

Japan's Construction SMEs Navigate Changing Demographics

Over the last three decades, Japan has seen the rise of regional competitors who have replicated its model of economic success, but done so through much cheaper overall labor costs, pushing Japan out of mass markets. And yet, Japanese firms can still stake their claim as genuine leaders when it comes to niche manufacturing fields, including the many SMEs that serve the construction market. In this special report for Newsweek, Japanese firms discuss their efforts to retain their competitiveness despite facing stiff price competition and entrenched demographic challenges.

"Cost-effectiveness is important here in Japan, and we now excel at low-cost, high-performance products," says Ken Ishimoto, President of Unity Inc. "However, China has gained a reputation as the 'factory of the world' and has rapidly improved its technology and manufacturing quality to live up to this name. The tendency of many societies around the world to opt for more cost-effective products, regardless of quality, has created a situation where many Japanese companies are now struggling within this market.

"In the future, it is important for Japanese small and medium-sized enterprises (SMEs) to learn how European countries do business. Functionality is important, but there are other important factors such as product design and brand narrative. In the Japanese market, Japanese luminaire companies like ours have evolved not only the equipment they offer but also the

comprehensive service they provide to customers, creating a more attractive proposition for clients."

Besides regional competition, the Japanese face a fundamental, demographic challenge too: the country's decreasing, aging population. The construction field – more than any other – is being hampered by this trend, with one-third of construction workers over the age of 65. This is helping create a number of issues, with fewer people meaning a shrinking domestic market and a full-blown labor crisis.

"In order to address this situation, we are looking to overseas markets," explains Noritoshi Takayama, President of Takayama Kasei. "Another aspect we are trying to tackle is the difficulty of hiring people domestically. It is especially true that SMEs and factories in Japan are struggling to find new recruits. Actually, more than one-third of our employees are from overseas currently, making us a very international company. Additionally, we are also working on labor-saving solutions, including investing in automated systems and working towards enhancements in our productivity efficiency."

As demographics change, the demand for new construction projects in Japan is declining, while the focus is increasingly on maintenance and upkeep of existing real estate, adds Toshiya Miyazawa, President of AQ Group.

"It is certain that the current demographics have caused the stagnation or decline of the construction market in Japan," he says.

"Our country is facing the challenge of aging infrastructure, including housing and buildings, and there is a growing need for renovation and modernization. And while renovation is on the rise in the construction market, Japan's culture tends to favor new, modern buildings. As a result, the Japanese construction market is at a tipping point in terms of values and technology. Although the market for such housing is relatively small, the need for such housing is growing, and we aim to meet this demand."

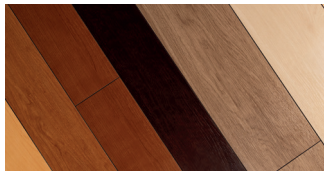
Michihiko Shimamoto, President of Aichi Co., says that his company's core focus is conversely on spaces such as educational and public facilities, rather than modern office blocks and residential markets.

"We aim to broaden our product portfolio significantly, seeking a larger market share in these facilities," says Mr. Shimamoto. "On the other hand, regarding labor environment issues, like many other Japanese businesses in our position we are automating manufacturing equipment, sharing manufacturing processes, and classifying what we manufacture in our own factories and what we outsource to partners."

Despite the evident challenges, Japanese manufacturing firms are demonstrating characteristic resilience, leveraging innovation and agility to navigate global competition and demographic shifts, helping ensure their continued leadership in niche fields.

Takayama Kasei Sets Sights on a Recycling-Oriented Society

Founded in 1965, the sustainability-focused firm is committed to using recycled materials in the creation of its premium-quality flooring tiles and soundproofing materials.



A new standard of luxury floor tiles

Takayama Kasei is a Japanese manufacturer that uses recycled materials to create its leading-edge products. The company specializes in flooring tiles and soundproofing materials suitable for a wide range of building types.

"We're one of the companies in Japan utilizing recycled materials for tiles and sound insulation materials," reveals the firm's president, Noritoshi Takayama.

