

Kyushu Promotional Tour 2017

Report

【Hosts】 Kyushu Bureau of Economy, Trade, and Industry,
Institute for International Studies and Training, Kyushu Economy International
【Supporter】Kyushu Economic Federation,
Kyushu Tourism Promotion Organization

1. Objective

Upcoming major, international sporting events such as the 2019 Rugby World Cup, the 2020 Tokyo Olympics/Paralympics, and the 2021 World Aquatics Championships are golden opportunities to promote Kyushu's appealing characteristics to international tourists visiting Japan and the rest of the world.

However, the name of Kyushu is not currently recognized worldwide and the appeal of each area has not been well communicated to the world. While there is a drastic increase in the number of shoppers from Asian countries such as China and Korea due to recent cruise ships calling over at Kyushu ports, Kyushu cannot attract western tourists so that it is difficult to lead to the expansion of inbound tourism including foreign students and investment.

As a part of the resolution to the above issues, this project is aiming at leading the effort to expand inbound tourism broadly in Kyushu area by rediscovering a variety of attractions in Kyushu such as commercial materials and contents, reviewing and discussing how to add their values among both government and private sectors, introducing them to overseas markets centered around western countries, and enhancing the visibility of "KYUSHU". (※ According to a business and investment survey by METI, approximately 80% of international companies are from the West and subsidies in Kyushu are typically part of secondary expansion efforts.)

2. Description

Dividing Kyushu into several blocks, we invited three specialists from the following viewpoints; "tourism", "regional resources", "foreign investment" and "town planning and design". Every prefecture and municipality choose the commercial materials and contents that they are proud of, and let the parties concerned find and share the effective way to attract western people (how to display, sell, add value and etc.). We will enhance the

“realization” in local societies and help their future strategy.

3. Invited Experts

•Mr. Tom Vincent

CEO, Tonoloop Networks Inc.

With a 240-year-old Omi merchants house located in Hino, Shiga Prefecture as its base, Tonoloop Networks works on media and content production, branding, promotion and strategic consulting for central and regional government, and corporations. Tom is also joint founder and owner of craft beer company Hino Brewing.

•Mr. Nick Szasz

CEO and Executive Editor of Fukuoka Now Ltd.

Nick was born in Toronto, Canada. He first visited Japan in 1984 and moved to Fukuoka city in 1991. Because of his strong awareness of the necessity for providing enough information and community available to foreigners, he established the networking service by using information and communication technology which is his specialty.

Meanwhile, he became independent to take over the business of English information magazine which was closed down by a local publisher, and first published “FUKUOKA NOW”, the monthly magazine in December 1998. He continued to provide these magazines for free and in 2009, published Now Map, the map for foreign tourists by taking notice of foreign cruise ships calling over at Kyushu. Nowadays he contributes to structuring and strengthening the network among global companies based in Fukuoka through organizing FIBA.

•Mr. Hiroshi Ebara

Managing Director, Public Service and Medical Health Head Office, Accenture

Mr.Ebara joined Accenture in 1993 and got promoted to Managing Director in 2016.

For last 10 years, he has been in charge of more than 50 cases of commissioned investigations and consulting projects for promoting foreign investment, supporting overseas business expansion, cross-border relations and white-paper relations in METI, the Small and Medium Enterprise Agency, the Organization for Small & Medium Enterprises and Regional Innovation, JETRO and local governments.

He was also responsible for discovering and attracting foreign companies to Tokyo, Kanagawa, and Chiba prefectures. Especially for those activities in Tokyo, he supported the government to create and implement the policy in attracting 60 companies to its highly-valued bases. Also he assisted senior management in foreign companies in business matchmaking with Japanese companies, and was in charge of the investigations for the promotion activities to attract foreign companies to Hokkaido, Sendai, Chiba, Kanagawa, Kitakyushu, Fukuoka, and Kumamoto etc.

He participated in many projects promoting foreign investment such as “Fact-finding

investigation of the promotion for inward direct investment in foreign countries” which as conducted by METI in 2015.

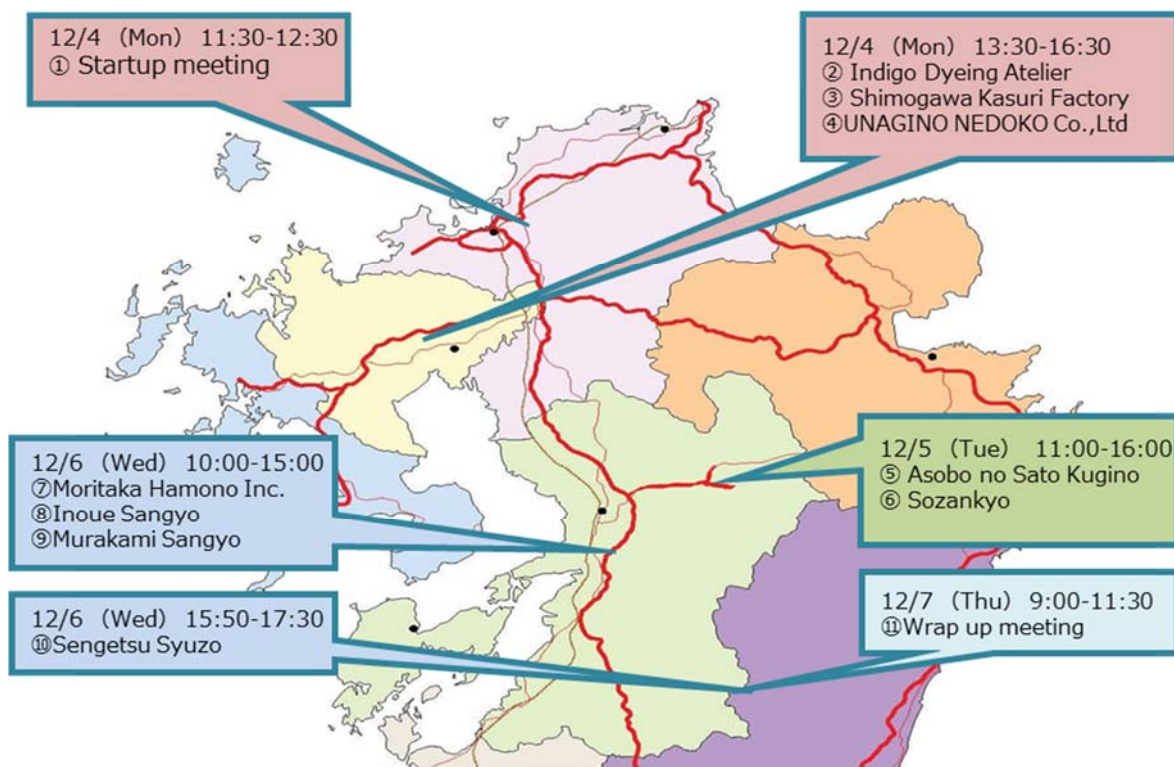
Moreover, he took a role as a lecturer or panelist in seminars related to foreign investment, which were held by the Cabinet Office, the Regional Bureaus of Economy, Trade and Industry (in Kyushu/ Kinki/ Chubu /Kanto) and MIPRO etc.

