

Japan, One Year Later

From Recovery to Reconstruction Through an Overseas Business Drive

1. Fukushima Prefecture: Hayashi Seiki Seizo Co., Ltd.

Hayashi Seiki Seizo Co., Ltd. (Sukagawa, Fukushima Prefecture) processes the watchcases for luxury-brand watches such as the Grand Seiko line. The factory at its headquarters were damaged by the March 11 Great East Japan Earthquake. In just three months, however, it had all its production lines running again and the company was proactively participating in trade fairs overseas. We explored its post-quake reconstruction and its hopes for doing business overseas.

Production lines swiftly restored

Hayashi Seiki was founded in Tokyo in 1921 and moved to Fukushima in 1943. The watch case process technologies it has built up over the nine decades since its founding are the core of what is now a wide range of operations that includes precision component, plating and surface treatment, and equipment manufacturing operations.

The company's headquarter office and factory at its Sukagawa, Fukushima Prefecture collapsed in the March 11 earthquake. Fortunately, all of the 130 employees on the premises at the time were safe, but Hayashi Seiki lost its main manufacturing facility.

The company, however, moved swiftly to restart production. Its employees hauled out the machine tools that had survived from the collapsed Sukagawa plant and, borrowing a customer's factory, restarted production there. The company has two other plants in Fukushima, apart from the Sukagawa headquarters, in Koriyama and Tamagawa. By keeping the Tamagawa factory, where the impact of the quake was slight, in operation day and night, it compensated for the damage to the Sukagawa factory. By acting so swiftly and flexibly, barely a month after the earthquake, on April 15, Hayashi Seiki had almost all its production lines running again, and by June 15, it had restored all its operations.

Exhibiting in trade fairs overseas

Having managed to resume production with such lightening speed, Hayashi Seiki is not aiming at just making a recovery to where it was before the quake. According to its President, Akihiro Hayashi, "We're setting our sights on achieving a true reconstruction."

The expansion of markets overseas and the continued strength of the yen have meant that many of the company's customers in Japan are shifting production to China and other overseas locations. With contract manufacturing expected to decline

domestically, "We are going after the work we can get overseas," according to President Hayashi.

In October and the first half of November of 2011, Hayashi Seiki took part in trade fairs in Korea, China, and Germany, ramping up its efforts to secure business overseas. In the watch industry, the area where watch parts are produced tends to become the brand, unlike in home



Mr. Akihiro Hayashi,
President, Hayashi Seiki Seizo Co., Ltd.

appliances, for instance, where the brand is the company name. Thus, Hayashi Seiki thinks that it can leverage its “made in Japan” advantage effectively overseas.

The company is also entering new fields in which it can utilize the technologies it has mastered and further refined in processing watch cases and is vigorously developing overseas business in those fields. In 2009, with the support of the prefectural Industrial Liaison Promotion Office, it achieved approval for the manufacturing of medical devices. The company regards medical devices as a field that offers stable demand as well as great scope for putting Japan’s technologies to work.

MEDICA, the world’s largest medical equipment trade fair, was held in Dusseldorf, Germany, in November 2011. Hayashi Seiki took part, exhibiting in the Japan Pavilion that JETRO organized. It introduced its material technologies with potential applications in the medical device field, attracting great interest from manufacturers in Germany and other countries.

Due to the earthquake, “We realized anew that companies must work together to do their all to develop our region,” according to Hayashi. The reconstruction his company, with its strong roots in the region, achieves will contribute to a reconstruction in the local economy. Blazing new trails in overseas markets is a key part of that effort.

Atsushi Suzuki
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2. Miyagi Prefecture: Kanedai and Honda Suisan

The Pacific coast of the Tohoku region was devastated by the March 11 tsunami. Miyagi Prefecture's marine products processing industry, which had many facilities located along the coast, suffered severe damage. Some of those companies, coming back with great vigor, are now turning their eyes to overseas business opportunities.

Kanedai Co., Ltd.: Overcoming vast damage

The "miraculous sea": that nickname suggests how abundant are the marine resources to be found in the Sanriku waters, one of the three most important fisheries in the world. With landforms that are well suited for fish farming in many locations, too, Miyagi Prefecture had flourishing fishing, fish farming, and marine products processing industries. In 2010, its output of processed marine products ranked second nationwide, after Hokkaido, accounting for 11.7% of output.¹ Then the tsunami struck on March 11 of last year, causing devastating damage to fishing vessels, fishing ports, and distribution and processing facilities. The damage to Miyagi's marine products-related industries is estimated at ¥685.9 billion yen.²



Mr. Yuji Sato, Executive Director (right)
and Mr. Seiki Onodera, Director,
Kanedai Co., Ltd.

Kanedai Co., Ltd., which based its marine products processing and other businesses in Kesennuma, saw almost all its facilities destroyed. By utilizing its plant in China, which it had established in 1999, however, it is already making vigorous strides towards recovery and beyond. Kanedai is continuing to build the sales routes in the Chinese market that it had been developing gradually before the March 11 disaster. In October, 2011, it participated in the China-Japan Trade and Investment Fair in Dalian, China. There its people studied the preferences of Chinese business customers with respect to, for example, the specifications for boxes for selling products intended as gifts. The company is now moving forward with business talks with potential customers who have expressed interest in its products. Its Chinese manager is playing a central role in that effort.

