

INSIDE: 11-PAGE SPONSORED SECTION IN COOPERATION WITH DISCOVERY REPORTS

# JAPAN BUSINESS REPORT

## TOURISM REVIVAL

# WELCOMING THE WORLD BACK IN

Tourism, a vital cog in Japan's economy, was hit hard but as borders open up, new initiatives are being rolled out to boost visitor numbers beyond pre-pandemic levels, writes **Anna Cummins**

In 2022, Japan's famous cherry blossoms were again forecast to be early with the flowers in Tokyo blooming three days earlier than usual. The sakura trees have flowered increasingly early in recent decades, a shift that scientists attribute to climate change. These fragile blossoms have long been an important symbol of life, death and rebirth in Japanese culture, making their early arrival amid a global health emergency and heightening environmental discord particularly poignant.

Tourism has been steadily growing in recent years to become a vital pillar of Japan's economy, thanks to the country's rich culture and increasing popularity among tourists from East Asia – particularly from mainland China, Taiwan and South Korea.

The Japanese government had set aspirational targets to double annual overseas tourism from 19.7 million visitors in 2015 to 40 million in 2020, focusing on directing visitors to less-populous regions to harness the regenerative power of the tourist dollar.

In 2019, 31.9 million foreign visitors entered Japan, setting a record for the seventh consecutive year. Overseas tourists spent a record US\$43.6 billion in 2019, a rise of 6.5 per cent from 2018.

However, entry restrictions due to the pandemic saw the number of foreign visitors to Japan dropping to 245,900 in 2021, the lowest since 1964 when comparable data became available. This was mainly due to the country enforcing foreign entry bans amid the ongoing coronavirus pandemic.

On April 10, Japan raised its daily limit on arrivals from overseas to around 10,000, up from the current 7,000 for

Japanese nationals, foreign residents and new non-tourist arrivals, including foreign students. Foreign tourists are still barred from entry since late November 2021 to limit the inflow of the highly transmissible Omicron variant.

Now, as Japan moves towards opening up for tourists, a significant part of the country's long-term economic recovery hinges on rapidly bringing visitor numbers back to pre-pandemic levels.

For the Kyoto City Tourism Association, attracting visitors is typically not a tough job: the city overflows with 17 UNESCO World Heritage Sites, exquisite restaurants and iconic temples. However, the city had been struggling with issues related to overtourism during the past decade.

The chaos caused by the virus has thrown the importance of the tourist dollar into sharp relief. Between 2016 and 2019, tourist spending in Kyoto exceeded 1 trillion yen (HK\$61 billion) annually, and there is a concerted push from the city to regain these levels in the form of the Kyoto Tourism Promotion Plan 2025, which lays out a road map for sustainable and harmonious tourism growth through to 2030.

Impressive hotels are lining up to welcome domestic and overseas visitors to Kyoto. In 2021, Hotel Tou Nishinoto in Kyoto by Witheced, and Fauchon Hotel Kyoto – Fauchon Hospitality's first property outside France – opened their doors. Shangri-La Kyoto is on track to open in 2024.

When Hotel The Mitsui Kyoto opened in November 2020, it became the first luxury hotel in the city centre with a natural hot spring. The newly built hotel, which fuses elements of traditional and contemporary



The early arrival of the cherry blossom season to Japan struck an optimistic chord as the country slowly reopens to foreign travellers. Photo: AP Photo

Japanese culture, was designed by an award-winning team including Hong Kong's acclaimed André Fu, who created the serene interiors for the 161 guest rooms and suites, and lobby.

Hotel The Mitsui Kyoto's general manager, Manabu Kusui, explained that the city's storied history is reflected in the hotel's design.

"The restored 300-year-old Kajimiya Gate, which has a long-standing connection to the

Mitsui family, is the entrance which welcomes guests today and plays an important role in the storytelling of our hotel and its history," said Kusui. "We are also thankful that the design is globally appreciated through André Fu's remarkable work, and accordingly, the hotel has been recognised all over the world."

Kyoto may be a poster child for Japanese tourism, but the country is keen to encourage visitors to look farther afield to

enjoy the essence of authentic Japan.

Ahead of the postponed Tokyo 2020 Olympic and Paralympic Games that finally took place in 2021, the Japan National Tourism Organisation (JNTO) launched its Insider Guide to Japan, a campaign highlighting the country's lesser-known traditions and natural wonders.

