

Achievement Case of a Support Project to Investigate Overseas Expansion for Small and Medium-sized Enterprises

[Project name] Field investigation on establishing a production base in an industrial park in northern Vietnam

Maruju



Full view of Headquarters

Company Profile

- **Location:** 306-235 Kamisaijo Yahatacho, Kakogawa City
- **Representative:** President Masakatsu Matsuo
- **Industry:** Sheet metal working
- **Outline of operations:** Equipment for expressway tolls, parts for vending machines, manufacturing frames etc. for train seats, laser and punching processing, press work, bending and welding
- **Capital:** 34 million yen
- **Sales:** 1 billion yen
- **Number of employees:** 90
- **URL:** <http://kk-marujyu.co.jp/>
- **Overseas expansion status and plan:** First time to expand business to an industrial park in Vietnam

Business Summary

Since its foundation in 1931 for manufacturing sickles, we have followed our corporate philosophy of: (1) respecting trust and committing to honesty in order to develop with our customers, (2) always aiming to improve technology in order to flourish forever, and (3) enjoying our work and considering the happiness of our employees. With these philosophies, we have made a lot of efforts to respond to a variety of our customers' needs, to make our customers satisfied and contribute to the local area and to society. We have adopted an integrated system of "production" and "management" to guarantee "quality and accuracy" and "productivity" and respond to our customers' needs.



Operating a punch and laser composite machine

"Production" provides equipment for the various

processes such as laser processing, blank processing, bending, welding, assembly and inspection. Based on accurate and correct NC data created by CAD/CAM, each machine processes the work promptly. “Management” has adopted a “total production management system” that manages the processes of receiving orders, shipping and selling via computer.

In recent years, we made the case for a projector which is used at Tokyo Skytree. In 2005, we integrated the existing main factory and the second factory, and built a new factory based on the concept of a Digital IT Factory that uses information technology. The IT development has enabled a production system where the products are processed accurately, efficiently and continuously as the information network connects the data created on computer with the machines.

Not only that, we have also made efforts regarding Information (i.e. transmitting information), such as information exchange using a secure human network and building an advanced base of Monozukuri using the Intelligence (i.e. intellectual power) of the creator. In addition, what we emphasize for the next generation are the work results of the past. Every single one of our products contains the know-how and ingenuity that we have accumulated. While “Next Generation Monozukuri” has been demanded, we also recognize that the know-how to carry out our new work and our production systems are supported by our many experiences in the past. We are therefore aiming to improve our technology foundation that is supported by high-level Monozukuri and our accumulated intellectual property.

■ Motivation and Aim for Overseas Expansion

Our major products are the parts used to make the Shinkansen seat frames and the ETC system used on our expressways. We are concerned that the domestic market has made little progress, and have been thinking that we may not be able to continue our business unless we expand overseas. In this situation, we used the Private Support Service for Expanding to Developing Countries provided by JETRO experts in 2013, we clarified the purpose of expanding our business and made a business plan. We considered lower labor costs and how we can respond to the different laws and tax systems in different countries to select a country where we would expand our business. Vietnam was the head of the list because there were many young people who are skillful and have the patience necessary to learn technology. Vietnam is also pro-Japanese. It also grabbed our attention that there were few competitive sheet metal manufacturers there.



Vietnam Business Mission

In March 2014, we participated in the Vietnam SME Business Mission hosted by Hyogo International Business Center in the Hyogo Economic Development Center and visited Dong Van II industrial park in Ha Nam Province near Hanoi, a rental factory in Thang Long industrial park in Hung Yen, and a rental factory in Long Duc in Dong Nai near Ho Chi Minh. In order to carry out an investigation to select the place to expand our business, we applied for a support project to investigate overseas expansion for small and medium-sized enterprises provided by Hyogo International Business Center and were accepted.

During the application process, we narrowed down the location to northern Vietnam. The wage scale there was relatively lower than that of southern Vietnam and there was less competition from precision sheet metal manufacturers. Also, if we import raw materials from China, we can reduce distribution expenses. The benefits that Ha Nam Province afforded us were attractive.

■ Objective, Details and Business Results

After we participated in the Vietnam Business Mission hosted by Hyogo International Business Center, we recognized that we needed to evaluate and compare the cases where we either used a rental factory or we built our own factory. Mr. Dung, the Chairman of the People's Committee, offered benefits to Japanese enterprises when we visited Ha Nam Province with the Business Mission, which was quite attractive. Also, Muramoto, a leader of the Business Mission and a control coordinator at Hyogo Economic Development Center recommended Ha Nam Province to us. Therefore, we decided to expand our business in Ha Nam Province. As Hyogo prefecture and Ha Nam Province were interacting at the government level, we were able to receive benefits from the Business Mission.



Vietnam plant

As part of the field investigation, we visited Ha Nam Province several times to compare the difference in cost between a rental factory and our own factory, examine the labor cost of the workers, managers and local interpreters, examine the distribution expenses to Japan and lead times, examine the local procurement of materials, follow the procedures for an investment license etc. visit the factories of different industries that were expanding into northern Vietnam, interviews, and to investigate the living environment such as rental apartments for foreign staff. At first, we were thinking about moving into a rental factory because we could then reduce our initial costs. However, as we continued our investigation, we found that the price of land in Dong Van II industrial park and the construction fees were affordable, and we also compared the rental fee of the rental factory and the fees for restoring the rental factory back to the original condition when we left. When considering these facts, we came to the conclusion to build our own factory.

Ryoichi Nakagawa, Chairman of the Ha Nam Province Japan Desk BDT Vietnam Investment Support Center supported us smoothly, which helped us a great deal when we were following procedures to found a corporation and obtain an investment license. After the feasibility study, we started to recruit workers while our factory was being built. In April 2016, a 2-story factory with a total area of 1,500 m² was finished. We have 15 local workers at present and are planning to increase the number workers up to 35 by the end of FY2016. We made a presentation of the process from preparation to completion at the Ha Nam Province seminar held in Kobe in June.



Opening ceremony of our factory in Vietnam

■ Future Prospects

At first, we will work on transferring technology and establishing a production system for sheet metal working such as seat frames for railroad vehicles and the electronic toll-collection system (ETC) and export these products to Japan. Next, we will expand our market to include Japanese and overseas enterprises in Vietnam, then explore the domestic market in Vietnam to secure local customers. Later, we will source our supply materials from the local area as much as possible to gradually reduce costs. At

the same time, we will make full use of any elimination of tariffs scheme provided by ASEAN etc. to expand our business into Southeast Asia, with the intention of becoming a true global company.

■ **From Overseas Expansion Promotion Staff (Hideo Kawakami)**

This company effectively used several different SME support services such as our center's Vietnam Business Mission and JETRO's support service to expand their business into developing countries, and advanced their business into the local area based on a sound plan. During the field investigation, the company compared local industrial parks and made a detailed investigation on the living environment for its representatives. This is one of the model examples for SMEs to expand their business overseas.