Continuously innovating for a successful future
Examples of industry recovery in Iwate, Miyagi and Fukushima
2017-2018
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At the Reconstruction Agency, we believe that the companies and organizations of Iwate, Miyagi and Fukushima prefectures can leverage the distinguishing traits of their industries and communities, as well as the knowledge and ingenuity they have built up over time, to play a part in creating a New Tohoku that is ready to take on all sorts of challenges. Every year since 2012, we have been compiling a pamphlet with the understanding that companies, organizations, local governments and others can learn from the example of the cases we spotlight, and that sharing their stories outside the disaster zone will help to accelerate entrepreneurship and speed the recovery.

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The overseas expansion challenge

Here we present enterprises that grew their business after the earthquake by identifying new sectors overseas to successfully open up sales channels or are developing products for those sectors.

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Messages to companies from editorial board members who selected cases & member profiles

"Greater flows of people induced by tourism, as well as the revival of local communities through public-private partnerships, are key to the transition from reconstruction to revitalization. I hope Tohoku will leverage its strengths for future-oriented projects."

Professor, Graduate School of Economics and Management, Tohoku University
Seiichi Ohtaki
Born in Nagano Prefecture. Earned a doctorate from the Graduate School of Economics and Management at Tohoku University. Previous positions include a stint as assistant professor at Senshu University. Specializes in business management policy. Serves as Director of the Sendai-Miyagi NPO Center and Director of the Japan Academic Society for Ventures and Entrepreneurs.

"I hope companies will provide the products, services and jobs the region needs, while NPOs and government will work with companies to advance the reconstruction. I’d like to see many partners join hands to create a new Tohoku like nothing before it."

Director, Institute for Human Diversity Japan
Taro Tamura
Born in Hyogo Prefecture. After heading organizations including the Multicultural Center and the International Institute for Human, Organization and the Earth, has led the Institute for Human Diversity Japan since 2007 working to advance diversity through CSR and local government policies, and has been advising the Reconstruction Agency on promoting reconstruction efforts and involved in Tohoku’s reconstruction since 2014.

"The issue for Tohoku in the future will be to spread good cases of reconstruction and create a virtuous cycle within the region. I will keep giving my all-out support for Tohoku as the region faces the coming challenges."

Instructor, Department of Social and Family Economy, Faculty of Human Sciences and Design, Japan Women’s University
Haruka Nukada
Born in Kagoshima Prefecture. Earned a doctorate from the Graduate School of Commerce and Management at Hitotsubashi University. Previous positions include researcher at the Organization for Small & Medium Enterprises and Regional Innovation, Japan and head of the Sorane Regional Economy Research Institute. Specializes in business administration. Research topics: SME management; the dynamism of transforming local economies; etc.

"Business in the disaster zone will probably need a more entrepreneurial spirit. I hope many entrepreneurs will identify business opportunities and social issues as holes for them to fill with solutions."

President & CEO, Rheos Capital Works Inc.
Hideto Fujino
The price of Iwate scallops rose sharply after the earthquake

"I’ve sold scallops for over 20 years. This is the only for me, so I couldn’t think of anything other than restarting the business", Isabaya Co., Ltd. representative Shuichi Noda recalls about the period immediately after the Great East Japan Earthquake during which the company lost processing plants, offices, and more.

Mr. Noda began working on reconstruction of his processing plant in August, 5 months after the earthquake, and managed to have the first shipment from the new processing plant in January of 2012. The reconstruction costs were supplemented by the Ministry of Economy, Trade and Industry’s Group Subsidies paid in 2012.

Isabaya Co., Ltd. had managed to resume business, however after the earthquake, an increasing number of workers left the Iwate Prefecture scallop aquaculture industry, of which Ofunato was the core, and the catch amounts decreased drastically. The shipping price of scallops rose drastically.

"I believe that scallops from Iwate Prefecture are the
best quality in Japan. This is because the people in the aquaculture industry here put so much time and effort into their production. They change the depth at which the scallops are submerged depending on the weather, and clean each individual scallop in the summer to remove any accretions. This is why Iwate scallops are so large. The problem is the cost. Because they are such high quality but so low yield, the price is high, and this puts them at a distinct disadvantage when competing with other prefectures*, explains Mr. Noda.