The new guide splits experiences into seven areas – including nature, outdoors, tradition and art – to appeal to a broad range of interests.

"Art lovers, for example, will be inspired by descriptions of the 41-acre (16.5-hectare) creatively landscaped garden at the Adachi Museum of Art, voted the best Japanese garden in the world, or may be tempted to book a stay at James Turrell's House of Light in Niigata, which is a work of art, guest house and meditation retreat rolled into one."

Those with a passion for food and drink can plan an overnight trip into the green tea heartlands of Shizuoka Prefecture, enjoy a tour of Japan's wine country by taxi, or explore the beautiful tradition of ama divers along Japan's coasts.

Anyone keen to get out of the metropolitan areas may want to unwind with a day of *shinrin-yoku* ("forest bathing") in Aomori. And those with a taste for the finer things should consider staying aboard one of Japan's fleet of luxury trains, complete with private living quarters, bathtubs and artisanal cuisine, which cruise through the country's most scenic areas.

Following the launch of Insider Guide in April 2021, Seino Satoshi, president of the JNTO, spoke of his hope that the country bounces back.

"Over the past five years, Japan has become one of the world's leading travel destinations, with annual visitors growing to over 30 million before the pandemic," Satoshi said. "There are abundant tourism opportunities in provincial areas that are not yet known to the world."

"Throughout this campaign, we will showcase many undiscovered charms of Japan, reflecting and responding to future tourism trends."

Japan is an archipelago of some 6,852 islands stretching 3,000km, and there is undoubtedly plenty of adventure to be had exploring them.

Breathtaking scenery and wildlife, rich cultural heritage and a reputation for being remarkably safe also make Japan a great place for off-the-beaten-track excursions.

And, in the wake of heightened global interest in hygiene, the country's reputation for being exceptionally clean has come into its own. One survey conducted by the Development Bank of Japan and Japan Travel Bureau Foundation in 2020 found that Japan was the most desirable future destination for visitors from 12 countries and regions globally.

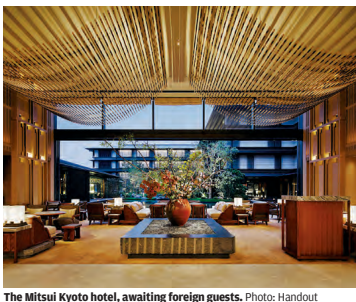
Indeed, Japan has a history of resilience. The first time the nation held the Olympic Games, in 1964, it was seen as a turning point for a country that had just emerged from the devastating consequences of World War II.

After Japan powered through to host the 2020 Olympic and Paralympic Games, many observers referenced the nation's collective *konjo* – roughly translated as "grit" or "fighting spirit" – in its dogged determination to make the best of a difficult situation.

Economically bruised but far from beaten, Japan is waiting to welcome back the world.



Japan's celebrated cuisine is a significant tourist draw. Photo: JNTO



The Mitsui Kyoto hotel, awaiting foreign guests. Photo: Handout

## CHANGING VALUES

# Lower yen is a mixed blessing, with foreign and domestic opportunities

Lisa Cam

On April 19, the Japanese yen fell to 128.80 against the US dollar, its lowest level since 2002. The currency has lost 12 per cent against the dollar since January.

A weaker yen has long been lauded as a positive for Japan's economy, enabling blue-chip exporters such as car manufacturers, but that narrative is increasingly in question.

This time, the yen's recent plunge provokes the impact of rising commodity prices, hitting some business and household finances much harder than ever before.

The significant difference this time is the effect of the country's energy policy.

With most of its nuclear power plants offline since the Fukushima disaster of 2011, Japan has imported about 90 per cent of its primary energy requirements from overseas, with nearly all fossil fuels shipped from long distances. The surge in global energy prices, already in effect before the Russian invasion of Ukraine, has hurt the economy and revealed the cracks in Japan's energy strategy.

Now the weaker currency, coupled with surging crude and other commodity costs, has become even more damaging for smaller, domestic manufacturers.

Taking comparative rates of inflation into account, the yen has halved in value against the dollar since 1995, taking it back

to levels not seen since the early 1970s. However, a 2022 dollar is not the same as a 1992 dollar in terms of buying power.

