THE WORLDFOLIO

TRANSCRIPT

An Interview with

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JAPAN

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The Japanese manufacturing spirit or philosophy, known as *monozukuri*, has traditionally meant seeking product perfection through craftsmanship. Nowadays, however, it involves responding to the ever-evolving demands from customers and providing that added value in the final product delivered. As one of Japan's leading paint companies, could you give us your take on *monozukuri*, please?

I believe that the competitive advantage of Japanese manufacturing is based on *shokunin damashii* and *omotenashi*. I think that these two are the most important fundamentals that highlight the unique essence of the Japanese *monozukuri*. *Shokunin damashii* denotes the spirit of craftsmanship. If you look at this concept on the Internet, you will find that it is an expression that refers to a strong sense of pride and professionalism possessed by people who have excellent, specialised skills, and are engaged in manufacturing. It is said that this kind of awareness is becoming less and less common. It's less, but if you look up the people who make traditional crafts such as knife and crockery, you will see that that kind of awareness remains. Secondly, *omotenashi* has become a bit famous in the world since it was mentioned in a presentation to promote Japan's hospitality and bring the Olympic games to Japan. *Omotenashi* means cordial reception, hospitality, and customer service. To add applied sincerity to the act of omotenashi, we apply 'o' to the word motenashi. Omotenashi is commonly translated as hospitality in English, but it is a more preserved and internalised sincere service. I think that these two are the origin and most important values of Japanese *monozukuri*. Of course, other factors contribute to the competitiveness of manufacturing, but the values unique to Japan, and what I value the most, is the spirit of craftsmanship with a hidden sense of hospitality.

Japan has been subject to intense competition from regional competitors like Taiwan, Korea, and China. Yet, when it comes to high-technological fields, Japan remains a leader. Why does Japan still dominate when it comes to these niche high-technological fields?

The explanation for that phenomenon lies in the understanding of *shokunin damashii*. Japanese craftsmanship has gone beyond it, where it not only introduces the functional

side but also adds value-added price to products. It may be deemed as simple as being a cutting-edge product, but I think most Japanese companies are also defined by their taking pride and exhibiting aesthetic features for their products. However, from a more global perspective, some Japanese companies are appreciated by customers because the quality of their products exceeds their expectations.

Among this vast range of paints you offer, could you please tell us which is your main focus? Is it the specialised paints or the more traditional paints; and which is the best-selling product?

Our core products are our specialty paints which a lot of paint manufacturers do not produce, especially conductive paint and cutting oil resistant paint. Our main customers are manufacturers of machines, semiconductor equipment, equipment for home and medical applications, and other industrial equipment manufacturers. The machining industry, which was in a bad situation up until about March of this year, has recovered and is now busy. The semiconductor industry is still doing really well, and I am happy to hear that it will continue to do so. I would like to say that our selling point is the resistance to cutting oil in the area of special coatings for machine tools, which is a business opportunity that differentiates us from our competitors. Machine tools are machines for cutting the oil, and they compete in terms of their system and speed. Cutting oil is essential for cutting, but it is very aggressive to the coating field. Normal paint would peel off in less than a day once the cutting oil touches the painted part. Many people in the world do not care if the coating peels off because the machine tools will still continue to work properly. However, Japanese people are different; they take good care of the machines and tools that they use, and they always clean up and wax the machine tools that work tirelessly. Therefore, it is necessary to have a coating film or paint that is resistant to cutting oil – this is where EDOGAWA GOSEI has become most famous. Our EPOLITE with an outstanding cutting oil resistance has a performance level that is as good as that of a major paint manufacturer.

The LUBRI-ONE, which you launched last November, has an environmental aspect to it, in addition to its protection aspect, aesthetic appeal, and functional features. Could you tell us more about this particular product that you launched, and how it is meeting these environmental standards that are so stringent today, especially as we move to a carbon-neutral society?

Yes, that is true. The awareness about environmental consciousness and products that are related to the sustainability of the ecosystem is now increasing. It is not limited to paint manufacturing companies, and we are no exception regarding this matter. At EDOGAWA GOSEI we are thoroughly thinking about how to preserve nature and be more environmental consciousness. From the legislative point of view, regulations that relate to eco-activities are growing in many countries. For example, recently, we have not been able to continue exporting to China because they have been enforcing many strict environmental regulation. We are putting our best efforts into making EDOGAWA GOSEI capable to create more environmentally conscious products to cater to high expectations and meet the legislative criteria of countries like China. Moreover, we are working towards introducing the powder coating for surface treatment which is less hazardous to the environment. We are doing a technical tie-up with another company that has powder coating technologies, and these negotiations are ongoing. The tie and reuse approach is our focus, as well as many companies related to coating manufacturing. We will be more active in these activities, and we will have a news press release soon.

As Japanese companies look to expanding internationally, we see that they are tying up with international partners in order to take advantage of their technologies. Are you looking to partner up with particular companies in certain sectors internationally? And what role does co-creation play in your product development?

The first attempt of the company to enter the foreign market was going to Thailand. We went there to increase our sales because there was a company there that was interested in our products. We are not limiting our expansion to Thailand. Since Southeast Asia has a wide variety of sales routes with emerging economies, we are thinking about expanding

throughout this region. For that reason, it could either be a technical or manufacturing tie-up to establish our production capabilities for local production and introduce our products to local plants.

Although equipment manufacturers are your main customers, it is apparent that you are serving many industries, including the medical field and steel pipe makers. Can you tell us more about your customised service and why it makes you the go-to partner when it comes to specialised paints?