4. Tour program

○Itinerary

- Day1 Start up meeting, Lunch /Indigo Dyeing Atelier
/Shimogawa Kasuri Factory/Unagino-nedoko Co.,Ltd/Terasaki-tei
- Day2 Mianami Aso village,Minamiaso-mura Association of Tourism,
Asobo no Sato Kugino/Sozankyo
- Day3 Moritaka Hamono Inc. /Inoue Sangyo
/Murakami Sangyo /Sengetsu Shuzo
- Day4 Wrap-up meeting

○Venue



DAY 1 : December 4, 2017

1 Start up meeting

Outline

On the first day, we introduced the members and explained the main concept of Kyushu Promotional Tour.



2 Indigo Dyeing Atelier

Against the downward trend of production decline of “kasuri” after 1975, Indigo Dyeing Atelier continues on a unique path of adhering to handweaving of kasuri dyed with natural indigo.

Our dyeing process begins with fermentation of “sukumo,” ※ the raw material for dye, and next we dye the fabric into deep blue by using dyes of different strength, each contained in a separate jar. Then, we repeat the process of squeezing yarn to stabilize the indigo color and striking it against a dip in the ground for more than 40 times. This is heavy labor. Still, it is not just hard but has some inherent beauty and solemnity. Takeshi Yamamura, the artisan, not only works on traditional designs but also creates beautiful and rare cloth, including unique 3-dimensional geometrical patterns in millimeters.

※ “sukumo”: the dye made by fermenting indigo leaves.

Issues and Challenges

We used to have a stable number of orders, and for this reason, the weaver was able to immediately respond to the wholesalers’ request for required volume and design.

But after the 1990s, premium kasuri, especially hand-woven indigo-dyed kasuri which is inevitably pricy, became less popular due to the increase of cheaper mass-produced imports in addition to further Westernization.

Cultivation of new market is vital, and we are exploring use of our products for bedclothes and home decoration. Some countries like the US, where people pay more for bedclothes, can be attractive as new markets.

At present, we are considering cultivation of foreign market. We have been displaying our products at overseas exhibition, but it didn't quite lead to opening up of a new market. However, when we made exhibits at an exhibition in Taiwan with the help of subsidy to small businesses, we received a surprising number of feedback. Our overseas sales are still moderate, but we want to expand this further. We would like to utilize our performance at overseas exhibitions to bolster sales in Japan.



Discussion with Specialists

[Specialists]

- ◇The sales target should be reviewed because the good reaction at the exhibition didn't lead to actual sales. It is surprising to see the traditional work process and the atmosphere at a dyeing atelier of Aizome kasuri, and there must be certain amount of buyer group in the world regardless of its high price. It would be a waste not to clarify the target in the worldwide market and tell them the best way to use those products.
- ◇In overseas market, Japanese style simple patterns are more popular, and large products such as tapestries and bed covers are easier to sell at high prices and have better cost effectiveness.
- ◇We wish that some Kurume kasuri products such as business card holder is used especially by local people. We recommend Aizome kasuri products for year-end gifts or baby gifts. (We have such custom here and wish this custom will spread outside.)
- ◇We hope to make opportunities to let tourists know it as one of Kyushu's best crafts by including a visit to textile manufacturers into the cruise trip of JR Seven Stars Train etc.

[Manager at Visited Company]

- We would like to introduce kasuri from Kurume, as "healing product" for human beings. We expect that the demands for kasuri will increase because of the attraction

of textile as well as the effect of indigo blue. As it is something that human beings desire the most, we hope someone who can communicate well and promote the value of kasuri to overseas.



3 Simogawa Kasuri Factory

20 weaving machines connected to 1 motor are at work, with 1 employee taking charge of several machines. We accept many visitors for factory tour – conceptualizing the factory as “studio” and the weaving process as “live” – to facilitate communication between the buyers and the producer. We also stream our weaving session “live” to the world as an attempt to combine traditional crafts and SNS.

As a weaver, we focus on selling “kasuri” textile as finished products. Instead of developing new products made of “kasuri,” we flexibly accept custom orders and request for a variety of colored designs and texture including new and original design. The monpe products on sale at “Unagino-nedoko” also utilize Shimogawa’s “kasuri” textile. We do not just accept orders; we also collectively manage the fiber, fabric, colors and designs as a production process, where the president himself manages designs.