Takayama Kasei's products are not only environmentally friendly, but are also crafted

"In order to achieve a recycling society, the recycling of materials is very crucial to the daily operations of our company."

Noritoshi Takayama,
President,
Takayama Kasei Co., Ltd.



with Japan's shifting demographics in mind.

"Due to the shrinking domestic population, we have carefully designed our products to meet the demands of both skilled and unskilled individuals, so that they can securely install them."

Mr. Takayama also stresses that Takayama Kasei's use of recycled materials has no impact on the manufacturer's commitment to exceptional quality.

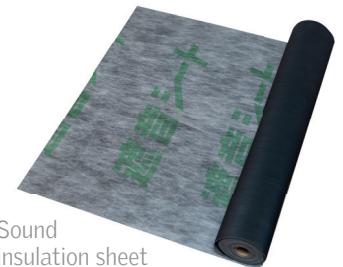


Vinyl flooring powder," Mr. Takayama says.

"The Japanese Industrial Standards (JIS) system is in place, with certifications obtained by companies like ourselves," he says. "JIS was developed for virgin materials, not recycled materials, but we surpass these standards."

And as Takayama Kasei strives for a greener future, the firm is stepping up its efforts to promote a circular economy.

"For our flooring tiles, we use recycled plastics and a filler stone



Sound insulation sheet

"This filler is a virgin material obtained from deep in the mountains. We have developed a new product line of floor tiles from sawdust, and we intend to expand the line using other waste materials like used coffee grounds. That's the current focus of our R&D – and it's almost complete."

Takayama Kasei is also working to expand the global reach of its products, by seeking sales partnerships with local companies.

"We intend to focus on a niche market with a sense of Japanese modern living and a need for soundproofing," Mr. Takayama says.



www.takayama-kasei.co.jp



"Our goal is to challenge conventional norms and create something unique, spreading it throughout Japan and eventually around the globe."

Toshiya Miyazawa,
President, AQ Group Co., Ltd.

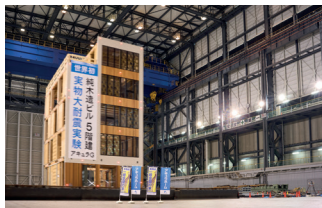


Eight-story pure wooden building

AQ Group's Vision for Japan's Construction Industry: Reshaping the Urban Landscape with Wood

AQ Group's pioneering wooden constructions and disaster resilience technology are helping drive its international expansion.

While the sustainability revolution can involve the creation of new, green technologies, often traditional techniques can be harnessed to lower the environmental impact of an industry's processes.



Five-story earthquake resistance test

One of the companies using traditional techniques and materials is Japan's AQ Group, which specializes in the construction of wooden-framed buildings. Founded in 1978, the company's flagship product is its Aqura Home, a custom-built home that offers free design and comprehensive care services from exterior to interior and equipment. These homes undergo rigorous testing against earthquakes and other natural disasters while emphasizing functionality and livability by not increasing the number of walls or making rooms more compact, as is often done in Japan.

Aqura homes are tested to withstand earthquakes of mag-

nitude 9.0 or greater and can continue to be lived in even after a major earthquake strikes. Company president Toshiya Miyazawa explains: "We are working to provide homes that are not only durable and disaster-resistant, but also energy-efficient, spacious, and more comfortable living environments."

The homes can also incorporate AQ Group's original whole-house air conditioning system, Takumi Air Conditioning, which employs advanced proprietary technology, staying comfortable all year and saving residents energy costs. Buyers can also customize their Aqura homes to meet their individual needs, such as changing the size of rooms as their lives change.



Interior image

This combination of traditional and modern techniques is also seen in AQ Group's joint research and development with Professor Masahiro Inayama of the University of Tokyo. The R&D work

has made the construction of an eight-story wooden building possible, continuing Japan's rich history of wooden structures.



10-story earthquake resistance test

Not only does AQ Group work with wooden structures, it has the technical capability to design and construct wooden houses without incorporating metal into the wood. The company is actively seeking partnerships with engineers and researchers around the world to facilitate further technical R&D exchanges.