We are different from the functional paint manufacturers in many ways because our company credo or philosophy, as a paint manufacturer, is to provide our customers with the best products with the best features to gain their trust. The adaptiveness of the paint as a subproduct is essential in the product customisation. Hence, we take charge midway in customising and developing specialised paints to meet the customers' needs. Our expertise is based on all kinds of information about the paints, coatings, and the final application of the paint in line with the customer's requests. Machinery and equipment are exposed to extreme conditions, which therefore require the highest performing coating. We deliver well-balanced and quality coating products to our customers.

Do you have any case study that you would like to showcase to us where your paints are being used?

Currently, we are focusing on conductive paints.
There are many different applications for conductive paints, and even those of us who manufacture paints do not know about many of them. We would like to introduce a few examples, but due to confidentiality agreements, we cannot provide details. Common applications of conductive coatings are electromagnetic shielding and antistatic effects. Electromagnetic shielding is used in single-lens reflex cameras and medical equipment to keep electromagnetic waves and electrical noise out, or in other words, to shield them. The antistatic effect is applied to prevent fires and disorders caused by static electricity discharge. For example, it is applied to industrial robots that operate in areas where flammable gases are generated, and to semiconductor manufacturing equipment where discharge of static electricity is not allowed.
Recently, I received an interesting inquiry. They want to use conductive paint as a "heating element. Japan is a country with many natural disasters. In the Hokuriku region, where the temperature drops below freezing in winter, if electricity or gas is cut off due to an earthquake, the affected area will be in a critical situation.

Therefore, we are working on a project to provide as much warmth as possible to the disaster victims by creating a device that can easily generate heat with batteries using the conductive paint we have developed.
It will be a great honor if the conductive paint we have developed can contribute to society by protecting the human body from electromagnetic waves, avoiding fire and damage from static electricity, and providing warmth in times of disaster.

We have also started full-scale sales of AQUARECOAT, a water-based tire paint.
It can give a natural texture to the sidewalls of recycled tires as if they were new.
The reuse of tires using AQUARECOAT promotes the reduction of waste rubber and contributes to the achievement of the SDGs on environmental sustainability.

With the growing need for recycled tires, AQUARECOAT is the best choice for the reclamation and reuse of used tires.

Moving forward, as you develop new products, could you tell us what you see as the biggest challenge as a paint manufacturer that you need to overcome?

Most of our paints are for industrial purposes and haven't been introduced to the construction field yet because, in comparison, the paint used in construction is cheaper. However, we are currently getting involved in that business with specialised facilities like hospitals. We are now discussing the possible utilisation of our paints to equip MRI and CT scan rooms where electromagnetic waves are present. The remodelling of these rooms, which may be putting in new items of equipment, usually takes about two weeks. But as long as our specialised paint is used, this is no longer necessary, which helps hospitals in many ways. Due to how demanding the schedule for these hospital rooms are, as you can imagine with the daily and urgent cases that have to be dealt with, eliminating the two-week waiting time is valuable. It is crucial for hospitals to have all-time access to these rooms.

Still, our company cannot say that we have a stronghold in the construction-related special paints, so we are now negotiating with a company that already has a considerable background in construction paint manufacturing. We are aiming to integrate their technologies with ours to develop even better products. Also, we use environmentally conscious paint.

What advantages has acquiring POLYCON brought to your business? What was the purpose behind its acquisition?

Polycon is a company that manufactures additives for inks. This additive has the function of adding an anti-scratch effect to gravure inks, which are mainly used for food packaging materials.
As with Edogawa Gosei, compounding and dispersion technology is an important issue, and since we follow relatively similar manufacturing processes, we thought that we could mutually develop each other's technologies. In fact, prototyping of new products using the facilities of Polycon and Edogawa Gosei has begun, demonstrating the high synergy effect.

In 2013, you established a production facility in Thailand. Can you talk to us about the advantages of having this production facility and what new markets has it allowed you to penetrate?

At that time, shipments of electromagnetic shielding paint to the Thai subsidiaries of camera manufacturers were increasing significantly, and we decided to take advantage of the benefits of local production.
We also supply metal coatings to a machine tool manufacturer.
We have invested in equipment so that we can manufacture the products of our subsidiary, Polycon, at our subsidiary in Thailand, and we are able to respond to inquiries not only from Thailand but also from neighboring countries such as Malaysia and India.
Having a manufacturing base in Southeast Asia is important for our global expansion.

Could you talk to us more about your strategies for international expansion? Would you be looking to expand through M&A, joint venture, another production facility, or sales office?

The first thing is to introduce our best features as a company through excellent media platforms such as yours, so that more people will know about us. In order to do this, it is important for us to build our brand as a specialty coatings manufacturer with superior technology that will enable us to meet the needs of our customers through technology.
In the future, it is important to create new value by forming business alliances with the same or similar companies that excel in areas where the company is not strong. As a means of doing so, we believe that M&A and joint ventures to expand development and manufacturing bases are effective.

What do the European and the American markets hold for your company?

am familiar with the U.S., having studied there for a short time as a university student. However, we do not have any direct transactions with them at present.
I believe that the needs for special coatings will increase in the future in the U.S. and Europe as well.

I feel that there is a lot of potential demand for paints with special functions that are also environmentally friendly, so I would like to communicate more about this in the future.

Imagine we come back in four years for your ninetieth anniversary and have this interview all over again. What would you like to tell us? What are your dreams for the company, and what would you like to have accomplished by then?

I would like to talk about how our specialty coatings are recognized and needed internationally, and how we can contribute to society through our coatings.
To achieve this, the "spirit of craftsmanship" and "hospitality" are important. By our 90th anniversary, I would like to feel that our specialty paints are useful in the U.S. and Europe.