The textile was the key industry in Japan from the Meiji period to the early Showa period where Kurume kasuri also developed with other textile industry. Especially for Bingo kasuri, Iyo kasuri and Kurume kasuri, called the three major kasuri in Japan, the manufacturing volume was increased dramatically by the development and introduction of motor weaving machines designed exclusively for kasuri textile.

Because the Kurume kasuri was used only for kimono materials, people’s demand in kasuri fell sharply and the industry had resulted in a significant decline along with the change of Japanese lifestyle (from Kimono to western-style clothes) especially in 50’s of showa period after the rapid economic growth after World War II. We can say that only (or most of) the Kurume kasuri manufacturers who have succeeded in changing their commodities from kimono to other products such as western clothes and miscellaneous goods are forming the current the industry.

Under the above circumstances, we think it is important to be flexible to cope with social

trends and keep a challenging attitude to attempt something new and create the future.

Issues and Challenges

We want to expand sales. Basically, we are not engaged in sales activities and instead accept many factory visits to familiarize visitors with the producer, but it doesn't directly lead to sales.



Both of business-to-business activity and business-to-consumer activity are used to shorten the distance between producers and buyers. We would like to create new business opportunities based on the idea to take advantage of the latest way of communication such as SNS in the traditional handcraft work. For last three years, we have been lucky enough to get opportunities to collaborate with foreign artists and designers in various projects. Even though we cannot necessarily establish "BtoB" business, we would like to search for the possibility to start collaboration project with overseas partners that will go well with the traditional craft business.

Discussion with Specialists

【Specialists】

- ◇If it is difficult to increase production and price due to the plant capacity, we need to focus on the market where we can sell products at higher prices.
- ◇It is necessary to take account of broadening the market overseas.

【Manager at Visited Company】

- After considering all the issues including the difficulties involved in training craftsmen and procuring new weaving machines, we have reached the idea that it is important to work on raising the price and profit rate while maintaining the current production instead of earning profits by increasing production. We believe that it will be possible to sell the products with higher value if we can create new values of Kurume kasuri.
- In order to broaden the needs of Kurume kasuri, we are now exploring its potential not only for domestic but also overseas markets.
- "The special texture of Kurume kasuri" can be achieved only by the special textile manufacturers and it is difficult to make a copy. So it is essential to have business partners who take charge of design and sales of products using woven kasuri fabrics.
- In order to help small companies of traditional crafts survive, we are going to develop a network among people with different areas of expertise and expand their business possibility by creating new opportunities. We wish to establish a unique

business style which will show a good example for the future.



4 UNAGINO NEDOKO Co.,Ltd・Terasaki-tei

a shop that appeals local attraction to local people while offering local goods

Whether food, clothing and housing, there are many attractive local products and cultural tradition, but they are mostly targeted to the cities and the local people remain unaware of the charm of such products and tradition of their native region. “Unagino-nedoko” (the term literally means a bed of eels; a structure with a narrow front and long depth) is a shop focused on demonstration of local attractiveness where local people can purchase local goods. This shop also functions as a concept model for cooperation with local manufacturers and growth of both the producer and retailer.

Focusing on the products made in Chikugo Region in Kyushu, the shop also serves as an antenna shop that connects “the manufacturers” and “the users” in the manner only possible in this hometown. The shop also offers information about characteristics of materials, manufacturing processes, usage and messages from the producers.

Issues and Challenges

How do we spread information, within Japan and abroad, about each weaver’s challenges? As the demand declines, how do we launch marketing for traditional craft goods that tend to be expensive? How do we promote sales?



How do we approach foreign visitors and people who want to know and learn our local culture, and how do we communicate the stories behind manufacturing? We need to strengthen an ability to tell stories. And how do we connect the visitors' curiosity to actual purchase? How do we



enhance and communicate the appeal of both "Unagino-nedoko" and the weavers? To expand sales, we have to think not only about design but also a basic system of production, usage and selling method in the field of traditional crafts and industry



Discussion with Specialists

■ Traditional Products and Business

【Specialists】

- ◇ Customers don't always want something "traditional" but something "good". Traditional crafts manufacturers usually have different thoughts from sellers. We are facing a difficult reality that the manufacturers' desire to maintain and inherit their tradition and techniques is not always consistent with business success.
- ◇ On the other hand, maintaining tradition itself is important regardless of the probability of business success. So it is necessary to think what is actually not working well, what the specific problems are, and how we can find a hint or method at solving them.



Exchanging views at Terasaki-tei (modified traditional machiya house providing a place for communication)

■ The Importance of Marketing and expanding sales channels Traditional Product

and Business

【Specialists】

- ◇ It may not be easy to have a clear image of the market because Japan does not have a large population of the affluent or the markets for those. It would be a good idea to go abroad looking for many wealthy people who can easily afford expensive products such as hand-woven Aizome kasuri. How we open up a new market for the affluent through media will make difference.
- ◇ If there is a restriction in production, our choice will be either increasing buyers or selling at higher price. There are other options such as using sales representatives or seeking for those who will buy at higher price.
- ◇ If we prefer to make a profit little by little, we can only look for a manufacturer who is particular about the quality.

【Manager at Visited Company】

○ Our mutual opinion is that it is hard to decide whether we should raise the price with the same customers or find new customers to sell at higher price. It is a marketing issue in any case and we are always looking for buyers who spend a lot on our products.

【Specialists】

- ◇ Can we afford to hire sales specialists? For example, a newly established company usually needs to have a head of manufacturing and that of sales as well as a head of management.