In 2021, AQ Group established its first overseas office in Vietnam, and this base is currently focused on absorbing and introducing its original technologies. This expansion abroad is underpinned by the company's belief that its construction methods can be applied internationally in the future to offer low-cost housing. As Mr. Miyazawa says: "This approach will lead to very efficient and cost-effective housing construc-

tion, as we can use pre-cut fabrication plants to manufacture columns and beams."

The company is dedicated to its mission of transforming Japan's "concrete jungle" into a skyline dominated by wooden structures and then taking its technologies around the world to improve industry standards.



Interior image

It aims to do this by combining the structure and standards of post-and-beam construction with Japan's superior pre-cut technology. As Mr. Miyazawa says: "The overarching vision of AQ Group is to question the conventional way of doing things and to create a richer quality of life."



AQ Group
www.aqura.co.jp



Illuminating the Future: Unity Inc.'s Strategic Vision in the Global Market

Discover how Unity Inc., a trailblazer in the lighting industry, is navigating global challenges and innovating in the Japanese SME sector.

In the dynamic landscape of global manufacturing, the lighting industry has witnessed substantial changes over the last decades. Unity Inc., under the visionary guidance of Ken Ishimoto and Katsutoshi Kawamura, has emerged as a leader in this evolving sector. The company has adeptly maneuvered through intense global competition, especially from regions offering lower labor costs, focusing on niche markets and embracing innovative strategies.

Mr. Kawamura revisits Japan's post-WWII era, highlighting the country's reputation for enhancing the quality of American products. "The current market scenario is vastly different. Facing competitors who offer lower quality at reduced prices, we've had to innovate and strategize differently," he says. This shift has prompted Unity to focus on more than just cost-effectiveness; it's about excelling in design, functionality, and the narrative behind each product.



SUMI lighting collection

In the Japanese market, Unity has developed a unique strategy that transcends the mere selling of products. It has cultivated a strong community and fan base through integrated services. "In Japan, our approach is holistic, catering to

a loyal customer base with comprehensive services," explains Mr. Kawamura. However, in international markets, the focus pivots to branding. "Branding is essential in global markets," he emphasizes. This strategic shift led to the birth of the SUMI brand, designed to position Unity as a preeminent 'lighting brand from Japan' internationally.



Presenting lighting design concepts

Unity's international branding strategy with SUMI is about finding the perfect balance between a premium identity and market accessibility. "We have segmented our market akin to the automobile industry – into economy, premium, and luxury," shares Mr. Kawamura. This strategic market segmentation enables Unity to cater to diverse consumer needs while maintaining its distinctive brand identity.

Unity's approach to lighting design sets the company apart. Unlike traditional lighting manufacturers who restrict their designs to their own products, Unity amalgamates offerings from various manufacturers. "This approach ensures that our customers receive bespoke solutions, tailored to their specific needs," elaborates Mr. Ishimoto.

Addressing Japan's aging population and shrinking work-



"Unity is aiming to become the ultimate lighting solution company, one that is designed to offer the ultimate comprehensive service to customers."

Ken Ishimoto, President of JAPAN headquarters, (left), Katsutoshi Kawamura, CEO of UNITY LIGHTING (TAIWAN) CO., LTD. (right)

force, Unity has adopted a multi-faceted strategy. "Our focus is on creating an efficient, compact work environment and promoting a diverse range of tasks among employees," Mr. Ishimoto notes. This strategy is complemented by Unity's youthful management team, with an average age of 43, making the company a desirable prospect for young professionals.



Global office in Taipei

In the near future, Unity's 'Share Light initiative' is poised to become a focal point. This innovative service, offering short-term, high-quality

lighting hire for events and pop-ups, reflects the company's commitment to sustainability and adaptability.

Regarding expansion, Unity is not looking to establish new legal entities but to build international partnerships. "We are particularly keen on exploring collaborative opportunities in India to open up new business frontiers," Mr. Kawamura reveals.