Consumer prices in the US have almost doubled in the 30-year period, whereas Japanese consumer prices have remained more steady. In the short term, yen weakness leads to higher energy prices, but at the same time it incentivises change.

As fossil fuel prices rise, the more competitive the alternatives become.

The two obvious contenders are nuclear power and renewable energy such as sunlight, wind, rain, tides, waves and geothermal heat.

Before the disaster of 2011, nuclear energy had accounted for almost 30 per cent of Japan's

total electricity production. There were plans to increase this to 40 per cent by 2017 and 50 per cent by 2030. In a 180-degree turn from its 2012 pledge to abandon nuclear power by 2030 after the Fukushima incident, two reactors restarted in August and October 2015, with a further eight having restarted since.

Sixteen reactors are currently in the process of restart approval. Another unintended benefit for the lower yen is that it will no longer have the designation as a safe haven currency, which sounds like a positive factor but has, in fact, led to undesired consequences.

In 2011, the yen-to-dollar exchange rate spiked to around 78 to the US dollar, even though the Japanese economy had just been crippled by the Fukushima

earthquake. This added to the strain that exporters were facing with a disrupted logistics chain and decreased competitiveness in the global market.

Hongkongers are returning to the Japanese property market, taking advantage of a weakening yen.

"Inquiries for Japanese homes from Hongkongers have

surged by up to 40 per cent this month," said Amy Cheung, chief executive of Sakura Global, a company that specialises in Japanese property. "In the past two years, most of them just stayed on the sidelines, adopting a wait-and-see approach (due to the pandemic)."

Most homebuyers are looking for property in Japan for

investment or for a second home, with typical budgets ranging from HK\$1.5 million (US\$192,000) to HK\$2 million, she added.

Prime Minister Fumio Kishida's administration, meanwhile, continues to defend the Bank of Japan's ultra-easy policy as a necessary support to a still-fragile economic recovery.



The Japanese yen has fallen to its lowest value against the US dollar since 2002. Photo: iStock/Getty

JAPAN BUSINESS REPORT

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# MS&AD INSURANCE EMBARKS ON SUSTAINABILITY, DIGITAL TRANSFORMATION AND ASEAN GROWTH

Among the wealth of choices that the insurance industry has to offer, many options merely trail the path paved by the most distinguished players. MS&AD Insurance Group has become the largest non-life insurer in Japan in terms of net premiums by combining and leveraging the strengths of the insurance giants that formed it: Mitsui Sumitomo Insurance, Aioi Insurance and Nissay Dowa General Insurance.

Under its domestic non-life insurance business, MS&AD offers car insurance, including telematics insurance in cooperation with Toyota; fire, marine, personal accident; and casualty insurance. Its domestic life insurance segment deals

with protection-type products that include medical, nursing, death benefits along with asset-building and asset-inheritance products.

Expanding its business globally, MS&AD has acquired Minghai Insurance, First Capital Insurance, and Aviva's business division in Asia, along with Amrin in Europe. The company is one of the top 10 property and casualty insurers in the world, spanning 49 countries and regions beyond its home market. In Asia, it leads in terms of non-life gross premiums. MS&AD further advances into the world market, providing leading-edge non-life and life insurance products, financial services, risk-related services, and more. The pandemic has shaken the global

economy and financial markets, and has had a huge impact on business activities and people's lives. "Covid-19 reminds us that human beings – and corporations – cannot live alone," says Noriyuki Hara, president and CEO. "We must grow together, continue creating shared values, and keep a sustainable economy." To this end, MS&AD has accelerated a digital transformation to provide several solutions to tackle social issues worldwide in a more sufficient and effective way under the severe circumstances.

"We're trying to utilise and reflect the various technologies developed in different parts of the world on our own product development, so we've established global digital hubs in Tokyo, Singapore, London,

Tel Aviv and Silicon Valley in California. The hubs are aimed not just at enhancing productivity, but at accelerating innovation for a global strategy moving forward," Hara says.

Through its Silicon Valley hub, MS&AD scouts promising start-ups that produce groundbreaking technologies involving artificial intelligence and modern equipment. Its investment in Jupiter Intelligence, a leading provider of predictive data and analysis for climate risk and further collaboration led to the launch of MS&AD's Climate Change Impact Assessment Service for the Task Force on Climate-related Financial Disclosures.

