し、5月
からロサンゼルスとニューヨーク、7月からヨ
ーロッパ(オランダ・ハーレン)で現地印刷。
東京と同じ最新ニュースを同時に印刷し、
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の国際化が急速に進む今、「経済情報の日経」
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The same daily news coverage for both Japan and America
For the International Businessman it's NIKKEI
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JAPAN WEEK L.A.



THE PACIFIC PARTNERSHIP FORUM

FACING THE FUTURE TOGETHER

Tuesday, June 16, 1987 — 8:00-10:30 A.M.
The Los Angeles Times Auditorium

Japan Steel Information Center

523 WEST SIXTH STREET, SUITE 804, LOS ANGELES, CALIFORNIA 90014
Phone (213) 627-4188

CONTACT: Jack Whitehouse
Jeff Taylor
(213) 627-4188

FOR RELEASE: 10:00 a.m. Monday
March 30, 1987

SERVICE IS KEY TO COMPETITIVE STEELMAKING NKK EXECUTIVE OUTLINES JAPANESE PLANS TO STEEL DISTRIBUTORS

MIAMI, FLA., March 30, 1987 — Service will continue to be the key ingredient in successful steelmaking, according to Sachio Hatori, Executive Vice President, Nippon Kokan (NKK), who outlined to steel distributors here the various measures underway in Japan to regain competitiveness.

In addition to expanded services to users, Japanese steel producers are also "closing down more capacity, reducing the work force and developing new technologies" to be cost-competitive against Korean and Taiwan, he said.

According to Mr. Hatori, Japanese producers are concentrating on high-quality, value added products "to be competitive with newer steelmakers."

While U.S. steelmakers have made "considerable and successful efforts to cut costs and improve productivity, further efforts are needed to lower the cost to the prevailing world level if the U.S. steel industry is to survive in the the future," he said.

Addressing the annual meeting of the Association of Steel Distributors, Mr. Hatori, who is also vice chairman of National Steel Corp., Pittsburg, said that in the current sluggish market, producers must respond "quickly and accurately to changes and respond speedily to changes" in customers needs. NKK has put this concept into practice both at home and with its 50 percent-owned U.S. steel producer, National Steel, through shifting their marketing systems from a product orientation to a customer orientation, so that sales representatives sell the full range of the company's products.

MORE

2--2--2 JSIC Service is Key

Imports into Japan this year will be higher than 3.3--million tons in 1986, Mr. Hatori said. "Japanese steelmakers don't expect any relief through government intervention. In fact, most of that steel comes in duty-free." Japanese steel exports, on the other hand, are declining with 30--million tons last year, down from 33--million tons in 1985 and, this year, tonnage will "go even lower."

At NKK, the steel work force is being cut from 19,400 to 13,200 over the next few years. One blast furnace is being shut down. Others producers are also cutting back.

He also urged American steelmakers to "develop a full-fledged program to increase steel consumption in the U.S., to recoup a portion of the demand that was lost in the late 1970's.

Commenting on NKK's National Steel Venture, he said the U.S. steel producer had needed improvement in both quality and operating management. New continuous casting machines are being installed and an electrogalvanizing mill -- the first in the U.S. -- was also put into operation to satisfy customer needs. As a result, the company was profitable in the fourth quarter and hopes to improve upon that through 1987.

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A STEEL SURVIVAL PLAN

by

Sachio Hatori
Executive Vice President
Nippon Kokan K.K.

Presented to the 44th Annual Convention of
the Association of Steel Distributors
Miami, Florida, March 30, 1987

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In the first half of the fiscal 1986, the five major Japanese steel companies, including NKK, had a combined loss from operations of 195 billion yen (equivalent to \$1.29 billion). Although securities and some real estate holdings were sold to offset this loss, we still had a net deficit of 40 billion yen (equivalent to \$265 million). For the full fiscal year, which ends tomorrow, it is expected that the five steelmakers will have an operating loss of 450 billion yen (\$2.94 billion).

Crude steel production this year will be about 96 million metric tons. That is about 8 million tons less than fiscal 1985.

In fiscal 1987, tonnage could drop to 92 million tons, and we expect it to go to 90 million tons or less in the near future.

That is a drastic change for us because we have been averaging more than 100 million tons annually for more than 10 years. The factors in this decline include:

- lower domestic demand since activities in the heavy industry sector are less and our major steel users are exporting less finished goods
- higher steel imports from developing countries
less exports to United States, China and most of our other markets.