Shipping luxury, high quality scallops to Asia

This is where Mr. Noda changed his way of thinking. If Iwate Prefecture scallops were too expensive, then why not embrace that and export them overseas as a luxury food item.

“Scallops are actually a much more delicate creature than most people think, and they can lose freshness just by being exposed to a small amount of rain. Because we take such care to rigidly manage the water temperature, room temperature, water quality, and other factors for our scallops, we are able to set expiration dates which are 1 day longer than scallops from other prefectures. That made me realize, that it would be possible to export them to nearby Asia, which is still close despite being overseas”, explains Mr. Noda.

Isabaya Co., Ltd. began exporting scallops to Taiwan through a trading firm in Osaka in 2014. Just as Mr. Noda had intended, Iwate Prefecture scallops proved popular as a luxury food item, and they also soon began being exported to Hong Kong in 2016. Export sales went well and continued to rise, and today the company ships scallops to Taiwan approximately 2 days a week, and to Hong Kong approximately 6 days a week.

The company has also begun to branch out into a variety of other initiatives to promote the fleshy and sweet Iwate Prefecture scallops to consumers, including beginning sales of scallop cream croquettes and opening a directly operated sushi restaurant in Morioka City.

“The scallop aquaculture industry is suffering from a lack of new employees, and is facing a strong danger of closing down. I am personally also considering launching an aquafarming business with newer, young entrants into the field”, comments Mr. Noda, regarding his desire to do whatever he can to help protect the Iwate Prefecture scallop industry.
Sawagiku Ltd.
Forgetting yesterday at a forward-looking sweets shop founded generations ago

Success from a long drive to expand abroad

In addition to serving as a location for shooting a popular Japanese TV drama, Kuji City, in Iwate Prefecture, is home to a venerable Japanese-style confectionary shop that has made a big push to expand its customer base overseas. In fact, the company, Sawagiku Ltd., now does business in seven other countries.

In 1972, Mr. Yoichi Miyazawa took over the enterprise his grandfather founded when his father passed away. At the age of 24, Mr. Miyazawa was suddenly handed the keys to the shop. As he puts it, “All I could do was just keep moving desperately forward”, by which he means he was willing to take a chance on anything with potential, developing new products and managing the business in various ways. One of those experiments extended the company’s sales reach throughout Japan.
"Kuji’s population is shrinking and the market is contracting, so I felt it would be hard to keep doing things the old way, confined to this community," says Mr. Miyazawa. He fulfilled his late father’s dream of opening a store in nearby Morioka City, then kept expanding sales channels further. Today, Sawagiku does business in metropolises like Tokyo and Osaka, and as far away as Okinawa. Despite this nationwide growth, Mr. Miyazawa says he wasn’t even thinking yet about overseas expansion.

"It started in or around 2005, when I got a call from the Iwate prefectural government’s industry and economic exchange division about participating in an event at the Isetan Scotts at Shaw House, which is in Singapore. We got a pretty solid response there."

Serious, but at a leisurely pace

After seeing the potential in other countries, Mr. Miyazawa sought to do more business overseas, so he participated in events organized by the Japan External Trade Organization (JETRO). But just at that time the Great East Japan Earthquake struck. The tsunami spawned by the event flooded Sawagiku’s main store, factory and warehouse. The losses from inventory and packaging alone amounted to 13 million yen, or nearly US$160,000 at the time. But Mr. Miyazawa didn’t get pessimistic but just kept moving forward. For a time he let the main branch be and focused instead on expanding abroad. He didn’t hesitate to approach big companies in other countries. Instead he met directly with their presidents and built trust with them. The result: Sawagiku secured deals in seven countries, including places like Taiwan, Hong Kong and the U.S. Mr. Miyazawa is always on the move, looking at what’s ahead. He defines himself as a personality that doesn’t think about yesterday, but always ponders about tomorrow. This positive attitude that’s quick to change direction and jump at opportunities is what made Sawagiku the success it is today. And of course, he is continuing the company’s growth abroad.

