

Inside the Leader's Mind: Okamoto Industries Inc

President Yoshiyuki Okamoto



オカモト工業株式会社 社長

Okamoto President Yoshiyuki Okamoto

“Before Okamoto... due to limitations of technology and material science, these latex condoms melted under hot weather... The condoms were also thick, 1mm thick, like a glove for the finger, and the consumer was not happy. At that time, sexually-transmitted diseases (STD) was spreading in Japan. Also, imported foreign-produced condoms cost ¥3 for a dozen; at an age when rice cost ¥0.30, these condoms are not affordable to the masses. Minosuke-san resolved to solve this problem for the Japanese people and thought very hard how to produce a new safer and thinner condom.”

Q: “Yoshiyuki-san, Okamoto Industries has achieved phenomenal success since it was established in 1934 by founder Minosuke Okamoto-san to command a dominant 60% domestic market share leadership in condoms and also becoming the global number three player. Can you share with us how the wonderful story of Okamoto Industries started, especially the tipping points and challenges along the way?”

Yoshiyuki: “Nippon Rubber Industries, the predecessor of Okamoto Industries, was established in 1934 by founders Minosuke Okamoto and Amihe Tsuge to carry out the production of raincoat and rubber-coated fabrics, subsequently condoms using natural latex and has built the well-known brand ‘Skinless Skin’ since postwar.

Before Okamoto, the first and most popular product was called ‘Heart Beauty’, on sale in Japan in 1909. However, due to limitations of technology and material science, these latex condoms melted under hot weather and high temperature and ‘fresh’ condoms need to be produced. The condoms were also thick, 1mm thick, like a glove for the finger, and the consumer was not happy. At that time, sexually-transmitted diseases (STD) was spreading in Japan. Also, imported foreign-produced condoms cost ¥3 for a dozen; at an age when rice cost ¥0.30, these condoms are not affordable to the masses. Yet, while domestic-produced condoms are cheaper, they melt. Despite this, condoms sell well because STD continue to spread. Our founder Minosuke-san was a hardworking technician who started working at a rubber goods factory observing all these problems. Minosuke-san started working after primary school after both parents passed away when he was young. Minosuke-san resolved to solve this problem for the Japanese people and thought very hard how to produce a new safer and thinner condom. He realized that the problem was in the raw material latex rubber. During the transportation, they hardened and they had to be heated up to liquefy but yet this would lower their quality.”

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岡本巳之助

"A breakthrough came when our founder knocked on the door of German Bayer who had set up operations in Japan. The director representative at Bayer Japan was generous in sharing information. Our founder learnt new knowledge from the science magazines and journals at Bayer and he would experiment with new catalysts and chemicals. This repeated experimentation resulted in our founder's knowledge to improve by leaps and bounds. This visit to Bayer took one year and a total of eight years have been spent on research. Finally, through trials and errors, the breakthrough happen and the highest quality condom was produced."

Yoshiyuki: "Our founder went on to discover a better way to maintain the quality of the raw material to produce condoms. He also set the target of reducing the thickness of condoms by ten times from 1mm to 0.1mm. It seemed an impossible task. But our founder never gave up. Our founder tried for more than seven years.

For thin condom to have the strength, an intuition flashed in the mind of our condom when he was looking at the latex molecule under a microscope in the laboratory. Maybe a new binding molecule can be added. Our founder first tried the addition of branch-like resin to the molecule. However, the two do not stick at all. Since then, days and nights in the laboratory were spent in repeating countless experiments to find a catalyst material that can stick the two molecules.

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Minosuke-san resigned from his work at the factory and sold off every of his possessions and furniture to establish Okamoto Industries. However, during the war period, many technicians and engineers were enlisted and recruited to become soldiers and there was a shortage of skilled workers to produce condoms which were still manufactured in a labor-intensive way."



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Founders Minosuke Okamoto and Amihe Tsuge

“Through our founder’s experience and spirit, we understood that wealth earned through hard work, dedication and years of persistence, and through courageously correcting mistakes in trials in experiments and research, is the most valuable of all. Minosuke-san has inspired us to think that ‘work that is not profitable is the most lucrative’. If we persist in doing what people think is difficult or foolish or dislike to do, the road to sustainability will open up.”

Yoshiyuki: “Minosuke-san decided to mechanize and automate the condom production process, so that the shortage of skilled workers will not affect the quality of the products. In the beginning, while the efficiency in output has increased, the products turned out to be thicker. Despite all efforts in improving the speed control in the spinning process and the angle of the tilt, there were no improvements. Finally, Minosuke-san bowed his head and consulted the chief engineer of ‘Heart Beauty’ condom. After looking at the machine and production process, he said to Minosuke-san, have you considered that if the product did not achieve the required thinness, why don’t you spin it one more time? This simple solution was stunning. It was also the opposite of the prevailing mindset in the Japanese society to produce more and more complex high-performance machines, but which create another set of problems such as the difficulties in maintenance.