Domestic demand in Japan is expected to be about 67 million tons in fiscal 1986, about 2.5 million tons less than the previous year. With an anticipated growth rate of about 2 percent in the next fiscal year we do not expect demand to pick up at all. In fact, we have been urging our government to increase public works spending.

On the import side, tonnage last year was 3.3 million and we expect it to go higher because of the adverse effects of the strong yen; the startup of the Kwang Yang Works in Korea; and the continued expansion in Taiwan and Brazil. Imports now account for about one-half of all commercial grades of plate and hot-rolled sheet.

We also do not expect any relief from import competition because our government has not been as cooperative as yours when it comes to this area. In fact, most imported steel comes into Japan duty-free and there are no other restrictions.

Our direct steel exports have also been hurt by the yen strength. Last year we shipped 30 million tons overseas, down from 33 million tons in 1985. This year, we expect the tonnage to go even lower. Look at the United States. In years past we shipped about 20 percent of our exports to your country. It was our biggest market. Now that percentage has dropped to just over 10 percent and trade restrictive programs, such as the current VRAs, are partially to blame.

But the yen is our biggest problem today.

We wish that Mr. Baker, the Secretary of the Treasury, would better understand our situation and be more cooperative in this matter. We would like to see the yen at 180.

Under such difficult circumstances, what can Japanese steelmakers do?

We can become more cost competitive against the newer steelmakers in Korea and Taiwan by closing down more capacity, reducing our work force and developing new technologies.

We can concentrate on higher quality, value-added steel that cannot be made by these countries.

And we can improve our service.

Survival Measures in Japan

We have programs in all these areas. The next year or two will decide whether we have been successful in becoming competitive. Our medium-term plan includes massive cost cutting.

For example, at NKK, two of seven blast furnaces have already been closed and we are shutting down one more, leaving only four furnaces in operation. We are concentrating slabbing and blooming and UOE pipe production at one mill and also upgrading operational efficiencies of other facilities.

NKK has 19,400 employees in the steel area. In a few years that number will be reduced by 6,200, mainly through attrition or transfer to non-steel areas. For the top five producers including NKK, cutbacks are expected to be about 44,000.

Although these steps are defensive cost-reduction programs, we are also taking offensive measures as we look into new technologies.

These new programs include a smelting reduction process that eliminates sintering and coke oven facilities, as well as the blast furnace, while using low cost steam coal and powdered ore. Hot direct rolling, which we are now doing, connects continuous casting to hot rolling and eliminates reheating furnaces. A strip casting process designed to make strip directly by continuous casting, thus eliminating rough rolling in the hot rolling process, is still in the experimental stage.

We're also constantly working on new products. Surface treated steel and composite steels are constantly being developed and improved.

Alloy-coated electrogalvanized steel sheet is one example of a surface-treated steel. It has also been treated with an organic composite coating. Both were developed for the automotive industry to fill severe requirements for rust resistance. Another product in this category is electro-terne plated sheets. For electrical machinery manufacturers, galvanized steel sheet is given an organic composite coating to meet their need to reduce production processes. The weldability of steel for can materials has been improved for container makers.

Two examples of composite products I would like to highlight are laminated steel sheet which involves a plastic film sandwiched between steel sheets and a variety of clad plates and pipes where the anti-corrosion properties of stainless, titanium and other metals are layered on top of low-cost carbon steel. The laminated steel sheet provides vibration damping, sound insulation and lightweight properties not found in conventional sheets and are now used commercially for automobile and construction material. Clad products are gaining wide acceptance by our customers where the applications are highly critical.

The major element I mentioned earlier is service. In the past, customer service referred to the precise execution of contract conditions and the supply of high quality steel. Service activities in the current sluggish market involve understanding

the customer's needs quickly and accurately, and to respond speedily to changes. As user needs become more sophisticated and diversified, close customer contact and flexible and fine-tuned services not limited only to specific products are indispensable.

To put this concept into practice, NKK changed its domestic marketing system from a product-by-product orientation to a customer-oriented organization to sell the full range of our products. At the same time, we are reinforcing the strategic functions of sales. Our salesmen must also be automobile specialists so that they can collectively sell all products currently made by NKK for automotive use. Not only cold rolled steel sheets, but also galvanized sheets, heavy and medium plates, hot-rolled, steel bar, pipes, among others, are marketed by one group.