Mr. Miyazawa says, "You have to be serious, but I don’t think this sort of thing requires complex thought. If something doesn’t work, so be it. That’s my attitude, and I want to do things at my own pace."
Senkon Logistics Co., Ltd.
Utilizing logistics infrastructure to take the global challenge in a new business!

Expanding into the renewable energy business

Senkon Logistics Co., Ltd.’s Sendai head office is located in Miyagi Prefecture, and the company has constructed a stable logistics network in the Tohoku Region around that office, with other offices, warehouses, and other facilities throughout Miyagi, Akita, Yamagata, Fukushima, and other prefectures. As a result, the company was severely impacted in a variety of ways by the Great East Japan Earthquake.

Chairman Haruo Kubota talks about the time around the earthquake.

“I don’t have enough time to list all of the damages we suffered, such as our Sendai Airport office building burning down. Natori City in Miyagi Prefecture, where our Natori head office is located, also suffered severe damage, however we were lucky to have light oil tanks in the basement of the company building. This allowed us to send out trucks and deliver relief goods, and contribute to society as a transportation company.”

Starting immediately after the earthquake, Mr. Kubota
Senkon Logistics Co., Ltd. was established in 1959 as a transport business, then developed mainly around the Tohoku Region, and currently is building an international logistics network which includes Russia and China. The company not only carries out transport, storage, and distribution processing of cargo, etc., but also runs a wide range of businesses such as recycling of sensitive documents through dissolution processing, office relocation services and renewable energy businesses.

In 2015, the company invited businesses from Miyagi Prefecture that wanted to export their specialty goods, and began a business providing support for exporting and transporting those goods to Russia, Vietnam, and other locations. The company also served in a consulting type role, coordinating between businesses in Miyagi Prefecture and local businesses. “That was when we realized that Miyagi Prefecture and the Tohoku area were agricultural areas, and that there would be no growth or development unless agriculture was restored to good condition”, Mr. Kubota explains regarding their thoughts on regional recovery.

In 2016, the company also expanded into a field that was unrelated to logistics, with the establishment of a vegetable cultivation plant in China, where there was increasing demand for organic produce. “We keep trying new things, building on our logistics infrastructure, without being tied down to logistics alone. As an entrepreneur, I think it’s the obvious thing to renovate our business to suit the needs of the times. There are no absolutes in management. That’s why it is just a continuous series of new challenges.” Explained Mr. Kubota as one could see the glimmer of the next new business forming in his eyes.

Delivering Miyagi Prefecture specialties globally

The company was founded approximately 60 years ago, and at present has expanded well beyond its origins as just a simple transport business. One part of this has been the company’s expansion overseas. “For example, we have rented a warehouse in a good location in Russia, however it turned out that we didn’t have anything to transport or anything to store. Of course, it’s obvious that if there’s nothing to transport, than there’s no need for physical distribution. So we decided that we would produce things to transport, and that was how we began exporting Japanese food and sundries”, explains Mr. Kubota regarding the background of the new business.

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Ms. Saura explains, “We want to create products that fit daily lifestyles” as she holds a TOUCH CLASSIC series glass

Tohoku Kogei Co., Ltd.
Reset to the conditions at the start of the business by the earthquake.
Working towards Tamamushi lacquerware that will prove popular globally

Tohoku's industrial development and export stimulus were the starting point

“Tamamushi lacquerware” is a lacquerware art which was developed by the National Tohoku Craftworks Institute that was established in Sendai in 1932. This art form produces lustrous colors and glossiness reminiscent of the wings of a jewel beetle through the process of applying silver powder known as “gimpun-maki” process. The style also features modern designs which do not conform to the conventions of traditional lacquerware, and managing director Midori Saura explains, “since its very beginning, Tamamushi lacquerware has been very popular with non-Japanese customers.”

In 1985, Tamamushi lacquerware was designated as a Miyagi Traditional Craft, and demand increased for commemorative items and gifts. However, there was little contact between consumers and lacquerware in modern lifestyles and “sales levelled off”, explains Ms. Saura.