Subsequently, Minosuke-san challenged the belief that the thinness of the condom has reached its limits at 0.04mm to produce 0.02mm and 0.01mm from a new material. Through our founder’s experience and spirit, we understood that wealth earned through hard work, dedication and years of persistence, and through courageously correcting mistakes in trials in experiments and research, is the most valuable of all. Minosuke-san has inspired us to think that ‘work that is not profitable is the most lucrative’. If we persist in doing what people think is difficult or foolish or dislike to do, the road to sustainability will open up.”

Q: “Thank you so much for sharing the inspiring entrepreneurial story of Okamoto! My curiosity is piqued, why is it so difficult to produce condoms of 0.02mm or 0.01mm? And how does Okamoto overcome the technical barrier with the knowledge breakthrough?”

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“We first amazed the world with our 0.03mm condom, which was touted as ‘oriental mystery’ and the ‘skinless skin’, and we recorded an explosive hit in sales from its launch in 1969. The new product pushes up condom usage and sales in downturns. They are the currency to human desire. Okamoto has been pursuing and challenging an ultimate ‘Nothing-like’ feelings over 80 years with the belief that the essential factors for the feelings are ‘Thinness’ & ‘Softness’.”

Yoshiyuki: “The reason is simple. Look at the spherical rubber molecules. The thinner the surface, the weaker is the original binding force between particles and the gap between the spheres will grow wider. When it comes to a certain level of thinness, a hole would open up from the gap. Importantly, the defective rate of this thin condom will go up significantly, along with the material cost from the wastage. A simple calculation also mean that if the condom thinness is halved and the selling price is doubled, the company should ride with enough profits.

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In addition to these factors, needless to say, ‘Safety’ is the most important factor for condom. In Japan, condoms for use must meet certain ageing and elasticity standards in which condoms are pumped full of air like balloons and also pass the "pinhole test", in which they are exposed to a specified electric current. Okamoto condoms received high praise and has seen steadily increasing exports, especially with the usage of condom increasing rapidly due to the AIDS problem. However, we suffered the wrath of western manufacturers who led the ISO standards and they lobbied to make a decision to lock out the 0.05mm or less condoms. This is despite the fact that Japan had two decades of track record in the standard 0.03mm condom.

Initially, the production defect rate is very high. Out of every 100 condoms, 80 did not meet the mark. Realization of a uniform thinness was technically very difficult.”



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“From this flexibility and softness, the condom can be put on easily and the feeling of use is mitigated and there is ease in the transmission of warm body temperature to and from our partners, resulting in comfort and enjoyment in the usage, and support a good relationship building with our partners. The new product has differentiated itself by a far distance from the standard normal condom commodity.”

Yoshiyuki: “The general public might think that all condoms have uniform thickness. But the common production method tend to produce thicker condoms near or at the tip. But Okamoto is able to realize a uniform 0.01mm thinness by our unique proprietary manufacturing technology. One must be thinking why we are so stuck and fixated on both thinness and uniformity. One key reason is that in the usage, the most sensitive part is the tip. If you do not achieve 0.01mm at the tip, it is not possible to achieve a feeling that is worthy of the use of what the name suggests in the truest sense of the word. Yet, even when thinness and uniformity at the tip is achieved, another problem arose, which is durability cannot be maintained with the thickness of 0.01mm, since there is concentrated pressure on the thin tip that’s uneven, resulting in torn rubber from usage.”

Therefore, we changed the material from natural rubber to polyurethane which will ensure that the tip portion at 0.01mm is difficult to tear. Importantly, there is a sense of suppleness in the fit due to our water-based polyurethane material. Polyurethane has the disadvantage that it is harder in texture compared to the conventional natural rubber latex, but it can be made soft by unique formulation, and finished with a supple texture. Even when compared to the 0.02mm condom of the same polyurethane material, the difference is more than twice the difficulty level.

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“Despite shrinking domestic market against the backdrop of ageing, sales is strong in the high value-added products where the thinness level is less than 0.03mm, which have come to account for more than 50% of our total condom sales. Marketing has always been very difficult here in Japan. The Japanese people are simply not used to sexy campaigns for condoms. That is something we may be able to change as we start to use social media and it could be something that makes a big difference to this market. Online sales are another area that we expect to expand because people are not embarrassed buying over the internet.”