【Manager at Visited Company】

○ Through activities to attract customers, we believe it is important to cultivate specialists who play a key role both in sales and manufacturing.

■ New Philosophy of Product Development and Sales

【Specialists】

- ◇ In a new philosophy of product development and sales as an alternative to the existing marketing and data analysis, it is said to be important to “observe” customers and users carefully. ◇ We need to “observe” what a customer likes and specifically what he/she feels “unsatisfied” with. And then take every possible action to cope with it. For example, we should identify which points of Aizome products the users like or are not completely happy about. We should deal with them.



◇It is often said in the world of business startup that we should start making a minimum volume of trial products and bring them to the market for any reaction. We should not wait until an annual exhibition but speed up the business otherwise we will be left behind.

It is important to market effectively toward the wealthy people by using various media.

■ Regional Products and Branding

【Specialists】

◇Yame has many local products such as Japanese tea, bamboo ware, and a variety of textiles like Aizome. If there is a package tour which enables Japanese crafts enthusiasts to stay in Yame for a week or so and enjoy these manufacturing experiences, it will work as one of the tourist resources. It would be one of the effective ways to show its attractions.

【Manager at Visited Company】

○Japanese regions are attractive because they are rich in diversity but not competing against each other. In Yame, people can enjoy Japanese traditional craftsmanship through textiles, teas, bamboo ware and etc. It will be interesting if such diversity becomes Yame's main feature.

○The real value of atelier-made Aizome kasuri cannot be delivered only through product sales but through an experience in the actual workplace. So we suggest a strategy to make a tourist program including sightseeing, experience and a place of learning.

【Specialists】

◇Depending on the business purposes, a program focused on sightseeing and learning cannot lead to big business. It would be difficult also because of the small capacity of their atelier.

◇For example, Italy and Spain have great visual contents such as beautiful old townscape; however, they also have worldwide fast food chain stores. On the other hand, in Yame, the landscape is not yet developed in many places. A good example is Terasaki-tei which is wonderful itself but does not fit with the surroundings. However, there are also some resources which provide an independent attraction for tourists, such as craftsmen who are particular about entirely hand-crafted products.

◇ In any case, Yame's future business will rely on the branding strategy. We hope to promote Yame as "Town of textile" or "Town of kasuri" to the world.

◇If we sell a total package of tourist activities including learning and sightseeing

experiences as a whole brand instead of pricing each of them individually, we guess the sightseeing concept and brand value will attract customers even though it is expensive.

【Manager at Visited Company】

○As it is also important that the region has such function, “Unagino-nedoko” and “Terasaki-tei” have their unique features and are different from spots where we can approach wealthy customers. Especially for “Terasaki-tei”, we would like to make it a place for matching between local manufacturers and their business partners in other areas. So it is desirable to make their networks open and preferably shared by involved parties to make local connection stronger.

DAY 2 : December 5, 2017

5 Asobo no Sato Kugino (Minamiaso-mura, Minamiaso-mura Association of Tourism)

Mt. Aso has one of the largest caldera in the world, with a huge somma. Mount Aso is a common name for five peaks: Mt. Taka, Mt. Naka, Mt. Neko, Mt. Eboshi, and Mt. Kishima. As of now, Mt. Naka has an active crater. The Minamiaso-mura (Minamiaso Village) is situated in the southern foot of Mt. Aso. The sweeping view of Mt. Aso from this village is breath-taking.



This area has suffered devastating damage from the Kumamoto earthquake of April 2016. Temporary housings still remain along its tourist routes. The Minamiaso-mura, the Association of Tourism, the roadside station “Aso View Village Kugino” were struck by the earthquake as well, but immediately after the quake became distribution stations of relief supplies and hot food, functioning as one of the restoration support centers.

At present, exploration of new efforts is underway for diverse tourism style and supporting events for places devastated by natural disaster.

Issues and Challenges

Group travelers seldom come to the Minamiaso-mura. Tourists from Asia (China, Korea, Hong Kong, Taiwan) are mostly in small groups, and visitors from North

America and Europe are on personal trips. We need to strengthen promotion of group travel, but there is not much to offer as attraction during their stay. The winter here is cold, but not enough snow for skiing. We do not know what to appeal as winter attraction. Winter is low season; more tourists from spring to summer.

Facilities and courses have been damaged by the Kumamoto earthquake.

A new plan for mountain/river sports and trekking courses etc. have to be designed and implemented.

We need to foster a consensus on efforts to advance revitalization through reconstruction and tourism. This large area is loosely called “Minamiaso,” but the Mimamiaso-mura Association of Tourism does not cover every tourist activity in this area; the tourism here is rather an aggregate of separate individual small businesses. We lack an identity, awareness and collective efforts to promote visual appeal of the Minamiaso as a whole.

Most of the guides are volunteers. We do not have trained professional guides and a system of providing such service

Discussion with Specialists

■ How the Wealthy Overseas Enjoy Nature

【Specialists】

◇Firstly, we should learn what the targeted wealthy people do to enjoy natural scenery and outdoor activities worldwide as well as how we communicate the current status.



Visit river sources in the following order:
Terasaka-suigen→Wakisawa-suigen→Ikenogawa-suigen→Shirakawa-suigen

■ Walking

【Manager at Visited Company】

○ To visit around the riverheads scattered in Minamiaso, tourists can rent bicycles from the local tourist association. As there are historical villages which have developed around river sources, we also would like to show the natural scenery and local residents’ lifestyle as the tourism resources.

【Specialists】

◇Tourists want to communicate with local residents even by saying “Hello”



(konnichiwa).

