

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

[Project Name] Investigation into selection of a factory construction site and marketing related to establishing a production base in Vietnam

Meiko Industrial Co., LTD.

Company Profile

- **Location:** 1-3-1 Karumodori Nagata-ku, Kobe
- **Representative:** President and Representative Director
Takeki Shimodoi
- **Industry:** Plastic molding and equipment assembly
- **Outline of operations:** Injection molding and mold production, silk printing, etc., production of electronic and electrical equipment and medical parts
Assembly for electrical machinery, electric railways and equipment for vehicles
- **Capital:** 50 million yen
- **Sales:** 2 billion yen
- **Number of employees:** 109
- **URL:** <http://www.meikos.co.jp/>
- **Overseas expansion status and plan** Hong Kong office (1994), Dongguan plant (China) (1994), Vietnam plant (2015)



Headquarters front view

Business Summary

Established in Kobe as a manufacturing plant for plastics products in 1956, we have expanded our business to meet the needs of our business partners. We constructed the Hikami plant (Tanba city) in 1976 and the Marugame plant four years later. Both plants were investments to enter the electronic parts assembly business. At the Marugame plant, we also began processing and molding carbon fiber. On the other hand, there were cases where we decided to withdraw. Our Saitama plant, which began operations in line with the establishment of a major manufacturer's new plant in 1983, was closed in 1998 along with the bankruptcy of the business partner. Also in 1998, we integrated our plant in the Seishin Industrial Park, into the Kobe plant. After that, we have responded flexibly to the economic environment and different needs from time to time. After the Great Hanshin-Awaji Earthquake, even though the head office plant and the Kobe plant suffered damage, we resumed operations in October.

We are engaged in consistent production, from manufacturing molds for various parts and the mass production of molded parts to assembly of the units. Our products are used for various items such as cars and train vehicles, and electronic and electrical equipment. We are also actively working on the development of our own products by making full use of the technological expertise we have cultivated in the manufacture of orders, for instance, a rescue robot and a counter-terrorism robot. In 2006, we also produced "Tetsujin 28-go (one-tenth in size)" which moves. Tetsujin 28-go, which was limited to 100 units, sold out quickly even though it was expensive. This project came to pass because Mitsuteru Yokoyama who was a comic-book artist and the creator, was a classmate of our company president.

In 2008, we were also selected as a "growth expected company" by the public interest incorporated foundation, Hyogo Economic Development Center. Companies the size of ours are susceptible to economic impact. That is why we must take immediate action according to the situation. Our decision

making ability has been questioned regarding both overseas expansion and the development of new business. Although we often encounter difficult situations where cost is concerned, human resources will not be developed and the business can become rigid unless we keep challenging ourselves. We are actively working on new business to enhance our basic capacity.

■ Motivation and Aim for Overseas Expansion

For overseas expansion, we established our first overseas production base in Guangdong Province, China in 1994 in response to requests from our customers. We carried out thermoplastic injection molding and thermosetting direct pressure molding over a total floor area of 5,600 m² and with 180 employees. After that, our costs, including labor costs, had increased at the China plant, so we began thinking about transferring part of the manufacturing process to other countries so that we could supply products to our business partner manufacturers in a stable manner even in the event of a disaster as well as supporting the function of the China plant.

At that time, since the office equipment manufacturer of our business partner had entered into Vietnam, we decided to transfer part of the plastic molding of mechanical parts such as the rollers to Vietnam. This was because if we set up a new base in Vietnam, we anticipated the elimination of tariffs by the ASEAN Economic Community which was established at the end of 2015, and we hoped that the business would expand to include exports to Thailand and Malaysia. In China, we had been developing our business for more than 20 years, however, we had no information on any other countries. We were thinking about how to proceed in order to make the Vietnam expansion successful by starting with the formulation of a vision, analyzing the compositions of researchers and other information, formulating an overall plan, and so on.

It was then that we learned there was a support project to investigate overseas expansion for small and medium-sized enterprises at the Hyogo Economic Development Center (public interest incorporated foundation) and the Hyogo International Business Center, and so we applied for this project to conduct investigations into on-site marketing and factory construction site selection, and we were accepted.

■ Received Support from Hyogo International Business Center and Realized the Plan

We considered the Trang Due industrial park in Hai Phong City in the northern part of Vietnam where the office equipment manufacturer of our business partner was expanding its business, as the first candidate location. That was why we went to the site in September, 2014 to investigate important matters such as the infrastructure and the employment situation at the industrial park as well as visiting Japanese office equipment manufacturers that were expanding their business there. In the investigation, Haruhisa Nakata, the president of WITCO LTD., which expanded their business there 20 years ago, helped us a great deal, and we were able to have discussions with a construction company in addition to the investigations mentioned above.



Factory construction site

As a result of this investigation, we decided to build a plant on the site as we acknowledged that we could expand our business there. We aimed to start operations in 2015 and started recruitment activities to secure employment as well as proceeding with procedures to start the business. In September 2015, a two-story steel-framed building totaling 3,000 m² was completed on a site of 5,000 m² (fixed-term leasehold). In the building, we installed 10 injection molding machines for plastic processing and we started our business with 50 employees.

We have already supplied our products to the Japanese local manufacturers of office equipment and we would like to expand the number of employees to 100 and increase the number of molding machines to 30 by the end of 2016. Since the expansion this time was an important part of the business that could have affected our management if it failed, we appreciated the investigation support project from Hyogo International Business Center for being extremely helpful in reducing the risk of failure by conducting a more thorough investigation.

■ Future Prospects

At first, although transactions with Japanese companies entering into the country are our focus, in future we would like to work on business transactions with local companies. In addition, being based in Vietnam, we aim to approach the Thai and Malaysian markets.

■ From Overseas Expansion Promotion Staff (Yasushi Nagao)

This project was highly feasible and the contents were evaluated highly from the beginning of the application. Although it seems that there would have been a lot of difficulties without the support provided by our center, this case resulted in a wonderful successful case regarding the establishment of an overseas base. We would like to use this case as a successful example of establishing an overseas base, which can be difficult for small and medium-sized enterprises to enter, and we will continue to provide support for the overseas expansion of Meiko Industrial in the future.



Full view of the Vietnam plant