

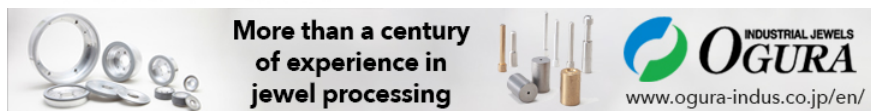
# THE WORLD FOLIO

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## Japan

### SDGs the focus as Ibara Seiki branches out

2 weeks ago



Kazuhiko Ueno, President of Ibara Seiki Co., LTD.

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At Ibara Seiki, a major Japanese automotive parts company founded in 1944, the core philosophy is “creation of security”, says the firm’s president, Kazuhiko Ueno. Having implemented a management philosophy to reduce the use of raw materials and to manufacture in an environmentally friendly way in 2011, Ibara Seiki aims to “contribute to the realization of carbon neutrality in the future” and the realization of the UN’s Sustainable Development Goals.

**Please give us a brief introduction of your company.**

Our company which operates at 4 plants in Okayama, Japan started production for Mitsubishi Motors in 1947, and for JTEKT in 1972. We established global plants in China in 2001 and 2005, and in Indonesia in 2014. Our philosophy is “Creation of Security” to contribute to society; our mission for 2030 is based on the SDGs, and specifically, we initially started making CO<sub>2</sub> reductions in our contribution to the environment even before the SDGs. For example, this is machining such as drilling and sealing, but we started cold forging as a way to reduce the overall load, thus reducing machining, costs, and materials used. We have an integrated production system that includes cold forging, heat treatment, machining, and assembly.

**As a Japanese manufacturer, what are some of the competitive advantages of Japanese companies?**

Monozukuri, or the art of making things, is symbolized by origami, where even small things are beautifully made by Japanese hands. Japanese children are raised to have a keen interest in making small, beautiful things, such as origami and plastic toys. This dedication to work from an early age symbolizes Japanese manufacturing, and the love of making things at a high level is a core element of manufacturing. Education and training are also essential elements of monozukuri. In many other countries, employees are only given predetermined tasks and there is no room for creativity, whereas in Japan, employees can grow systematically to consider the way for improvements and contribute to its competitiveness.

From a business perspective, many Japanese companies have a philosophy that is not about money but about contributing to society, which explains the philosophical reasons for all the staff to contribute. Of course, without profits, we cannot help our employees, but in many cases, Japanese companies see money as a means to an end, not an end in itself. The ultimate goal is to contribute to society by making people happy. Because of this noble purpose, we don’t give up easily when faced with a manufacturing challenge, and it is possible to overcome anything by digging and exploring.

Our company was founded in 1944 during World War II, but it was not an independent company; it was a collection of five different companies. Ibara is famous for the textile industry, but at the time it was in the best interest of Japan to contribute to the war effort, so it got involved with a combat aircraft company to contribute to society. This has led to our company’s “Creation of Security” philosophy, which seeks to improve safety. These principles were adopted by us before 2015, when the SDGs were set, but recently SDGs have become more heavily promoted, motivating us in our never-ending efforts to create a better society.

Japan is primarily an agricultural society, which explains why Japanese people tend to be slowly rewarded for their efforts. Therefore, like the annual rings of trees, each technology can be firmly accumulated. We also have a lifetime employment system, which has been criticized by western countries, but we believe that in the long run it has the advantage of allowing us to learn more and make better products. Our employees look after their own processes better and contribute more to the company than short-time employees, which increases our margins and without this foundation, the company cannot grow.

Other countries have excellent cost performance due to low manufacturing costs and are catching up with Japan in terms of technology, but they do not have the core foundations like the annual rings of trees that are made by the traditional Japanese way of working. We are also looking at the human factor of lifetime employment and improving training. In comparison to cheaper cost countries, we see a difference in technology, and Japanese line operators are able to accomplish comparatively more.

**What is the impact of Japan's aging population on companies and what can be done about it?**

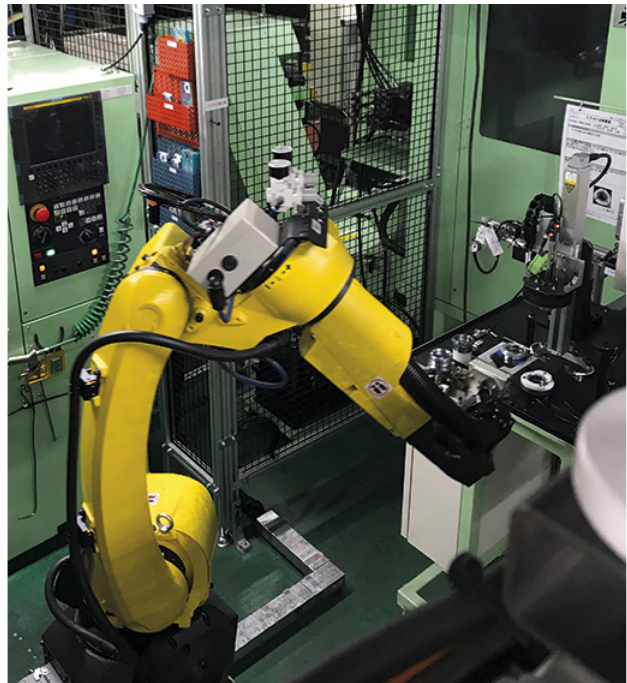
We believe that this is not a sudden problem. The age structure of Ibara Seiki is becoming like an upside-down pyramid each year. Same as many Japanese companies, our retirement age is 60, but we continue to hire until 65, and we would like to increase the number to 70 if they continue to contribute to the company. To make it easier for people over 60 to work, we have made our production site more compact so that they don't have to carry heavy materials, and we are considering new working shifts for them. Recently, Ibara Seiki established a personnel system for specialists. Employees who have worked for the company for a long time have improved their expertise and earned titles such as Specialist and Senior Specialist. For employees who are 60 years or older, we have also increased their salaries including bonuses which are based on the employee's contribution to the company. As all this is done based upon their contribution to the company, it motivates older employees to pass on their knowledge to younger employees.