Q: “In Japan, how does Okamoto overcome a shrinking domestic market for condoms? What are some of the business challenges you have faced in building up Okamoto to the next level?”

Yoshiyuki: “The Japanese population is the fastest ageing in the world and, according to some surveys, among the least sexually active. In Japan, sex-drives have plunged so low that young, libido-challenged men are sometimes referred to as ‘soushokukei-danshi’ or herbivore boys.

Okamoto has spent decades making our name by challenging domestic and global rivals with ever thinner condoms. We have contemplated whether a technological wall has been reached and whether the costs of seeking condom perfection at the molecular level are too high. We have outlined plans to follow the lead of Durex and attempt to capture the senior market for sex which have yet to materialize as a practical strategy. For a decade, drug stores across Japan have been reducing the shelf-space devoted to condoms at a rate of 5% every year.

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「オカモトゼロワン」露出イメージとオカモト 岡本良幸社長

“Chinese trust in domestic condom brands is low and famous condom brands are faked on an immense scale in China. In April 2015, it was reported in the news that the Shanghai police seized 3 million fake condoms made locally from inferior, foul-smelling materials. Chinese consumers are attracted to the high-quality of Japanese condoms, especially following safety concerns about China-made ones. Buying the Okamoto condoms in Japan guarantees they are getting the real thing. Our products are at least more than three times more expensive than the local products.”

Q: “Yoshiyuki-san, why do you suppose Okamoto condoms have such strong demand from foreign consumers especially when they have the choice of their local brands?”

Yoshiyuki: “Okamoto has a brand name synonymous throughout Asia with better sex. It was totally unexpected, the Chinese tourists arriving in Japan shopping for trusted brands in bulk. Chinese spending in Japan has been so strong that a new term – ‘bakugai’ or ‘buying explosion’ – has emerged to describe the way Chinese tour groups descend on particular retailers and buy in bulk. 2.8 million Chinese have visited Japan in 2015 and overtook South Koreans and Taiwanese as the biggest continent of inbound tourists. Many are basing their choices on widely circulated online lists of ideal items to buy in Japan, of which Okamoto condoms are at or near the top.

The best that I can say is that we are looking at the situation calmly. Chinese trust in domestic condom brands is low and famous condom brands are faked on an immense scale in China.

In April 2015, it was reported in the news that the Shanghai police seized 3 million fake condoms made locally from inferior, foul-smelling materials. Two years earlier, Ghanaian authorities said 1 million imported condoms made by a Chinese company burst during sex and contained holes. Chinese consumers are attracted to the high-quality of Japanese condoms, especially following safety concerns about China-made ones. Buying the Okamoto condoms in Japan guarantees they are getting the real thing. Our products are at least more than three times more expensive than the local products. But I am also not sure how long this Chinese tourism spending boom is going to last. Notwithstanding, we will continue to promote the strengthening of our competitiveness.”

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“Our new product strategy has always been product differentiation. We will stop those products without product competitiveness. We work on launching new Okamoto products based on our world-class materials technology know-how. For example, through selling to professionals the de-watering sheet ‘Phichit’, we applied the suction technology to develop the OsmoPad, an innovative aqueous dressing for wounds and bed sores that is now in trial in the hospital and sold over the counter.”

Q: “We noted that Okamoto has a range of products from condoms to other consumer household products. What is your product strategy?”

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For example, through selling to professionals the de-watering sheet ‘Phichit’, we applied the suction technology to develop the OsmoPad, an innovative aqueous dressing for wounds and bed sores that is now in trial in the hospital and sold over the counter. We have been working on the ‘Okamoto women’ project about four years ago to develop useful and innovative products for women, including fingertip strengthening gloves, thermos gloves, bidets (<http://okamoto-bidet.com>), and so on.

We always strive to be a step ahead of the competition as part of our commitment to provide consumers with a healthy, comfortable and enjoyable lifestyle.

If you go back to our history, Okamoto was the first in the market to produce latex condoms. This variety outperforms its rubber counterpart in terms of softness and thinness. For people allergic to latex, Okamoto came up with a special line of polyurethane condoms.

Our 0.02 Hydro Polyurethane brand is one of the thinnest polyurethane condoms in the world featuring an even 0.02mm thickness across the whole surface area. To ensure safety and quality, Okamoto Industries complies strictly with global standards. These include regulations imposed by the United States Food and Drug Administration (FDA) and the Conformance Européenne of the European Economic Area. We are also open to regular client audits.”