This service allows hazard predictions, strategy formulations, planning and

information disclosure worldwide and based on scientific analyses.

Using cutting-edge technologies through internal and external resources, MS&AD has evolved beyond the traditional role of simply compensating for economic losses post accident. MS&AD implements functions that aid in preventing accidents from occurring, while also promoting a quicker recovery period.

Through telematics, MS&AD collects customers' driving data in real time. Its system issues alerts when it detects an anomaly, such as the vehicle speeding or countervailing. The system then provides safe driving advice with the provision of driving diagnosis reports. If an accident does occur, the system detects that the

vehicle has stopped after experiencing a major impact. The customer is immediately contacted to confirm their safety, and an ambulance or tow-truck will be dispatched if required.

"We are now partnering with used car distributors, e-commerce sites and online travel agents. We also desire to partner with companies possessing a large retail customer database," Hara says.

MS&AD is open to forming collaborations to improve its digital transformation while upgrading its life insurance businesses in Malaysia, Indonesia, Thailand, India and China. It seeks the best interest of society in accomplishing its endeavours.

MS&AD works to transform and



Noriyuki Hara, president and CEO

digitalise the industry. It is keen on innovating its products and services, transforming its distribution channels, and creating new businesses that address social and environmental issues.

"Having professionalism, promoting teamwork, keeping integrity, encouraging innovation and being customer-focused – these are the values that we expect to have in common with our partners and employees as we expand our business in Asia," Hara says.

## ITOH KANPO GIVES FORM TO HEALTH AND PHARMACEUTICAL IDEAS, SEEKS PARTNERSHIPS

Aspiring to extend healthy lifespans – the time that people spend living healthily and comfortably without sickness or lifestyle restrictions, Itoh Kanpo Pharmaceutical develops high-quality health and beauty products that support the mind and body at any stage in life. With a history entrenched in oriental medicine, Itoh Kanpo combines its know-how in raw material selection, quality and hygiene with research and analysis culled from customer perspectives and century-old experience to develop products that enhance lives. Its purpose is to lengthen healthy and active lifespans while continuously improving quality and faithfully adhering to a country's laws and regulations.

"We are rooted in oriental medicine, and the basic approach of Chinese medicine is not just to heal, but to prevent the illness and to look for the cause of the pain," says Tatsuo Ito, president. "Following the Chinese concept of *shuho* doctors, which claims that medicine and daily diet are equally important in strengthening the body, we decided to also make healthy products that are easy to consume and that promote healthy living."

Itoh Kanpo manufactures more than 5,000 products to date. Since its rehabilitation in 1966 after closing during the second world war, it has expanded from wholesaling natural medicines into

manufacturing health teas and pharmaceutical products. Some of its commissioned offerings include tablets, granulated powders, soft and hard capsules, extracts, pills and cosmetics, among others.

With a factory in Hangzhou, China, and two factories and a distribution center in Japan, Itoh Kanpo maintains production lines that use state-of-the-art equipment and that meet a wide range of customer needs. It received the Quality Management System ISO 9001 certification for its Higashiosaka and Kanpo factories, and two Good Manufacturing Practice certifications for its health supplement division.

"Starting as a pharmaceutical product maker, we now proudly offer premium health food products that possess the same high standards as pharmaceuticals," Ito says. "Garnering quality certifications for both medicine and health food production is also rare in the industry, and we have achieved this. As a fully integrated drug and health food producer with 56 years' experience, we can respond to any global requirement."

Chosen by 664 companies as a production partner in the past five years alone, Itoh Kanpo supports original equipment manufacturers (OEMs) and offers original design manufacturing (ODM) services. For ODM, the company takes its service one step further by

proposing plans that include raw materials, forms and development activities. Thanks to the company's decades-long manufacturing and sales data, Itoh Kanpo is able to grasp the demands of the health food market. This valuable information backed by actual market trends aids Itoh Kanpo in providing the best recommendations to new companies seeking to penetrate the health market. Some of these businesses even include steel and machine manufacturers and transport firms.

"We know the needs of our customers because we produce and provide our products directly through drugstores," Ito says. "We engage with OEMs and ODMs closely so we do not just have direct access to the consumers, but we also connect and work with the channels."

As Itoh Kanpo continues to share its happiness by giving form to the ideas of its customers and partners, the company is focused on increasing its inbound sales while welcoming overseas opportunities through cross-border, e-commerce platforms.