Though NKK has always been proud of the quality of its service to customers, this organizational change in our domestic sales program is highly rated by customers. They have even suggested that we could further improve various marketing services.

The U.S. Steel Situation

So far, I have touched briefly on how the Japanese steel industry and NKK are coping with a difficult environment. Now let me look at the U.S. situation.

I am wearing two hats now. One is marked Executive Vice President of NKK and the other Vice Chairman of National Steel. In the former capacity, I am following the trend in our exports to the U.S., and the restrictions confronting us here, such as the Voluntary Restraint Arrangement and Buy-American laws. An omnibus trade bill that may apply the allotment of a VRA country to material sold to a non-VRA country which eventually becomes a U.S. import, is also a concern.

We had agreed to the VRA until 1989, taking a wide view of the fact that we could contribute to the revitalization of the U.S. steel industry and the development of a further friendly relationship between Japan and the United States. I believe that VRA will not be in effect after that year.

However, I have heard reports that some top U.S. representatives in steel and labor favor an extension. Even certain representatives of the Reagan Administration have indicated that this might very well be seriously considered. We will have to wait until early 1989 to assess the situation but I am sure, as many of you know, continued protection alone really doesn't help the American steel industry.

In my other capacity as the Vice Chairman of National Steel I am convinced that the U.S. steel industry has made considerable and successful efforts to reduce production costs and improve productivity, recognizing that the period of VRA is for revitalization to recover international competitiveness. With the closing of older plants, coupled with labor cutbacks, drastic rationalization is in progress. Unfortunately the production cost of steel in the U.S. is still too high. Further efforts are needed to lower the cost to the prevailing world level if the U.S. steel industry is to survive in the future.

Another point sometimes overlooked is actual steel consumption in the United States. American steelmakers must conscientiously develop effective programs to increase the use of steel so that it can recoup a portion of the demand that was lost in the late 1970s. We don't think you can sit around quietly and wait for the orders to come in. Try to get back some of the markets lost to other materials. Look at the housing industry where steel frames and steel doors can replace wood and

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As you know, National Steel needed improvement related to quality and operations management during NKK's first two years. We made every effort to make these improvements. Investment in equipment was made to improve quality.

Continuous casting machines that incorporate the most up-to-date technologies of NKK were just installed. The caster starts up in the Fall at the Great Lakes Works, near Detroit. When fully operational the casting ratio at that works will reach 100 percent and for National Steel, as a whole, it will be about 90 percent, making it the leader among U.S. producers.

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Be it in Japan or the U.S., the iron and steel business is a difficult one. On this perception, I hope to make National Steel and NKK more competitive by supplying high quality products to users.

In this address, I have repeatedly referred to meeting the specific needs of users and, in that context, your role as distributors and processors will grow more important. In short, specifications required by steel users in both our countries will grow more precise.

In the future, distributors will not only be required to have highly accurate processing machines, but must also shorten lead time and control inventories and shipment through computers to assure just-in-time delivery.

In my opinion, the sharp increase in your tonnage in recent years is the result of such services. Before I close, let me say that I hope that you will keep up your research efforts on users' needs, and provide accurate feedback to the producers to help in the future prosperity of the iron and steel industry.

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TRIAL BY FIRE - 1987

- (1 - disclaimer slide)
- (2 - title slide)

[welcome, sponsors, focus on discussion period]

- (3 - birdseye of Ohgishima)

When you look down upon one of Japan's most modern steel mills - like this one on a man-made island near Yokohama, - what do you see? An artist may see industry; an economist may see efficiency; another steelmaker may see competitiveness; an automaker may see a good source of quality steel; a professor may see the culmination of three decades of excellence in management. To a Japanese steelmaker, the view is at once one of achievement and yet one of dramatic changes still to come.

- (4 - plant beauty shot)

From the towering blast furnaces that have been symbols of steelmaking based on their economies of scale to the greening of the plant, symbolic of strict environmental controls, momentous changes will take place in the next 15 years, more than in all of the past 30 years. Why? Because Japanese steelmakers, like other basic Japanese industrialists, find themselves facing an escalating series of forces like a suddenly strong yen and trade frictions, like competition from newly industrialized nations and from new materials, and like slow-growth markets for their steel products, both at home and abroad.

