

Yatsushika Brewery Company

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Yatsushika Brewery Company in Kokonoe-machi Town, Oita Prefecture, Kyushu, is a significant regional producer of high-quality sake and shochu under several brand names. Its sake has received a gold medal award virtually every year since a competition was established in 1993. Each year since 2007, its shochu has received the Monde Selection Distillery and Liqueur Highest Gold Award. As the name implies, this is an internationally competitive award made by Monde, a Belgium-based organization. Monde's 2019 competition just over 1000 companies from 90 countries for almost 3000 in several dozen categories. The company also produces an award-winning plum wine (*umeshu*) and several other products, though they are of lesser importance.

Being family-owned, the company is not listed on a stock exchange. The business was founded in 1864 as the Yoka Sake Brewery. The current president, Masunao Aso, is the sixth generation Aso to manage and operate the company. He became president in 1998. Paid-in capital of ¥74.1 million (about \$690,000 at 107 yen/dollar) is nominal. However, the accumulation of retained earnings over generations means that the company has a strong capital base.

The only factory is in Kokonoe-machi, where water is of high quality, the cool climate is ideal for brewing sake, and high-quality rice, barley, and other ingredients are available. Tours are offered, but only in Japanese. About 20,000 people a year attend tastings or visit the brewery and its shop. There are about 100 employees (as of April 2018).

Sake is fermented from rice. The alcohol content by volume (ABV) of sake in general is 18 to 20 percent, though when bottled it is typically diluted to 15 percent. This is comparable

to many red wines (which are now typically 13 to 15 percent alcohol), but less than hard liquors. In Japan, it is more expensive than many other alcoholic beverages, and widely perceived as an elite drink.

Shochu is 25 to 30 percent alcohol. Higher-end shochu usually is distilled from rice or *mugi* (barley, like single-malt scotch), though some varieties are sweet potato-based. It is popular in Japanese pubs (*izakaya*).

The company only started producing shochu in 1981, at the insistence of the current president, then a young employee. His father was angry at the proposal, since sake-making producers have a high reputation. However, the father finally agreed because sake was not profitable, and shochu potentially was. And that has been the case: shochu profits subsidize continuing sake production. As Mr Aso described it, sake is the family business, while shochu is the company business.

Marketing is a major challenge. Every prefecture has producers, and there is significant loyalty to regional brands. Kyushu is well known for good shochu, but not for its sake. The company has more salespersons than its direct competitors, including 15 in Tokyo, Nagoya, and Osaka. Moreover, Japan's population is decreasing and getting older, so there is less dining and drinking out.

The company is developing markets abroad. Foreign marketing has its own complications. For example, according to Mr Aso, Korean producers in California succeeded in having their shochu (the Korean name) classified as a soft alcoholic beverage, since it is very difficult to obtain a license to sell hard liquor in California.

Masunao Aso has two sons, ages 37 and 35, both working in the company. The elder son, Masuhiro Aso, will become president in due course. At the time of my visit, he was on a trip to Shanghai to determine how to distribute the company's sake and shochu in China and other countries. The younger son, Ryouta Aso, was attending an exhibition in Thailand, also to

develop sales relationships. Masunao's father, grandfather, and great-grandfather were all adopted in, as often occurs in Japanese family businesses when there is no suitable male successor. Both sons are married and have children.

The elder son has led development of a sparkling sake. It is stored in pressure-resistant bottles, where secondary fermentation takes place. The bottles are imported from France, which produces pressure-resistant bottles for champagne and other sparkling wines. In July 2019 the company's Yatsushika Sparkling Niji won the Gold Medal and a trophy in the International Wine Challenge competition. This is a Japanese sake competition begun in 2017 in France for French people. As with the venture into shochu, the sparkling sake undertaken was initially met with concern by the elder generation.

Much of the company's long-run success has been due to the family's entrepreneurial and managerial leadership, and to re-investment of profits over generations. With two sons in the business, leadership is assured for at least a seventh generation.

Acknowledgements

On May 15, 2019, I had an excellent meeting with President Masunao Aso. I went with Hirofumi Maki of the Development Bank of Japan (DBJ), who arranged the meeting and joined me from Tokyo. Kimihiro Fukuyama, DBJ chief representative in Oita, participated in the meeting. Patricia Hara, a long-term Oita resident and Chair of her company (Pacific English Inc), kindly served as interpreter.

References

The company's web site is in Japanese.

<http://www.yatsushika.com/>