"Understanding that every government has different standards and requirements, we will extend our business overseas, and this is not limited to our own branded products, but it also encompasses our OEM and ODM business," Ito says. "We seek to cooperate with partners who are knowledgeable in the markets of Southeast Asia. We are also looking for partners in the Middle East, South America, North Africa and India."



Tatsuo Ito, president

## THE PACK CORP WRAPS THE PLANET IN MORE SUSTAINABLE TOTAL PACKAGING SOLUTIONS

From the old world and into the new, Japan's leading packaging specialist, The Pack Corp, has stood by one credo – respect for everyone and the environment. This corporate motto has served its employees, customers and business partners well since the company started manufacturing wooden boxes for kimonos and wooden travelling suitcases in 1878. Today, The Pack develops highly customised, eco-friendly flat-bottom paper handbags, food wrappers and other complete packaging solutions for many industries, while creating distinct packaging equipment for clients venturing into e-commerce.

"Through careful consultations with our customers, we're able to create original proposals that turn simple packaging products into distinct sources of value, benefit and happiness for our clients," says president Mitsuo Inada. "We exert every effort to give our

customers that extra added value they need to excel in the market."

With subsidiaries in New York, Philadelphia, Shanghai and Changshu, China, The Pack satisfies the packaging requirements of more than 14,000 companies in the food (apparel, cosmetics, pharmaceutical, vehicle parts and e-commerce) industries. The company develops original packaging for these verticals with the support of about 200 sales experts, an in-house design team and a dedicated research and development arm.

"The keyword is 'environment,'" says managing director Michihisa Fujii. "Our major customers are becoming more and more conscious about the planet as

people use less plastic packaging and other pollutants. We're able to deliver eco-friendly packaging, and by doing so, we also support customers' efforts to realise the Sustainable Development Goals of SDGs. We're continuously investing in modern equipment and processes to promote this endeavour."

The company has adopted new printing equipment that uses water-based ink and other non-solvent printing technologies. The Pack also welcomes technology partners as it supports the initiatives of convenience stores and other customers towards using paper packaging instead of plastic. Committed to sharing this philosophy with the rest of

Asia and utilising its expertise in packaging, The Pack is set to double the share of the overseas market to 10 per cent of its total sales in the three to five years after the Covid-19 pandemic. The company plans to initially serve existing American and European customers who are expanding their operations into Southeast Asia. To support this initiative, The Pack is developing and offering various packaging solutions to meet evolving client needs. These innovations include automated packaging equipment designed for customers faced with higher manpower requirements as they expand their e-commerce businesses.

"We have the dual goal of protecting the environment and taking care of all the people around us," Inada says. "We've been committed to this corporate policy since our foundation 144 years ago and are dedicated to sustain it well into the future."



Mitsuo Inada, president

## CENTURY-OLD EXPERT OSAKA RASENKAN KOGYO DELIVERS THE WORLD'S MOST FLEXIBLE STEEL HOSES

When traits such as passion for innovation and insatiable hunger for quality and improvement define the basis of a company, success and longevity are not far behind. Japan's oldest flexible hose manufacturer Osaka Raseinkan Kogyo (ORK) has been delivering unrivalled hoses and bellows to the precision and medical instrument industries.

"We care so much about quality, and this is our primary goal upheld by continuous development," says sixth-generation son Seiji Koizumi, president. "With our highly competent engineering team, our philosophy is to create specialised products that others cannot make, and this is where we start our research and development."

ORK's core product is the renowned Megaflex fluoropolymer. Featuring inner surface polish and vacuum double-melted materials, Megaflex is chosen by top semiconductor firms in Japan, South Korea, mainland China and Taiwan. The company's latest product, the Micro Mini Flex, is considered the thinnest flexible

steel hose in the world. Developed in 2019, Micro Mini Flex boasts a diameter of just 1.6cm and has potential uses in the precision and medical instrument industries.

"ORK also developed Worm Free Flex, which features enhanced flexibility. "Worm Free Flex has excellent flexibility similar to rubber but is made of stainless steel, so it is very stable and with high air-tightness. It can withstand high pressure," Koizumi says. "We are the only company worldwide that can produce these flexible, stainless steel hoses with excellent quality."

