

The Outcome of Support Program for Foreign Direct Investment (FDI) Investigation of Small and Medium-sized Enterprises 2013

Kodera Herb Garden

Company profile

■Address	689-1 Yatabe Kodera-cho, Himeji-shi
■President & CEO	Joichi Fukuoka
■Industry	Production of herbal products
■Business	Production and sales of aroma oil, soap, cosmetics, bread, herb tea, and related products; OEM production for cosmetic companies
■Sales	170 million yen
■Employees	26
■URL	http://www.koudera-herb.com/
■Targeted countries	EU member countries and Israel



■Title

Finding a Market for Herbal Cosmetics and Yuzu Essential Oil in European Union (EU) Member Countries

■Business overview

Following my father's dream, I aspired to open a coffee shop and received culinary training at a hotel. This was how I first encountered herbs. I learned that parsley and watercress garnished to meals not only add color but also have various benefits. In those days, herbs were not very common and even chefs in hotels had seen only a few kinds. I decided to visit farmers in France to learn more about herbs. What I learned there was the idea of treasuring ingredients. That is, drinking tea first, then bathing with the tealeaves, and finally returning the leaves to the soil as fertilizers. To bring this idea into practice, I opened "Kodera Herb Garden" in 1984 as an herb garden oriented to research and development. While growing herbs that are free from pesticides and herbicides, we studied various functions of plants in collaboration with universities and developed ingredients and products. In order to promote and sell these products, we incorporated "Kodera Herb Garden" and became a stock company in 2001.

In 2007, we were selected as one of the first cases of the support program for new business activities utilizing regional resources and developed new products by using local green tea and *yuzu*. In 2013, we were selected to develop rural communities as the sixth industry under a program run by the Ministry of Agriculture, Forestry and Fisheries (MAFF). With the hope of revitalizing depopulated communities by utilizing herbs and organic produce, we converted the abolished Yamanouchi Elementary School building to a processing facility. Since all factory staff are women, we help them balance both work and family including childcare. By placing a value on time management and communication, we have been striving to secure our production even with a small number of staff in a short period of time. Our sales offices included the main shop in Kodera-cho of Himeji city and direct stores at Sanyo Department Store (Himeji) and Hankyu Sanbangai (Osaka). From May 1, 2014, we also began sales at Tokyu Hands in western Japan and Tokyo (Shinjuku). Our products received interest as an example of utilizing abandoned agriculture lands and producing ingredients in collaboration with local residents. Today, we are receiving orders from globally renowned cosmetic manufacturers because of our unique herb extraction and fermentation techniques.



■ Motivation and aim of overseas development (Before Feasibility Study (F/S))

My visit to Europe served as an inspiration to launch herb production. We started to produce herbs to meet the Commission E (Germany), which is known as the most strict standards in Europe.

In February 2013, we exhibited our products in “BIOFACH” held in Nuremberg, Germany. This is one of the world’s largest organic trade fairs, boasting 42,000 visitors and 2,400 exhibiting companies. Many companies with strong interest in organic and natural products participate in this fair. Many visitors showed strong interest in our commitment to “grow business with local communities” and our efforts for revitalizing rural areas as the sixth



industry. Also, they were very interested in our chemical-free production including the products such as *yuzu* essential oil, honey facial pack, jojoba oil, herb cream, and other moisturizers. However, we have remained in contact with about 10 companies with little progress and have yet to be successful in finding a market overseas. To secure an overseas market, we decided to exhibit our products again at “BIOFACH” where we received positive response from visitors during our previous exhibition.



■ Objective, contents, and outcome of the Feasibility Study (F/S)

Although we participated in several trade shows overseas, we did not find an overseas market. So, we decided to exhibit at “VIVANESS 2014” held in Nuremberg, Germany in February 2014. Our aim was to find sales contacts, study local companies’ sales strategies, visit local retail stores specializing in bio products, and conduct market research. “VIVANESS 2014” is an international trade fair where manufacturers and trading companies of organic cosmetic and oil products and other organic personal care products meet. With kind support from the BIOFACH’s exhibition team, we were able to present our company and products at this event. Since we were the first exhibitor from Japan to participate in this trade fair, we were featured in a local newspaper and received interest. In the United States and Europe, there are regulations to be certified as organic cosmetic products by recognized certified agencies. However, in Japan, the organic Japanese Agricultural Standards (JAS) only applies to “food” and not to cosmetics. Organic cosmetic products in Japan are produced by pesticide-free cultivation that is carried out on a company basis. While quite a few companies are using imported ingredients from overseas, our company only uses locally grown natural herbs as ingredients for our products. We believe this is why we were the only company that was accepted to exhibit at this trade fair as a Japanese organic cosmetic manufacturer.

At this trade fair, we introduced oil products that are uniquely Japanese such as *yuzu* essential oil and *shiso* (perilla) essential oil. We also introduced facial lotion and oil that used lemon myrtle grown in Japan. We had contacts with 292 companies in 4 days, and in particular, we received a specific original equipment manufacturer (OEM) request from a spa owner from Israel. The foremost achievement during this event was the encounter with Mr. Dominique who previously worked in the essential oil sector for 30 years and currently teaches pharmacy at a French university. He highly evaluated our products and introduced them to cosmetic manufacturers all over the world. Following the exhibition, we received various orders through him.

Mr. Dominique also introduced Mr. Anthony to us who handled the sales of Maruzen products in Europe for 10 years. With their support, we now have prospects for finding markets overseas.



■ Future prospects

Among 292 companies that we came in contact at the trade fair, 55 companies either inquired us or placed orders. We are steadily expanding our business with the companies with security and trust.

The following is our current transactions with overseas clients.

- Belgium: Received an order of *yuzu* essence 50 kg.
- Korea: Received an order of jojoba oil cream.
- Germany: Receive online orders sometimes.

There is an ongoing discussion on using our aroma oil for Kneipp Cure (a form of naturopathy advocated by Kneipp who was a priest in Germany).

- Switzerland: Receive orders from cosmetic manufacturers sometimes.
- France: Receiving an increased number of orders through Mr. Dominique who we met at the last trade fair. He has connections with cosmetic manufacturers all over the world and he is introducing our oil. Uniquely Japanese ones such as *yuzu*, *shiso*, *sugi* (Japanese cedar), *hinoki* (Japanese cypress), and *yomogi* (mugwort) are popular.



For shipping, we directly export our products by GOTO KAISOTEN LTD. Orders are currently made in kilogram increments but we expect that this will increase to 10-kilogram increments in 6 months. When the order volume increases, we are thinking to ask Mr. Anthony to import in bulk as our sole agent.

Although there are inquiries from China, we have not yet made any actions due to uncertainty over bill collection.

■ Comments from overseas business development promoter (Hideo Kawakami)

By utilizing herbs and organic agricultural products, this company has been working toward revitalizing rural communities as the sixth industry and creating a workplace where women can succeed. The company takes unique initiatives such as utilizing a school building of an abolished school as a production facility. After their exhibition in the trade fair and upon initiating sales with interested companies, I advised on how to export their products and how to collect bills. Although this is their first international business development, I believe that Mr. Dominique and Mr. Anthony will provide great support in receiving orders from Europe. I will continue to assist Koderia Herb Garden with shipping and contracts.

Currently, the company's primary business is the sales of aroma oil. However, they have been working to develop a food freezing method using antifreeze protein as a project in collaboration between industry and academia. If they can successfully bring this method into practical use, it will be very useful for exporting food overseas. I will also provide assistance in this regard.

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