Unity Inc., with its innovative approach, strategic market segmentation, and commitment to sustainability, isn't just lighting spaces – it's charting a new course for Japanese SMEs in the global marketplace.

SUMI
LIGHTING COLLECTION
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"The provision of highly reliable products with sophisticated design and long-lasting durability is our mission."

Michihiko Shimamoto,
President, Aichi Co., Ltd.

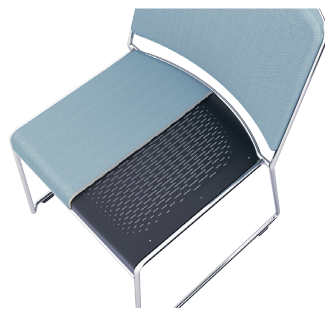
Aichi: Creating Educational Spaces and Innovating Furniture Design

Under Michihiko Shimamoto's visionary leadership, Aichi transforms spaces with innovative furniture, emphasizing unique designs and a commitment to crafting optimal educational environments.

Since its establishment in 1939, Aichi Co. Ltd. – now under the leadership of company president Michihiko Shimamoto – has been committed to crafting educational and communal spaces.

Initially recognized for manufacturing movie theater seats and folding chairs, Aichi has evolved its focus towards educational and public facilities, distinguishing itself in the global market. President Shimamoto emphasizes the company's commitment to broadening its product portfolio: "Aiming for a larger market share in educational and public spaces." Automation in manufacturing, careful selection and concentration of manufacturing processes, and a core competency in stacking chairs highlight Aichi's strategic approach to staying competitive in today's market.

Aichi doesn't merely provide furniture; it offers comprehensive interior planning services, including interior design and IT equipment. President Shimamoto emphasizes the company's purpose: "Creating educational and gather-



Flexible seat of the Gene

ing spaces for human well-being and the environment."

The goal is to offer optimal environments tailored to educational facilities, combining furniture, interior design, and overall space for an enriched learning experience. The foundation of Aichi's success lies in the reliability of its products and the trust cultivated through a diverse portfolio.

"The provision of highly reliable products with sophisticated design and long-lasting durability is our mission for earning trust in the educational and public facilities," says Mr. Shimamoto.

Aichi is renowned for its versatile and multi-functional furniture, holding 22 international patents and 70 domestic patents. President Shimamoto underscores the company's commitment to differentiation, creating unique products that stand out globally: "All our products are designed in-house, reflecting the company's dedication to functionality in educational and public facilities," he says.

Regarding collaboration, President Shimamoto mentions openness to future partnerships, both domestic and overseas, to create brand-new products.

"This approach aligns with Aichi's commitment to innovation and adaptability in a rapidly evolving market. A representative innovation by Aichi is the spiral suspension technology used in our fixed theater seats, offering enhanced comfort and durability. This material addresses the challenges of long-term use, providing a solution to discomfort and squeaking often associated with traditional theater seats," he explains.

With a strong focus on its global presence, Aichi has been participating in the ORGATEC exhibition in Germany since 2010, garnering prestigious awards. Today, the company aims to strengthen its stacking chair series and establish itself as a leading global niche player in the field, with President Shimamoto outlining strategic growth plans: "We are targeting North America, Oceania, and Europe, with an eye on the well-established interior design sector in Europe. In the future, we plan to expand our



Elastic seat of the X50

product offering to other regions, including Northern and Southern Europe, the Middle East, South America, Asia, and Africa."

Looking ahead to Aichi's 100th anniversary, President Shimamoto emphasizes the company's dedication to its philosophy and values rather than mere sales expansion.

"Aichi aims to continually enrich its product offerings, becoming a niche top company in Japan and the global niche top for stacking chairs, following the example of successful outstanding companies targeting the global market."

Aichi's sustainability lies not just in scale but in global expansion, reflecting its commitment to innovation and creating unique offerings for educational and public spaces worldwide. With its 85-year legacy, led by President Michihiko Shimamoto, the company has evolved from movie theater seats to global niche prominence, emphasizing innovation, comprehensive interior planning, and a commitment to creating optimal educational spaces.



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