- (5 - Japanese steel exports chart)

The crisis condition in Japan which has been created by the skyrocketing value of the yen against the dollar makes long-range planning for steel production almost impossible, and that has forced a speed-up in plans to restructure the industry. Still, the trade issues relating to steel exports continue to be matters of great concern. With Japan exporting about a third of its production, this chart shows where that steel went last year.

- (6 - U.S. steel consumption chart)

In the American market last year, the 11 western states continued their traditional consumption of about 10 percent of the total national consumption of steel. These charts show where that steel came from.

- (7 - VRA countries market shares chart)

But that same American market has also been a matter of significant concern to steel exporters to this country, since it has been protected for the past 18 years by one form or another of government intervention. Today we are in the third year of a five-year Voluntary Restraint Arrangement involving 27 major exporting nations. [describe total 18.5%, Japan 5.8%, EC 5.5%]

(8 - non-VRA countries market shares chart)

Recently a bill was introduced into Congress, with support from the domestic industry, calling for an extension of the VRA controls to other countries, many of which have taken advantage of the missing competition from the VRA countries by increasing their exports. Although that presents very sticky problems of negotiating, especially with a country like Canada, and although Japan is basically opposed to any form of anti-trade measures, it has been distressing for Japanese steelmakers to watch the non-arrangement countries fill the gaps created by their controlled exports.

(9 - U.S. firms modernizing chart)

Reasons for Japan's consistent cooperation with calls for steel export controls to this country are not only that this is a good market, but also that a healthy American industry is actually in Japan's best interests. The management methods and technologies that helped Japan to become the most competitive steel industry, have been and are continuing to be transferred to these American companies, in one form or another.

(10 - computer room)

Those management methods and technologies that come into play are both structural on the one hand and in the category of human relations on the other. Some of those on the structural side include complete computerization of operations, from the moment a customer places the order to determining the best method of delivering the final product.

(11 - unmanned storage)

(12 - " ")

One of the on-line computerized systems is this unmanned warehouse for slabs and coils, waiting for further treatment or for shipment.

(13 - blast furnace)

More efficient uses of blast furnaces is another, including conserving energy by harnessing the massive top pressures to turn the electricity generating turbines;

(14 - coke ovens)

and capturing the heat and gases from the coke ovens as more energy conservation resources. Some steel mills even have excess energy to sell to their local communities.

(15 - laser scarfing)

Extensive use of laser technologies for microscopy and optical fibre cable systems and laser irradiated steels are now standard technologies. Here is a new method of surface treatment to detect and correct imperfections.

It is through these and many other refinements in steelmaking that the Japanese industry is not only contributing to the modernization of the American industry, but is taking the first step in its own restructuring, as well - strengthening and securing its competitiveness in steelmaking. Upstream and downstream in the steelmaking process new technologies are being researched and developed. In one classic discovery, a new process for continuous annealing has cut a conventional treatment that takes 10 days down to one that takes just 10 minutes.

(16 - continuous casting diagram)

A country's degree of modernization in steelmaking is frequently gauged by its percentage of continuous casting in place. The productivity benefits in terms of time, manpower and energy savings by the system are immense. Many separate steps in conventional steelmaking are combined, and eventually can become completely continuous from direct reduction steelmaking to final product rolling.

(17 - CC ratio table)

(describe)

(18 - workers 1/4 slide)

To remain competitive and to internationalize its operations are two goals of such structural developments in the industry - and those structural adjustments are typical of many industries in Japan today. But we have also mentioned the human relations in Japanese management; that part that so many authors have praised in recent years. It's sometimes being called "peopleism" in Japan today, and there are debates going on about whether or not peopleism is exportable. Can a way of working be exported? In America, can corporations be formed around people as capital - enterprises centered on human networks?

(19 - college guys)

(20 - workers entering)

Here is what that might mean. In Japan a college graduate is not considered to be ready for work until he or she has been thoroughly immersed in the character and business of the company. A square block of granite on which the corporation can sculpt its individualized employee.

(21 - classroom)

In the classroom, learning about corporate history and philosophy, labor relations and strategies;

(22 - roundtable and blackboard)

In smaller groups, learning details of products and production;

(23 - trainees on the line)

In the plant, probably on the graveyard shift, getting the hands-on message.

