

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

COMNET Corporation

Company profile

- **Address** Kobe International Business Center 6F/2F
5-5-2 Minatojima Minamimachi, Chuo-ku, Kobe-shi
- **President & CEO** Koji Igarashi
- **Industry** Import sales and maintenance of laser equipment
- **Business** Import sales and maintenance of laser equipment and supplies, contract laser processing, system development, application software development
- **Capital** 75 million yen
- **Sales** 1.5 billion yen
- **Employees** 62
- **URL** <http://www.comnet-network.co.jp/>
- **Targeted countries** China, Myanmar



■ Title

Starting Up a Software Development Base in Myanmar

■ Business overview

Our company started business in 1991 specializing in the development of computer aided design (CAD) software. We have been providing CAD specifically for industry professionals, drawing a clear line from those for general purposes. For example, the inscription on gravestones such as the “Grave of XX family.” This font is first designed by a computer, then transferred to special rubber for gravestones, and finally carved on the gravestone by using a method called sandblasting. We developed CAD software for this purpose and it has a high market share in the field of gravestone inscription design. Early on in our business, we focused on the development of specialized CAD software for niche industries by incorporating technical functions and terms. However, since the designs created by CAD are eventually realized, we inevitably began to handle post-design processes. At the same time, we also hoped to extensively support our customers in every stage of their *monozukuri* (having the spirit and ability to pursue excellent production and constantly improve the production system and process).

In the cardboard industry, test boxes are made for drop test use after calculating the strength. To make these boxes, a machine called a cutting plotter is necessary which is designed to cut a target object using



a steel blade. To meet this need, we launched the sales of cutting plotters. Then, laser processors began to spread in the market. In the stream of this trend, we started the import and sales of laser processors. Our import partners were GCC in Taiwan and SEI Laser in Italy. GCC is second in the world in personal laser processor manufacturing and SEI Laser manufactures specialized processors such as the ones capable of high-speed cutting without die-cut after digital printing. Our company reached an exclusive agreement with SEI Laser for sales in Japan. As low-priced products became widely

available in the market, some distributors faced difficulties with securing profits. Some provide low quality maintenance services and receive complaints from customers such as “good machine with bad maintenance.” However, by acquiring exclusive sales rights, our company successfully prevented these situations. We have 12 staff for maintenance and as instructors and 2 full-time staff for telephone support. By taking this approach, we earned trust from our customers. Our company has the largest

share in the field of personal laser processors for non-mass production and we have installed over 2,800 processors today.

In September 2013, we opened a membership-based digital workshop for the first time in Japan. We launched the workshop because of an increasing number of requests received in the past few years from those who cannot purchase the machines but are eager to use them for a charge. By learning from “TechShop,” a popular workshop in the United States that provides its members a wide range of professional tools and equipment, we opened a digital workshop “MAKER’S” in Kobe. It is a membership-based workshop and by paying membership fees, any person or company can use the machines. This workshop has various machines and tools ready, including the four sacred treasures of digital processors: laser processor, 3D printer, CNC router (computer numerical control router), and 3D scanner. We are receiving positive feedback from workshop members.

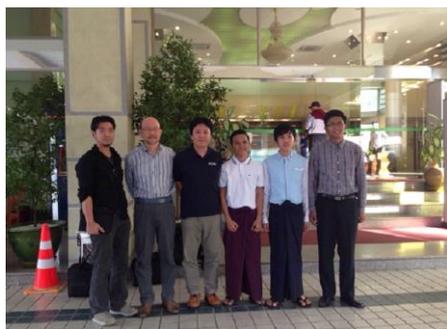


■ Motivation and aim of overseas development (Before Feasibility Study (F/S))

We have continued to develop CAD software since the start of our business. For the field of package design, our company maintains about a 33% share of cardboard and paperware manufacturing companies. In the field of plug-in software development for image editing software, we almost monopolize the market. In September 2013, we released application service provider (ASP) software for the sign board industry, which allows estimate calculation, drawing management, and preparing work instructions at one-stop. Since our company established a software development base in Beijing, China, in 2002, we have carried out software development for the Japanese market. However, it was far from success as a development base due to a sharp rise in local labor expenses and divergence in ethnic character, corporate culture, and corporate philosophy. Taking into consideration employee motivation, loyalty to the company, and the degree of friendliness toward Japan, we decided to study whether we could establish an offshore development base in Myanmar, besides China.

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

The reason why we chose Myanmar was because we obtained the following information about the country: 90% of the national population is Buddhist; the national characteristic is similar to Japanese: friendly to Japan; one of the lowest-wage countries in Asia; people have exceptionally higher work motivation compared to neighboring Thailand and Vietnam; easy to employ excellent college graduates from science and technology universities; and although the infrastructure such as industrial water and electricity are not yet developed, communication infrastructure is available for use. So, by utilizing the F/S loan carried out by “Hyogo International Business Center,” we decided to visit Myanmar to find a company to tie up with to develop software, examine the applicability of infrastructure as a development base, the level of public safety, and employment situation of science and technology students. First, we visited Company A in Yangon, which is a local subsidiary of a Japanese company and one of our candidate companies for partnership. While learning about the local situations of software development, infrastructure, and staff turnover, we were going to evaluate whether we could partner with the company as an immediate offshore base. With support of Company A, we visited the Department of Career Services at Yangon Technological University and University of Computer Studies, Yangon. We asked if there are any students or graduates who wish to work in Japan and also if it is possible for the Department to mediate between our company and candidate students for our software development in Yangon. We also visited



the Japanese Chamber of Commerce and Industry, Yangon (JCCY), Yangon Japanese Association, Japan External Trade Organization (JETRO) Yangon to examine the current status of the city.

With regard to national and ethnic characteristics, we learned from interviews with local tour guides and university staff that similar to Japanese, Myanmar people are very warm, respectful, and have a sense of gratitude towards others as both countries are rooted in Buddhism. Also, due to the excellent level of public safety, there were not any problems about going outside at night.

Consequently, we did not find any problems with equipment required for software development and the Internet transmission connecting Japan and Yangon. With regard to staffing, due to an extremely low staff turnover rate, we felt that Company A is suitable for our offshore development base and launched the initiative in February 2014 by laboratory contract.

At the 2 previously mentioned universities, we conducted interviews with 86 students and decided to employ 3 applicants. From January 2014, they started to learn Japanese at a local Japanese language school and came to Japan in November 2015. Currently, they are receiving training in Japan.



■ Future prospects

In addition to 3 Myanmar staff that we employed in the fiscal year 2014, we plan to employ 3 new graduates in the fiscal year 2015 and help them become core personnel. In four to five years, we are



planning to establish a local subsidiary in Myanmar. Without limiting to software development, we also envision establishing a sales base for laser processors, our core business. Preparation will begin in two years in accordance with the progress of the development of the country. In the future, we aim to grow our business in Myanmar and make annual sales of over 100 million yen as a software development base and over 200 million yen from the sales of laser processors.

■ Comments from overseas business development promoter (Hideo Kawakami)

There is an increasing price competition in the field of software development. In the midst of this situation, President Igarashi noticed the advantages of Myanmar, a country with high educational standards and low wages, before anyone else and employed talented local staff. His excellent foresight and initiative should be highly praised.

With regard to establishing a sales base for laser processors, infrastructure will be further improved in four to five years making Myanmar a preferable location.

We at Hyogo Kobe International Business Square will provide full support with all our functions when COMNET Corporation will start preparation for the establishment of a local subsidiary.