And then the Great East Japan Earthquake occurred. Successive orders were cancelled, and the company suspended operations until May. The company rallied thereafter, and Ms. Saura explains, “It served as an opportunity to find a new starting point” as the company sought prospects to maintain the business.

“Tamamushi lacquerware was originally developed aimed at Tohoku’s industrial development and export stimulus. If it weren’t for the earthquake, we would have likely continued simply making small commemorative items and similar for the domestic market.”
Company information

Company name: Tohoku Kogei Co., Ltd.
Industry: Production and sales of designated Miyagi Traditional Craft “Tamamushi lacquerware”
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The overseas expansion challenge

Expanding into the world with a new type of dishwasher-safe lacquerware

The company began working on developing new products aimed at expanding sales channels both within Japan and overseas. The company then unveiled its new “TOUCH CLASSIC” series at an exhibition held in Germany in June 2012. It was aimed at being a lacquerware that could be easily incorporated into modern lifestyles, and was based on a concept of “from ‘looking’ to ‘using’.” The series uses black undertones, which are well suited to western tableware, and features glasses, wind chimes, and other glass products which are rare for lacquerware. This caught the attention of buyers, but what really became the center of attention was the products’ durability.

“Lacquerware tends to be a delicate product which is easily damaged, however in order for it to be accepted overseas, we realized it had to be at least durable enough to be able to be used in a dishwasher.”

So the company utilized a subsidy from the Japan Science and Technology Agency (JST) and began joint development with the National Institute of Advanced Industrial Science and Technology, Tohoku Center. The project resulted in the development of a “nanocomposite coating” which increased durability and resistance to light by coating the surface of the lacquerware in a thin clay membrane. The “nanocomposite wine cups” produced using the process proved popular as gifts for guests from overseas, and continue to be on a several months long waiting list.

“Since being made dishwasher-safe, the number of stores handling the products overseas has gradually increased, however this is still only the beginning. We have been able to resume our business, but we’re not sure yet how much we have been able to contribute to the greater regional recovery. The company will celebrate its 100th anniversary in 2033, so maybe then we will be able to say for the first time that we have fulfilled our mission to support the recovery of the Tohoku region.

Ms. Saura also says that they want to focus on training the next generation of artisans to ensure that Tamamushi lacquerware is passed on to future generations and continues to develop.
Attempting production of the world’s thinnest silk fabric

Fairy Feather, the world’s thinnest silk fabric, is Saiei-Orimono Co., Ltd.’s signature product. It is woven from ultrafine silk which is just 1/6th the thickness of a single hair. It is extremely thin, light, and soft. The company began the development of the ultrafine silk around 2008. The company representative, Mr. Yasuyuki Saito, reflects on the circumstances of the time below.

“We exported wedding dress fabrics to the United States. However, exports sharply declined after the Lehman Shock. This forced us to reevaluate our products and attempt new challenges.”

There were two such new challenges. One was to shift the bulk of exports to Europe, and the other was to create the world’s thinnest silk fabric. Regarding the latter of these challenges, when the company finally perfected the product enough for commercialization through repeated trial and error, the Great East Japan
The precise oversight of the staff that support product production
Silk weaving requires a high degree of both skill and experience

Earthquake. Saiei-Orimono’s plant buildings and equipment suffered severe damage. The damages totaled over 80 million yen. Regarding the damages to buildings and equipment, the company applied for the Ministry of Economy, Trade and Industry’s Group Subsidy in collaboration with other textiles businesses within the prefecture. The company was then able to use the approximately 60 million yen received for repair costs.

Preventing negative reputation impacts by participating in exhibitions

However, something still troubling the company was negative reputation impacts regarding the accident of Fukushima Daiichi Nuclear Power Station. In response, the company proactively participated in a number of exhibitions both within Japan and overseas to allow buyers to see their products firsthand and to promote the safety of the products. In a stroke of good timing for the company, Fairy Feather development was completed after the earthquake disaster, and the company was awarded the Prime Minister’s Prize of the Monozukuri Nippon Grand Awards in 2012 and the Good Design Award.