(24 - JK group at roundtable)

The best-known of Japanese management practices - one that has indeed been exported - is the quality circle method of problem-solving. The teams work together on a regular basis in their sections giving constant attention to quality and productivity improvement. And even though one mill claims a \$600 million annual savings from the work of its circles, the employees do not share directly in the savings, as one might expect as a reward here.

(25/26/27/28 - JK awards)

Recognition of their team effort by top management is far more important than monetary rewards to the Japanese, and periodically company-wide and industry-wide conferences are held to present winning problem-solving plans and receive that recognition.

(29 - volleyball/30 - cheerleaders/31 - exercise program/32 - hospital/
33 - nurse/34 - villa)

A few more scenes of human networking . . .

(35 - worker and family)

An employee and his biological family are all part of the corporate family - for life. And despite the trials by fire of the Japanese steel industry today, despite the 46,000 jobs that must be eliminated in the industry over the next three years, the commitment to lifetime employment remains. People in jobs that must be eliminated will be given options of other work. Crisis management to the Japanese means new strategies, but not at the expense of the people network.

(36 - examples of diversification)

If management must diversify from a single-business structure of steelmaking to a multiple-business enterprise to meet its present crisis, here are some of the directions that diversification is taking.

(explain - using steelmaking, engineering, environmental, computer tech, etc.)

(38 - Kanmon bridge)

Engineered structures . . .

(39 - high speed rail)

High-speed, ultramodern transportation systems . . .

(40 - rocket)

Titanium alloys for aerospace . . .

(41 - refractories)

Zirconium for refractories and fine ceramics . . .

(42 - powder metallurgy)

Powder metallurgy, for steels that are lighter and stronger

(43 - gears)

for parts produced to the demanding tolerances in today's markets.

(44 - pilot plant)

This pilot plant is unlocking the secrets of coal gasification and liquefaction

(45 - beauty shot)

So the steps in crisis management being taken today are first to strengthen the steel business, which means cutting capacities, jobs and intensifying research to increase competitiveness . . . develop new steels of unique qualities for tomorrow's demands . . . diversify into new materials . . . and diffuse their accumulated steelmaking expertise - environmental protection, computer systems, precise measurement and control, conservation of energy and resources, transport rationalization, and wider use of by-products, among many.

(46 - Qatar)

And it is to be done on an increasingly international scale. Build a direct reduction steelmaking plant in Qatar . . .

(47 - Shanghai)

or a modern steel mill for the Chinese at Shanghai . . .

(48 - investments in the US)

or significant steelmaking, new materials, high-tech and other forms of direct investments in the U.S.

(49 - all races)

Internationalization is actually quite difficult for the insular Japanese and does not come naturally, yet internationalize they know they must.

(50 - furnaces at dusk)

Single-industry management has been reliant on steel in most cases for as much as 90 percent of income, and restructuring will cut that in half, even while actually increasing income from steel and adding the new products and services that the global economic environment is demanding.

(51 - dusk longshot)

When it comes to crises, Japanese are survivors - from the time more than a hundred years ago when Commodore Perry's Black Ships appeared off the coast to demand that the country open its doors to foreign trade, through wartime defeat, to the Nixon shock of dollar devaluation, through the oil shocks of the '70s and into the battles of today, they are once more willing to take on a new look.

(52 - sunbeams)

That look will always be steel, but now tempered with new materials and joint ventures and overseas direct investments that are the silver linings to the dark clouds of the day - and we're willing to predict a much brighter tomorrow for the Japanese steelmakers themselves, and for the beneficiaries of their new directions.

(53 - applause)

(54 - THE END)

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UNITED STATES DEPARTMENT OF JUSTICE
REGISTRATION UNIT
CRIMINAL DIVISION
WASHINGTON, D.C. 20530

NOTICE

Please answer the following questions and return this sheet in triplicate with your supplemental statement:

1. Is your answer to Item 16 of Section V (Political Propaganda - page 7 of Form OBD-64 - Supplemental Statement):

Yes X or No _____

(If your answer to question 1 is "yes" do not answer question 2 of this form.)

2. Do you disseminate any material in connection with your registration:

Yes _____ or No _____

(If your answer to question 2 is "yes" please forward for our review copies of all such material including: films, film catalogs, posters, brochures, press releases, etc. which you have disseminated during the past six months.)

Jack P. Whitehouse
Signature

9-28-87
Date

JACK P. WHITEHOUSE
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