◇It will be nice to share the movie of their experience on youtube.

◇It is more interesting to walk on unpaved roads that we walked at the beginning than a prepared facility such as Shirakawa-suigen. It is better to keep the riverheads untouched.

■ Tour Guide

【Specialists】

◇As it is located in wonderful natural landscape, only a map and minimum information will be enough. It is sure that some foreigners want to simply enjoy walking without any tour. There are two types of western tourists; those who want assistance of a tour guide and who prefer to walk on their own. The latter hates being pressed for time schedule on their holiday.



◇They don't need a mere tour guide. Those who prefer to walk in such landscape usually like to enjoy themselves while exploring the beautiful nature. We can receive almost all necessary geographic information from a smartphone. But an information signboard is preferred for some special items such as water wheel-driven potato washing machine.

◇ Tour guide training is tough. As there were no guides in London Olympic, we guess that no guides will be necessary for Tokyo Olympic and Paralympic, either. Rather than general guides, we need more specific guides having special knowledge in history (e.g. old battle sites etc.), food (e.g. restaurants) and so on.

■ Caldera

【Specialists】

◇It is interesting to regard the wonderful landscape and natural scenery of Aso as well as "Caldera", a volcano where people live as one "island", and attract tourists to this place as "different world".

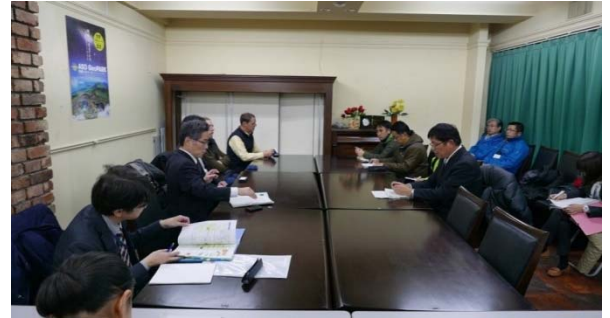
◇We are impressed by the beautiful scenery and inspired by the fact that people are living in a volcano.

■ Eco Zero Emission

【Specialists】

◇ We suggest creating a zero-emission town which never uses fossil fuel inside the caldera. Why don't we offer mainly silent sports such as hot-air balloon, paraglider and EV, as well as encourage not to use plastic bags at convenience stores in the caldera? Even if all of them cannot be achieved, it will enhance the appeal of the caldera if we collect good ideas, declare and work to preserve Japan's natural environment.

◇ You can be proud of yourself if you haven't consumed any gasoline during your stay. Why don't we change all the vehicles for farmers and town office to EV cars? EV car rally to compete on the remaining battery level is also interesting.



There are many ideas such as riverhead visit by electric vehicle, the study of small hydroelectric power generation and storage battery, unattended battery shops and etc.

【Manager at Visited Company】

○ Solar battery and small hydroelectric power generation are incorporated to the village plan, therefore, each Ryokan hotel can supply electricity, which is enough for their guests. Storage battery is useful in case of emergency.

【Specialists】

◇ Foreign tourists are interested in any environment available for camping. It doesn't have to be glamping, but it is preferable to prepare such environment or facilities for advertisement.

■ Way of Invitation and Access

【Specialists】

◇ How can we make foreigners who came to Tokyo or Osaka feel like to visit Aso? The efforts of Yakushima island gives us a hint.

6 Sozankyo (Japanese-style Inn)

After the Uchinomaki hot spring resort was devastated by the ruinous rainfall disaster that hit the northern Kyushu in 2012, we have shifted the main business target to the attraction of foreign tourists.

We asked ourselves, how do we entertain foreign tourists? First, the guiding signs



and guest room directory inside the hotel were changed into English, which we could do without incurring any cost. The number of foreign guests gradually increased; it was 350 before this effort, but increased to 1,242 in 2013, and then to 2,402 in 2014. Currently, 20% of our guests are foreigners, but we are aiming at 50% by 2020. Our substantial efforts at expansion of inbound tourism has been appreciated, which resulted in our winning “the Kyushu Mirai Award: Grand Prize in Inbound Tourism.” For the future, we will develop projects that can involve the entire Uchinomaki area. In preparation for the 2020 Tokyo Olympics, we are working on step-by-step reduction of language-barrier and improvement of the Wifi environment. We are also participating in various projects, such as the Aso Cycling Tourism, the verification test of free SIM rental at no cost (a system of mobile communication accessible through any carrier) in cooperation with the Japan Tourism Agency, the construction of rooftop bars by using reconstruction crowdfunding, and so forth.

Issues and Challenges

While the Sozankyo is participating in and implementing various efforts to expand inbound tourism, the Uchinomaki hot spring resort as a whole is not yet fully involved, partly due to difference in awareness. We wish to put into action concrete efforts to attract more foreign guests in cooperation with the Uchinomaki as a whole.

■ The Effort of Sozankyo

【Manager at Visited Company】

- We started with something affordable to welcome inbound tourists. For example, we prepared English signboards, request cards, bus timetable, menus for meal and drink, questionnaire survey, and the ABCs of Ryokan hotel stay; Futon are prepared by hotel staff/ How to wear kimono etc.
- In order to meet the need of guests who stay for several nights or arrive late at night, we made an accommodation plan which includes one night with breakfast instead of one night with two meals. The locals will profit as long as the tourists spend money in local restaurants. The local tourist association took initiative in making the website with subsidy to introduce local restaurants in five languages.

○Public transportation has not been recovered since the earthquake. As highway buses come from Fukuoka to Kurokawa onsen, we are now discussing with the tourist association and other parties involved about the possibility to operate jumbo taxi from there to Uchinomaki onsen, but many legal restrictions make the situation difficult.