Kanedai, which began production on consignment in China in 1990, was an early entrant in overseas operations. It continues to be actively engaged in doing business overseas, where, according to Executive Director Yuji Sato, "We can feel the responsiveness. It's enjoyable, and very dream-inspiring." It has assigned three employees to China and frequently sends mid-ranking employees and even new hires there on business trips. Not looking to expand sales in a rush, it has been building up experience steadily yet boldly, step by step. Kanedai is now considering doing business in Southeast Asia and, with exports to the United States in its sights as well, plans to participate in the upcoming Boston Seafood Show, which it had to miss in 2011. "We are considering advertising and marketing methods that combine the health and beauty benefits of seafood with Japan's *kawaii* or cute and charming image," according to Director Seiki Onodera. Kanedai is, in fact, exploring ideas galore. Adapting to changing sales channels in response to the

¹ Ministry of Agriculture, Forestry, and Fisheries, 2010 statistics on marine product processing volume. The figure given excludes toasted and seasoned *nori* and ham or sausage made of fish.

² Reported on December 6, 2011, by the Agriculture, Forestry, and Fisheries Division of the Miyagi Prefectural Government.

March 11 disaster, it is planning to expand its sales routes for high quality seafood overseas as well as in Japan.

Honda Suisan Co., Ltd.: Reconstruction in the source of the world's best seafood

Honda Suisan has engaged in the processing and sale of Ishimaki oysters and other marine products since its founding in 1947. Overcoming the vast earthquake and tsunami damage it suffered, it is moving ahead from recovery to reconstruction.

The biggest problem it faced was not being able to secure enough employees, because so many died in the tsunami or had to evacuate to places far away. Mechanization cannot replace human expertise in processing fresh seafood. "People are the bedrock of what we do," according to Futoshi Honda, Representative Director of Honda Suisan. The company thus suffered a major blow, but it is steadily regaining its full complement of employees, including interns from China, and has made great strides in repairing its facilities. Its productive capacity has recovered, and, introducing ultra-fast freezers, it is also developing new products that include smoked saury and frozen boiled *wakame* seaweed.

"We are not aiming just at a recovery that would get us back to where we were before," says Honda. "We want to achieve a reconstruction, a revitalization that will take us in new directions, including providing our products to consumers directly via web marketing and also exporting overseas." Honda is working ceaselessly to bring the seafood of the Sanriku, proudly regarded as the best anywhere, to the whole world.



Mr. Futoshi Honda, Representative Director,
Honda Suisan, Co., Ltd.

Atsushi Uchida
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3. Iwate Prefecture: Oigen

Oigen has been producing Nambu ironware, using production methods grounded in tradition, in Mizusawa-ku, Oushu, Iwate Prefecture, since its founding in 1852, near the end of the Edo period. The products Oigen has developed have earned it an excellent reputation overseas, through adhering to tradition while also working with outside designers, for example. The company has continued its effort to expand in overseas markets, especially in Europe and North America, even after the March 11 Great East Japan Earthquake.

Continuing efforts in developing overseas sales routes

While Oigen's personnel fortunately were all safe, the impact of the earthquake on the company has been substantial. In addition to the damage some of its buildings suffered, production stopped when the iron which was in the process of melting when the quake hit cooled and solidified. While the company had largely recovered in three or four weeks, until early July, when final repairs on production equipment were complete, the quality of the melt, the molten iron, was unstable, and Oigen had to battle against defective products. It has also encountered many other post-quake problems, finding its usual shipping routes for its exports of iron kettles could not be used, for example. Nonetheless, they were able, by the end of March, to start shipping products again.

Oigen has considerable experience with exports, having been discovered by foreign buyers 45 years ago. In Japan, Nambu ironware is spoken of in rather negative terms: "Heavy, prone to rust." Overseas, its reputation is quite different. "They really appreciate it. They're delighted by the detailed finished and tell us, „It's functional, because the water for the tea stays hot“ and „It's just beautiful“," according to Oigen's President, Kuniko Oikawa. That is why Oigen addresses its export operations "with great pride," as she told us.



Ms. Kuniko Oikawa, President,
Oigen

Their main target is the European and North American markets. The biggest seller is tea pots, but Oigen is also stressing expanding sales routes for its cooking pots as well. Having improved on existing production methods to create a product resistant to rust and to scorching and sticking, Oigen has named its new overseas model the "Naked Pan." It signed a sales contract with a local company in Australia in February of 2011 and has continued actively to develop overseas sales routes after the earthquake. Participating in a trade fair in Australia on October 2011, Oigen carried out a cooking demonstration aimed at chefs and other possible customers. In exchanging ideas with a number of chefs, Oikawa sensed that there was a great demand for cookware that, like the Naked Pan, can go from the stove to the table top. In February, 2012, the company participated in trade fairs in Frankfurt and other cities in Europe and America, to communicate the attractiveness of its cookware. Working on product development with famous designers from overseas, Oigen is working to penetrate overseas markets further and expand sales.

Networking to develop more attractive products

Oigen does more than collaborate with designers. It works with a variety of partners in product development and marketing, in "a network that's really powerful," Oikawa observes. In developing products that suit the preferences of consumers in Europe and America, it also works

with a trading company with which Oigen has dealt for years and that is well versed in the virtues of its products. That means a product development system in which any differences in product image between the local customers and the people producing the products at Oigen are readily worked out.

Nambu ironware grows on people. It starts with an inorganic material, iron, which is crafted into pieces which customers use with care, growing increasingly fond of each kettle or pot as they use it over the years. Making products that reflect customer needs, grasped through a dialogue with the customer, and developing products that will grow on their customers: that in fact is the method that this company has used over its long history of forging ironware.

Oikawa says she senses that the earthquake has brought about a reappraisal of Nambu ironware in Japan, too. In a world concerned about sustainability and recycling, Nambu ware's long useful life and its recyclability, since it is made only of iron, without chemicals or additives, are major strengths. It is expected that its compelling virtues of purity and recyclability will help win Nambu ironware even greater popularity both in Japan and abroad.

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