For a long time, we have been using robots to improve work efficiency and assist the elderly in their work. In many of our factory locations, robots have been introduced to alleviate labor shortages and improve the efficiency of the entire production line. We continue the way to keep our production even in the declining population.

The Japanese market is shrinking. For that reason, many companies are trying to do business in other markets. But no matter what country Ibara Seiki goes into, we will continue to create core technology in Japan. We believe that is a major factor for the survival of Japanese manufacturing.



Auto parts



Robot system



Disinfectant stand



Cyberdyne's HAL®



#### How are you responding to the shift to EV engines and the demand for lighter vehicles?

There are a lot of changes happening in the automotive industry, such as the media coverage of carbon-neutral initiatives and the increasing demand for EVs from customers. Even if it's not an EV component, we need to adapt to the new generation.

The structure of the car is changing. The steering system has been electrified, and the components of the steering system are changing accordingly. Our market share of shafts for the system is high because we are able to accumulate the technical know-how and reduce final cost by speedily adapting to the electrification of car systems, which further increases customer satisfaction.

#### What role does collaboration play in your business model? Are you looking for new partners, both domestically and internationally?

We have three affiliate companies, two in China and one in Indonesia. All of them are joint ventures, in which we have invested with a Taiwanese company. We have been working with this company for over 40 years, so we have a sense of trust in them. The relationship with them started with technical exchanges, and after building a trusting relationship together, we have continued to create joint ventures with them. They were planning another business in Indonesia, but when they knew that Ibara Seiki was going to advance to Indonesia, they said, "Let's do it together in Indonesia." This Taiwanese company is an indispensable and grateful partner.

We are not really focusing on markets other than China and Indonesia for the time being. First, we would like to strengthen our already established business units in these countries, but we are always open to communication with potential companies if they have any inquiries. We also want to develop wellness products such as disinfectant stands, but to expand our wellness business, we need partners with technical expertise that we do not have.

**What are the key goals you hope to achieve in the next 10 years?**

Our vision for the next 10 years is based on the SDGs and the strategy to achieve the vision is named SSTS2030. We define SSTS as synergies and solutions through the SDGs, and there are several points in our SSTS strategy. One is our automotive business as core business, and the other is providing solutions to our customers, such as robot system integrators. Another key point is that the wellness market is expanding in Japan, and in addition to wellness products, we promote a training business that restores the physical functions of people with disabilities at the Okayama Robocare Center, which is a joint venture with CYBERDYNE Inc.

**What are your goals in this wellness department?**

The development, production, and selling of our wellness products is a new one that started in earnest 2021. Eventually, we would like to sell them overseas, but this will take time, and we want to make it a sustainable business that will steadily increase year-on-year. From the perspective of Europe and the U.S., this may seem slow, but we want to make it a strong business that is not affected by sudden external factors.

**What are your other goals?**

We are thinking of spreading our technology and improvement know-how, which we have been using for many years, to the world while producing synergistic effects with overseas subsidiaries. Until now, we have provided technology to companies in Taiwan, Thailand, Malaysia, etc., but we will establish technical licensing as a full-scale business and contribute to improving overseas technological capabilities. This meets the goals of the SDGs. Although this is also related to the SDGs, we would like to expand into agriculture. Nowadays, young people do not want to work in the rice paddies, and abandoned land and lack of manpower are becoming problems. I don't want to see the town I grew up in falling into disrepair, and I want to stop the food self-sufficiency rate from dropping any further. In this way, I would like to contribute to solving agricultural problems.

**If you came back in three years, what goals would you have wanted to accomplish?**

We have a short-term strategy for the next three years. One is to improve our technology level and the other is to increase our productivity. In 2011, we started to implement a management philosophy to reduce the use of raw materials and to manufacture in an environmentally friendly way. We hope to achieve our plans and goals and contribute to the realization of carbon neutrality in the future. We also intend to focus on the electrification of auto parts as the automotive sector changes. And instead of selling "things" such as automobile parts, we would like to expand our business by increasing the value of our company. We are also focusing on wellness, which is a promising business that is growing in volume every day.



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