○Ryokan hotels which went bankrupt and turned into ruin give the worst regional image. We are exploring a possibility of the scheme where we cover the expense for venture companies to renovate ruined buildings and entrust the management to the existing facilities, instead of offering tax breaks or paying subsidies for business succession.

DAY 3 : December 6, 2017

7 MORITAKA HAMONO Inc.

The Moritaka family has a history of 700 years beginning from the founder Kongohyoe Minamoto no Moritaka, the swordsmith based in Mt. Homan in Dazaifu, Fukuoka, and continues through the 27th today.



Japan has the finest technology in manufacturing of sharp cutting tools in the world. Within Japan, places traditionally known for production of cutting tools are: Sanjo in Niigata, Seki in Gifu, Sakai in Osaka, Takefu in Fukui, Tosa in Kochi, and so forth. There are also many blacksmiths in Kyushu, especially in Kumamoto. Although Kumamoto is not usually counted among production sites, currently there are dozens of blacksmiths in this region.

If we use ready-made, preprocessed and convenient composite steel material called “rikizai (sharp-edged material),” we can dispense with joining process of iron and steel, and moreover, may achieve several times more production. But as blacksmiths, we cannot satisfy with this solution in terms of quality and sharpness. For this reason, we adhere to the traditional and difficult technique of forge welding – “triple structure” technique -- by which a layer of solid steel is sandwiched between 2 layers

of soft iron. This meticulous process enables amazingly sharp cutting quality. As for the handle, we use stainless steel and highest-quality, seasoned rosewood that keeps away moist. In this way, we not only maintain the traditional swordsmith's craft, but are also committed to manufacturing safe, easy-to-handle and hygienic "kitchen knives" of high quality.

In 2007, we launched an English version of our website and started sales overseas. A famous chef recommended our kitchen knives in an article in the Wall Street Journal. So far, we have wholesaled our products to specialty kitchen knife shops in Denmark, Canada, the US, Germany, Russia, etc. If we include individual customers, we have customers in 57 countries outside Japan.

Issues and Challenges

How can we improve presentation (demonstration) to tourists, especially those from abroad? (We are not sure if they are really watching the presentation in the way intended.) Tourists drop by suddenly, and we are not always able to show highlights of the manufacturing process.



- Designing of flow lines
- After the firing, explanation by natural voice becomes difficult (use of voice guide or intercom device?)
- A question of how better coordination with the store space.

How should the demonstration be positioned as a content within the framework of revitalization of the city, including collaboration with the surrounding facilities?

- The relationship with the Myoken Shrine
- A concept or presentation that is in harmony with the development of the old highway.

How should we integrate our demonstration/visit to our shop into a system of route excursion of, for example, a cruise ship etc., which utilizes big data?

Discussion with Specialists

【Specialists】

- ◇ It is characterized by the fact that cutting-tool enthusiasts visit all the way from overseas in search for “the swordsmith who manufactures sharp kitchen knives with a history of 700 years”, despite of its inconvenient location far from the center of Yatsushiro city and uncomfortable environment of metal workshop with loud noise.
- ◇ It would be nice to provide the visitors in advance with movies showing the story and work process, however, it will be even better if we don't make any additional preparation and give them an opportunity to research and analyze where they would like to drop by on their way. It may help the expansion of inbound tourism.
- ◇ Simplicity creates a favorable impression. It is better not to make any extra signboards or flyers. Many foreigners must feel it meaningful to find out and visit this place. Only thing to be mentioned is that it is preferable to develop the website because it doesn't correspond to mobile telephones.
- ◇ It would be nice to provide the visitors in advance with movies showing the story and work process of this swordsmith.
- ◇ We hope to introduce foreign visitors in Yatsushiro to local shops (e.g. restaurants) who use their knives. It is better to analyze other needs of the foreigners who bought kitchen knives here (e.g. other destinations, foods, accommodation and etc.)



8 Inoue Sangyo

A tatami is a traditional flooring mat unique to Japan; the tatami lies at the heart of the Japanese people and culture. The Yatsushiro city boasts more than 95% share in Japan of igusa (rush straw, the material for the tatami mat) production, and its related businesses have been supporting the lives of the people of Yatsushiro for more than 500 years. But because of Westernization of housing and increase of cheap imports from China, the



number of igusa farmers has dramatically decreased to 1/25 of the golden age, and continues to decrease even now.

During this difficult time, we started to try manufacturing of ropes by using the igusa produced in our native Yatsushiro, the home of the No.1 production volume of igusa in Japan. With igusa, we can make thinner ropes compared to usual straw ropes, which opens up possibilities for a variety of use. We also have developed our own unique machine capable of producing thin ropes of 2.5mm in size. When we were exploring new businesses for our igusa thin rope products, the thin rope curtain which we displayed at a local products exhibition held in the Hakata station caught the attention of Mr. Eiji Mitooka, a renowned industrial designer famous for his railway vehicle designs, and was employed for use in the Tsubame Shinkansen, and eventually became a popular household item. The thin rope curtain is also used in scenic trains such as the cruise train Seven Stars in Kyushu and the Kawasemi Yamasemi.

Issues and Challenges

Since we have been accustomed to buying igusa from the igusa farmers that we have become informed enough to be able to tell which supplier's igusa is used for each product. But the purchase quantity has decreased to 1/10 of the peak, and we have no prospect as to whether we will have enough supply after 10 years from now because of a lack of successors in igusa farming.

We are continuously searching for ideas for new thin rope products, but innovation is still difficult.

We are exploring solutions to the following challenges:

- We don't have much know-how concerning better ways to sell or where to find sales channel.

