



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: November 24, 2008

TO: Michigan Economic Growth Authority

FROM: Amy Deprez, Packaging Team Manager
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SUBJECT: Briefing Memo – Howa USA Holdings, Inc.
High-Technology MEGA Credit

COMPANY NAME:

Howa USA Holdings, Inc.
28175 Haggerty Road
Novi, Michigan 48377

HISTORY OF COMPANY:

Howa Textile Industry Co., Ltd. began in 1955 in Aichi, Japan, and specialized in the development, production and sales of automotive interior and noise and vibration absorption parts. Howa Textile is a well known company and manufacturer of headliners (28% share of Japanese domestic market) and dash insulators (34% share). Their main customers are mostly Japanese car manufacturers such as Toyota, Nissan, Honda, Mitsubishi, Suzuki, Mazda, Daihatsu and Hino. They have 7 plants, 4 sales offices and 2 R&D Centers in Japan. They also have 2 plants in China and 2 plants in the United States.

In May 2008, Howa USA Holdings, Inc. was formed as a wholly owned subsidiary of Howa Textile Co., Ltd and is operating as the controlling company of their two US companies. The first is American Howa Kentucky, located in Bowling Green, Kentucky, formed in February 2004. The other company is Howa USA., Inc. located in Richmond, Indiana, formed in February 2008.

Howa USA Holdings, Inc. currently has 1 employee in Michigan.

PROJECT DESCRIPTION:

The proposed project includes the creation of a new R&D center in Novi, Oakland County, responsible for the development of new automotive products for customers in the US. The new facility will also have the purchase functions for Tier 2 supplier development, management and sales for daily customer support and investigation of USA market trends. The R&D center that will be located in Novi is the first Engineering facility in the United States under the Howa Group. This location will also be the headquarters of Howa USA Holdings, Inc.

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This project will create 25 new jobs with an average weekly wage of \$1,545 and would result in capital of investment of \$712,000 over five years. The company will also offer health care benefits and pay a portion of the benefit costs.

BENEFITS TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 52 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$1 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

The competitive disadvantage of locating this expansion in Michigan is centered around the cost disparity between the higher wages encountered in Michigan compared to those in Kentucky. The average wages for the positions involved in this project are between 10% to 20% less in Kentucky, with the cost of living also being lower there.

In addition, the Kentucky facility would also be closer to their current customers, Toyota, Nissan and Honda. The facility there also has enough space for the proposed expansion, which would entail less additional investment.

OTHER STATE AND LOCAL ASSISTANCE:

No local commitment is in place at this time. Oakland County has indicated support for the project and that the project may be eligible for employee training funds through the local Michigan Works program.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

Howa USA Holdings, Inc. is a qualified high-technology business, whose primary business activity is Product Research and Development, as defined in the Act.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 90 percent employment tax credit for seven years, for up to 25 net new employees.