

April 19, 2017

Taiyo Package Inc.

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Taiyo Package Inc. exemplifies a family company that moved from one business to another when circumstances changed. For several generations, the Kusunoki family had a gift store, formally opened in 1941, in the commercial area of Tateyama Town, now part of Toyama City, in Toyama Prefecture. However, the gift-giving business was prohibited during World War II, so the family entered the medicine packaging business in 1948.

The company was well-located for this switch: during the Edo era, herbal medicine vendors, many based in Toyama, traveled throughout Japan with boxes of herbal medicine that they left with village households. They returned a year or so later to collect payment for the medicines that had been used from the box and to replenish the boxes. To do so, vendors developed special trust relationships with their customers. As it happened, many of Taiyo's gift customers were also customers of herbal medicine vendors.

"Traditional" medicine, including herbal remedies, was displaced during the late 19th century, especially after 1883 when the government retracted licenses of traditional practitioners. However, a large customer base remained and by the early 20th century a number of doctors trained in the "western" tradition were open to herbal medicines as well. Over time a standardization of the medicines took place. By 1941 a widespread revival in traditional approaches was underway. This provided Taiyo the opportunity for shifting focus. Today, many herbal medicines are covered by the National Health Insurance (NHI) program.

In the early postwar period, medicines were sold in large lots (3,000 or so pills), but with the development of many more medicines and direct sales over-the-counter, many containers hold only 100 to 200 pills. Thus, the demand for product-specific containers has grown rapidly. Producing them is a very specialized business.

It was only 10 years ago that the company made a major push into the specific design container niche. In the 1970s the father of Rui Kusunoki, the current executive managing director, at the insistence of his father, had studied at a design school in San Francisco to learn packaging design before formally entering the company. The father had earlier worked for a larger company, but Taiyo Package was having some difficulties and the grandfather insisted that he enter the company.

Beginning in the late 70s the firm had tried to enter the pharmaceutical packaging business. However, it first had to develop special design capabilities and purchase special machines to produce and print the very high quality boxes and containers pharmaceutical companies require.

Because pharmaceuticals and their packaging change frequently, Taiyo Package maintains close, ongoing relationships with its pharmaceutical company clients and is able to anticipate their packaging and printing needs. Taiyo Package has four factory sites, including the factory I visited at the head office. One produces paper labels for medicines, another paper manuals for medicines. The former main factory, in Sango, produces paper boxes for food.

There are about 1,000 companies in Japan producing various kinds of packaging, but only 10 real competitors in pharmaceutical packaging. Of these, three, including Taiyo Package, are located in Toyama, a reflection of Toyama's historical role in Japan's herbal medicine industry.

Sales in 2015 were about 4.5 billion yen (about \$40 million). About 40 percent of this was to Japanese pharmaceutical companies for packaging over-the-counter medicines and another 40 percent for over-the-counter medicines. The company also produces a wide range and variety of paper folding cartons, boxes, and containers for crackers and other foods, souvenirs, stationery, games, and cards. Packages have their own distinctive designs, colors, printed instructions, and other details. About half of the packaging is designed in-house. The company uses some outside designers, and some clients provide their own designs. While some of its client products may be sold abroad, Taiyo Package containers are essentially printed in Japanese, not in foreign languages.

All of the company's 230 employees are regular, full-time workers, many involved in the container production (cutting and shaping) and printing process, and others actively involved in communications and sales with customers.

The company plans to achieve further growth both by producing more sophisticated containers and by expanding the number and range of other client companies. In December 2016 the company planned to begin packaging with a carton forming machine made in Switzerland to produce folding cartons with an integrated partition structure to hold vials and tubes, with buffer spaces at each corner. Packaging will eventually become even more closely integrated into the manufacturing process in the pharmaceutical industry.

Taiyo is actively developing business with games and card makers such as Pokemon, Showanote, Nintendo, and Bandai. Originally trading cards for children, they have evolved into adult cards featuring Japanese animation characters from manga. The company would like to develop sales on the internet, but that is just beginning.

The company is considering the possibility of entering the US market by buying a US company engaged in the same business. In order to finance that, as well as provide greater liquidity for the Kusunoki family owners, the company will probably decide to raise funds by going public through an initial public offering (IPO). However, that probably will not happen soon.

Until I visited Taiyo Package I had not considered how the wide range of products I see in my local drug store are packaged and promoted through their container size, shape, and especially color, and the way in which information is presented. Seeing how the boxes are created was a revelation.

Acknowledgment

On November 11, 2016 I visited Taiyo Package Inc. in Tateyama Town, Toyama City in Toyama Prefecture on the Japan Sea. My visit was arranged by Hirofumi Maki of the Development Bank of Japan (DBJ). I had an excellent meeting with Mr. Rui Kusunoki, executive managing director, whose extended family owns Taiyo Package. Mr. Kusunoki has a nice Columbia University connection; at his father's urging he attended the American Language Program (ALP) for four months to improve his English and to have some experience living in the United States. Ms. Chiho Minami, my interpreter, also participated.

Note that Taiyo is a common company name in Japan. Taiyo Package is not related to Taiyo Pharmaceutical, a multinational, multi-billion maker of generic vitamins and antibiotics based in Gifu prefecture.