We are striving to promote our products by actively displaying them at exhibitions at department stores etc.

across Japan, and also trying to get comments directly from consumers for product development, but so far our marketing is not very successful.

- We need to offer suggestions for more application of thin ropes.
- We haven't been able to produce a leaflet or pamphlet describing our company and products.



Cat houses woven with igusa

・We don't have our own website yet. We are not sure if a website content vendor can really understand our business to be able to produce the website to our satisfaction. We are also interested in online sales, but have not tried it yet.

Discussion with Specialists

■ Importance of Marketing

【Specialists】

◇It is necessary to make marketing effort not only on youth but also on a wide range of generations who can afford decent price.

◇To work on the sales and marketing issues, it is possible to hire local high-school students as intern. It may give a positive influence to companies suffering from lack of human resources. Intern can be a person in higher generation with some work experience.

◇A comfort mat, one of their leading products is 30,000JPY. It is not too expensive or cheap, however, young people will not buy this product



even with advertisement in Instagram. The marketing needs to correspond to the price.

■ Seek a Variety of Ideas

【Specialists】

◇ It had high quality, a sense of fun and great impact. However, it is a shame to waste its value which won't fit the present trend. We feel it necessary to get more ideas from young people.

◇In addition to the sales of thin rope curtains, we recommend to attract visitors from other regions by combining product sales with something extra (selling activity) such as opportunities to experience handiwork

◇ At the thought of whole igusa industry, why not to adopt the ownership system to igusa fields just like that of rice fields? There is attraction that only Yatsushiro can achieve, and it could promote the awareness of people to maintain igusa industry through the experience of farming, harvest and manufacturing.

◇ It is recommended to take advantage of such a lovely character of the president, Mr. Inoue.

◇It is also suggested to display the products in traditional Japanese houses or ask for the help of local cooperation volunteers.

◇The support from government is necessary to revitalize the entire industry.

- ◇ To cope with sales or marketing related issues, there is a strategy to make use of labor force from local high school students working as interns. It may give positive influence to local companies suffering staff shortage.



9 Murakami Sangyo

Murakami-sangyo Co., having been in the tatami-omote (tatami facing) wholesale business for more than 100 years, has developed a new product suitable to modern lifestyle and its needs in a quest for “new possibilities of tatami” to realize revival of the igusa industry.

The new product “HIKARI-TATAMI,” with build-in LED floodlight, glows from inside. It is attracting broad attention and being employed in various application, as an interior accessory in a shop or house, as an item appeared in a Hollywood movie scene, or as an alternative to an interior light in a special Kyushu model of Toyota’s Lexus.



Another new product, “MO•LUMES,” is a high performance tatami that has achieved 16 times more cushioning at maximum ratio. In addition to its fashionable design, it is capable of absorbing formaldehyde and CO2. Moreover, the Murakami-sangyo has also succeeded in inventing an additional product feature of high ability to absorb PM2.5 which has actually been verified for the first time by

a test. Such new tatami product is attracting public attention as a natural air cleaner applicable in various fields

The Murakami-sangyo continues product development in cooperation with producers of igusa to promote sustained consumption of tatami.

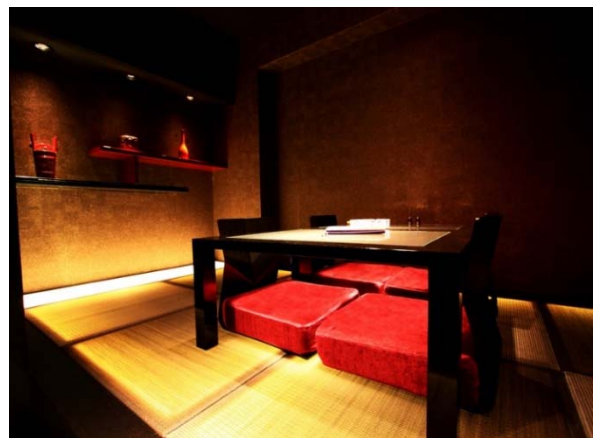
Issues and Challenges

- While the tatami industry declines with decrease in the number of igusa farmers and in production volume of igusa, the tatami facing imports from China, which is very cheap compared to domestic products, increases its share in Japan's tatami market. But the superior quality of the Japanese tatami is recognizable and appreciated only by professionals and difficult to be reflected in terms of price difference. For this reason, we wish to develop new products to clarify quality difference that is recognizable even by general consumers, where price difference is persuasive as an added-value.

- Whereas opportunities for research and development for new products are abundant in other industries, the declined tatami and igusa-related industry struggles to find such opportunities. At present, based on the assumption that a common Japanese house usually has only one tatami-floored room, we pursue development of tatami products suitable to modern Japanese housing by such attempts as changing the balance of hardness and softness, or coming up with new ideas for the materials for inner part of the tatami mat and so forth.

- Some of the large companies are boosting their sales of the new tatami facing products that they developed by using vinyl material, even at a high unit price. Then, Yatsushiro, too, should try to explore a new frontier by developing innovative products and win back the share that has been taken by the cheap Chinese imports.

- We will continue to pursue new possibilities of the Yatsushiro-made igusa from various angles, examine its potential as "material" by going beyond the conventional concept of igusa, expand its demand, and aim at the revival of the Yatsushiro's igusa industry.



Discussion with Specialists

■ Brand Image of Japanese Products

【Specialists】

◇ It is said that the quality difference between Japanese and Chinese igusa is getting smaller but foreign people still prefer products made in Japan regardless of the quality difference, that is obvious in an example of camera. It is important to create a brand image of igusa.

◇ There may be an issue of fair trade for Chinese products. It is also important to change consumers' awareness through investigation.