Mr. Saito states, “Fukushima Prefecture was at the center of a lot of media attention after the earthquake, and this had the side effect of our world’s thinnest silk also receiving a great deal of media attention, and us receiving a large number of inquiries both from within Japan and from overseas.” Mr. Saito further explains the major impact this had in that “this also allowed us to promote our technological capabilities at other exhibitions in which we participated afterwards”. Despite the drop in domestic demand for kimono lining material and other products, the success of Fairy Feather resulted in an increase in demand from overseas for parachute materials, and other industrial materials, with overseas demand eventually coming to make up 65% of the company’s sales as of this fiscal year. The company’s customers also include a number of famous overseas brands.

Mr. Saito remarks, “Our company’s products proving so popular led to expanded overseas sales routes, and this in turn helped increase employee motivation, and we began working on other new developments, such as washable silk.” Mr. Saito’s advice for those attempting to succeed overseas, based on his company’s experiences, is to not be trapped by set ways of thinking, but to start by first reevaluating your company’s products.

The overseas expansion challenge
Reapplying for a Group Subsidy

“Sokeizai” refers to materials used in machinery parts. These materials undergo casting, forging, die casting, metal pressing, heat treatment, machining, and other processes in their manufacturing, and Shirakawa Sokeizai Valley is a conglomerate of businesses related to these sokeizai materials. At present, 10 companies from Fukushima Prefecture’s Shirakawa City, Izumizaki Village, and Yabuki Town participate in the conglomerate, but according to representative Toshiyuki Sakuraoka, (Sacra-tech Corp. Chief Executive Officer), “Before the Great East Japan earthquake most of us had never met each other.”

* During the 4th general offering of the Ministry of Economy, Trade and Industry’s Group Subsidy, a Shirakawa City staffer served in a central role, contacting approximately 25 companies from the metal, food, electronics, and other industries and applied, but they focused on a particular industry, and we were not granted a subsidy. Our company alone suffered over 100 million yen in damages from the earthquake, so being granted a subsidy was a matter of life and death. A dozen or so metal working related companies who became acquainted during the initial attempt decided we would try again as a group.*

Then, during the 5th general offering, the group was awarded a subsidy, and in July 2012 the “Automotive and Construction Machinery Supporting Industry Group” was launched (which changed its name to the
current name on March 11, 2013). In principle, the presidents of each company were expected to attend a once per month meeting.

Continuing to “sow seeds” by exhibiting at overseas exhibitions

During its periodic meetings, the group also holds tours of other companies’ plants, information exchanges with local businesses, and more. The group companies provide stimulus for each other, and each business has instead has begun switching to a more proposal-oriented strategy. The group’s director Mr. Wakabayashi (managing director of CAST Co., Ltd.) explains, “As we continued carrying out these activities, we also came up with a plan to utilize the Japan External Trade Organization (JETRO) support system to exhibit as Valley at overseas exhibitions.” The group began preparing to exhibit at “METALEX”, one of the industry’s largest exhibitions which is held in Thailand every November.

“Although we all thought, ‘someday, we’ll expand overseas’, individually this was always difficult. When we first exhibited overseas we all came to realize for the first time the issues related to the quality expected of Japanese products, the importance of having local branches, and differences in language and business customs”, explains Mr. Sakuraoka. The conglomerate has since exhibited at METALEX every year since 2014, and group member TFO Corporation, which has plants in Thailand, has received inquiries regarding business talks and plant visits, and has even secured orders. “With the help of a wide variety of support, we’ve been able to prepare by creating English pamphlets and websites, and exhibiting at overseas exhibitions, but we’re still only sowing the seeds. The response at exhibitions, etc. has been great, and we’ve received a lot of inquiries about our activities, so I think we’re headed in the right direction.”, Mr. Wakabayashi explains the response they have experienced.

Lastly, Mr. Sakuraoka enthusiastically explained, “One of the major premises of the founding of the group was the growth of each of the member companies. Being stimulated by the other members to grow through the development of new technologies and products is what will surely further increase the value and presence of Valley going forward.”

The overseas expansion challenge