Motivated by the desire to help customers, the hose and bellows expert also works with clients to evaluate issues, and solves these problems for them.

"Through these collaborations, we continue to improve the quality and the product," Koizumi says. "As a result,

customers trust us more and involve us in their research process."

Keen on developing more advanced piping solutions, ORK seeks partnerships in Asia, the United States and Europe, particularly in the medical, aerospace and hydrogen fuel cell industries.



Seiji Koizumi, president

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**SANKO SHOKUJIN CUSTOMISES LOCAL FLAVOURS TO ENCOURAGE INTERNATIONAL CHUHAII CULTURE**

In a business setting, having the flexibility to evolve alongside the market is a crucial differentiator that gives companies a competitive advantage. For 89 years, Japanese beverage specialist Sanko Shokujin Kogyo has demonstrated how adaptability keeps the company relevant in the world of increasingly fickle consumers.

Before Sanko Shokujin made its name in the beverage industry, the company canned fruits, oysters and coffee. Shifting its business focus, it acquired liquor licence in 2002 to manufacture carbonated and beverage under its own brand and for private labels.

Today, Sanko Shokujin focuses on *chuhai* (shochu highball) drinks. Bursting with fresh fruit flavours and crispness, *chuhai* is a popular drink enjoyed in gatherings and celebrations in Japan. It aims to bring Japanese *chuhai* culture to the rest of Asia. Working towards this goal, the company once again showcases versatility in its plans to customise *chuhai* flavours – even using local fruits – according to different market tastes.

"We don't want to force our preferences to other markets. We would really like to tailor products to suit the tastes of people. To do this, we seek collaborations with locals to aid in researching flavours and alcohol content," says president Yogo Sato.

In its first venture outside Japan, Sanko Shokujin brought guava-orange, mango, peach and apple *chuhai* to Taiwan in 2019. The company chose the flavours based on market research indicating that Taiwanese consumers prefer sweeter and fruitier concoctions.

With Asian countries having different tastes and alcohol content preferences, Sanko Shokujin aims to offer fruit flavours that match each market. The company plans to work with chain and convenience stores to supply new flavours and different types of *chuhai*. With its products, Sanko Shokujin offers these stores the option to broaden their inventories with low-alcohol, fruit juice-infused carbonated drinks.

"Drink it and taste it. We hope that through our products, we can develop closer ties with Southeast Asian countries," Sato says.



Yogo Sato, president

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**TOYO PAPER MANUFACTURING ROLLS OUT ITS LEGACY FOR QUALITY AND INNOVATION IN ASIA**

The Nagano family has been making the traditional Japanese wrapping paper *washi* since the end of the Edo period in the 19th century. Today, it carries on this legacy into the modern world through industry leader Toyo Paper Manufacturing. Propelled by innovation and an eye for paper's endless potential, the company delivers outstanding quality, economy and green values with its comprehensive product range that includes toilet paper, paper towels, coffee filters and meat wrappers.

"We always engage our customers in developing the best solutions for their problems using our technologies," says Ryozo Nagano, president of Toyo Paper, which was founded in 1949 at the heart of Japan's papermaking industry in Shikokuchō, Ehime prefecture.

Driven by its inventiveness and pioneering spirit, the paper expert has consistently incorporated product qualities that minimise clients' overall running costs. Toyo Paper was the first paper manufacturer in Japan to supply toilet papers in dispensers equipped with an antifeedback lockout. The company also introduced paper towels when the Japanese were using only cotton towels. More absorbent, softer and injected with a special antibacterial medication, Toyo Paper's two-ply paper towels offer more value for money than lighter one-ply brands. The company manufactures all these using up to 80 per cent recycled materials with no observable difference in quality from products made of virgin pulp.

Looking to share its innovations with Vietnam, Thailand, Taiwan and other Asian markets that look up to Japanese culture,

the paper specialist welcomes technology and distribution partners to develop business-to-consumer and original equipment manufacturing clients. Internationally, Toyo Paper would like to develop new strategies with Toyo Group's other subsidiaries, which are involved in the production of non-woven items and laminated and plastic film products.

"Only a few mid-sized Japanese companies can manufacture these goods while producing paper. "We'd like to create synergies within the group and with other Asian companies as we pursue our passion to explore other markets beyond Japan," Nagano says.



Ryozo Nagano, president