◇ We need to be particular about igusa production. The image of Japanese careful work has a great value. The government is responsible to start up a project to create a story about Japanese careful work style.



■ For a Variety of Ideas

【Specialists】

◇ It is common to look for something negative such as “complaints, inconvenience, disadvantage, insufficiency”, as a clue to developing industrial products. We need to research these negative aspects and respond to them. It is recommended to start by seeking positive characteristic of igusa material such as air cleaning function.

◇ However, the difference which is not obvious to users should not be considered as “difference”.

◇ Speaking of the industry itself, we normally take an option such as M&A in case of financial trouble. There is also an option to promote horizontal or vertical integration before the entire industry fall together.



10 Sengetsu Shuzo Co.,LTD

In 2013, our product “Kawabe” won a Gold Medal in the shochu category of the Los Angeles Wine and Spirits Competition, the beverage competition with 76-years history, out of 25 entries and through strict review by world-famous journalists and distillers.

“Sengetsu Shuzo” was founded in 1903;

back then, an independent group of specialists called toji made the rounds of brewers to help brewing process at Kuramoto, but even then, “Sengetsu” had its own toji. Ever since, generation after generation, apprentices who correctly acquire the master toji’s art are elected as the next toji.

Our current toji is the 6th generation. With our company motto, “do not ask cost down of raw materials,” we stick to the use of high-quality rice. We maintain our age-old and closely guarded high-level art of brewing, with old-fashioned manual management of temperature and fermentation process which is vital to making good shochu.

Even though mechanization of the entire process can be possible, we are determined to continue with our traditional method, because once mechanization is introduced, homemade art and tradition will be lost. We will protect our method that has been passed down over generations, while continue challenges for new possibilities.



Issues and Challenges

We firmly maintain our own shochu making with history and tradition. We love to be a long-lasting company that protects quality, with gradual growth rather than rapid growth.

In the total consumption of shochu, the share of rice shochu still remains low. It is necessary to enhance its recognition by domestic and international promotion activities. And in the future, it is desired to expand the markets as well as the sales volume at home and overseas.

Particularly in overseas, we would like to strengthen the sales in the American and Asian markets, and try to expand the market to Europe.

On the other hand, there are some issues remaining to be solved, such as low profile of shochu and no culture of drinking distilled spirit during a meal in overseas, as well as its alcoholic ratio of 25 degrees which is relatively low for distilled spirit.

In pursuing overseas expansion, it is important to convey the culture and history

in relation with the products.

Meanwhile, we hope to encourage transmission of the culture of Hitoyoshi / Kuma region and contribute to the expansion of inbound tourism.



"Kabuto-shaped distiller pot"
Distiller actually used in Sengetsu Shuzo.

Discussion with Specialists

【Specialists】

- ◇ It is remarkable that shochu was born from rice, and we should take advantage of the fact that foreigners have clear image of a strong connection between Japanese and rice.
- ◇ Japanese sake has a higher profile than shochu. So it may be easier to promote shochu as an alcoholic beverage made of rice by liking it to "Japanese sake" in terms of their common material. We expect the emergence of representative brands of rice shochu.
- ◇ "Kawabe" of Sengetsu Shuzo is served in 50 restaurants in New York. In the future, we should promote it for more occasions in relation with "food culture". It is recommended to invite embassy officials from Tokyo to an event where foods and drinks are served.
- ◇ Under favor of the high quality of rice shochu itself, it is also important to work on the expansion of its domestic markets, however, as far as the inbound tourism is concerned, it will be easier to promote rice shochu in relation with sake rather than potato or barley shochu because foreigners' impression of Japanese sake has been changing since the emergence of "Dassai" of Asahi Shuzo. We expect



the emergence of representative brands of rice shochu.

- ◇ Considering the position of shochu in comparison with after-dinner drinks such as spirit served overseas, people drink the alcohol during meal mostly only in Japanese restaurant. So we need to think more about the way of display and how to propose a pleasant atmosphere to enjoy “rice shochu” including the marketing strategy.
- ◇ From the viewpoint of inbound tourism, it is better to make a strong appeal of Hitoyoshi city being a “town of rice shochu”. There are too many “towns of onsen” all over Japan to differentiate the town from other towns, so it is recommended to take advantage of its strength which is different from other cities.
- ◇ It is required to be careful about its English translation to effectively describe it is made of rice.

【Manager at Visited Company】

○ The fact that it is the oldest shochu in Japan can be a good appeal, but it is hardly recognized by consumers because they have no brand image which links “Kuma shochu” to “Rice shochu”. Nowadays, the company tends to sell this as “rice shochu” rather than using the brand of “Kuma shochu”.

FINAL DAY : December 7 , 2017

11 Wrap-up Meeting

Outline

On the final day of Kyushu promotion tour, the parties involved with this project (from the visited places and the local governments in Aso, Yatsushiro and Hitoyoshi) gathered and exchanged their opinions.

※ The contents of discussion are included in each report above.



Mr.Ebara, Mr.Szasz, and Mr.Vincent from the left



Summary

To the local companies and local governments who worry about if they should prepare the facilities to accept western tourists or how they should entertain them, the specialists suggested that they don't need to do anything special but only to provide minimum information and their advice gave a fresh view point.

Through the experiences to see the visitors' interest in a "a potato washing machine driven by water wheel" which they happened to find during their visit to a riverhead in Minamiaso, and to listen to their request to visit igusa fields in Yatsushiro, we noticed that the potential of tourist resources are hidden not in something prepared specially for tourists but in something usual in our daily life and scenery.

We hope that this report will contribute to strengthening the information dissemination capacity of local companies and governments who aim at attracting western tourists.

– Thank you –