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“Although known by most consumers as a condom manufacturer, Okamoto Industries has grown to become a leading integrated global producer of rubber and plastic products. We own leading technologies in various sectors ranging from rubber and plastics, to latex. By combining our expertise across these industries, we are able to produce a wide array of products. The technology of Okamoto is leading the way to the future in a diverse array of field.”

Yoshiyuki: “We have developed the ‘Zero One’ condom that achieves a more thin and uniform 0.01mm compared to 0.02mm, that there is no feeling of the use of condom. To develop a thin condom of uniform thickness is extremely difficult and we have mastered and secured the technology. The new product achieved the ultimate thinness and softness. By bringing together our wisdom, we managed to commercialize the new 0.01mm product, further consolidating our number one leadership in the domestic market. Our condom boasts the third-largest share in the world. We eye further global expansion.

Although known by most consumers as a condom manufacturer, Okamoto Industries has grown to become a leading integrated global producer of rubber and plastic products. We own leading technologies in various sectors ranging from rubber and plastics, to latex. By combining our expertise across these industries, we are able to produce a wide array of products. The technology of Okamoto is leading the way to the future in a diverse array of field.

With three production facilities in Japan, two subsidiaries on the mainland and one each in Hong Kong, Thailand, Vietnam and the United States, Okamoto Industries produces thousands of other consumer and industrial items. These products range from heating pads, gloves and dehumidifiers, to vehicle seat covers, wallpaper, adhesive tapes and sneakers.

Accounting for 10% of overall sales, condoms, however, remain Okamoto Industries' core offering. Because customer awareness is high and the fact that we are the number one leader in domestic market share, we have developed a business with an attitude of attack. We would like to promote the Okamoto brand across Asia and beyond. We want people to associate our name with excellent product quality and dependability.”



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Q: “What has changed in the past five years for Okamoto? Why has capex increased significantly?”

“For our automotive interior material business, we have strategically built our factory in North America which is in the fourth year in full-scale operation. We have created a supply system for automotive companies for 14 years, a strategic move which has blossomed. Orders from Japanese automakers have increased. The adoption of new car models and remodelled cars has expanded, a major factor that has increase our business with new customers given our know-how and competencies from product development to product design. Also, our Shizuoka Plant was increasing production of automotive interior materials to full production.”

Yoshiyuki: “The focus in the past five years has been to increase the capital investment to improve productivity because the supply has not been able to meet the demand for our innovative high-quality condoms and also demand from the North American automotive interior material and the ‘bakugai’ consumers and tourists who buy in bulk, which contributed to significant increase in earnings. Because the demand expectation is large, we responded to them. Since such sales has become prominent for the past three years, under the circumstances that the domestic market is shrinking, sales activities with an eye to the overseas market for products that correspond to globalization has become important.

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For our condoms business, condoms were conspicuous purchase from foreign visitors, especially from the ‘bakugai’ tourists from China. Our ‘Zero One’ condom launched in April 2015 became a big hit. Also, in our overseas markets, China has grown well from five years ago, and we will be enhancing the facilities of our domestic plants to meet that demand.”

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Yoshiyuki: “Exports also increased in Southeast Asia. Exports from our strategically constructed Thailand factory has been increasing, a trend that will continue. Our first Chinese factory also begin full-scale operation from spring 2016.

A transformational marketing and branding push is also in the works. For instance, we have established the ‘Lovers Laboratory (<http://lovers-labo.jp>)’ in December 2015. The web commercial ‘Okamoto Zero One - Dinosaur Edition’ (<https://youtu.be/EQ0px0v9SII>), the latest project announced in January 2016, has generated a tremendous response both in Japan and other countries, reaching more than 1 million views. We launched this project in hopes of creating opportunities that make people recognize the need to actively wear condoms out of consideration for their partners, thereby helping maintain healthy relationships. People who saw the commercial late at night thought it was merely being shown after normal viewing hours, and didn't realize it was the first Okamoto TV commercial in 11 years. We hope the commercial is seen by a wide range of people both in Japan and other countries, and that it creates many opportunities for them to think about and discuss condoms.”

“We have invested ¥10bn (\$88m) in a new plant for condom production for our 0.03mm product in Dongguan city, Guangdong province, against the backdrop of strong sales growth in China. It is the first time that Japanese condom manufacturers have built a plant in China. The new plant started construction in Nov 2014 and will begin full-scale operation in March 2016.”

Q: “Can you share with us more about your thought process behind the company’s first ever Chinese factory in Guangzhou which will be operational this year in 2016? What are the biggest risks? What has held back Okamoto in the past in expanding in China and why the change?”

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Yoshiyuki: “The time lag is because condom is a kind of medical device, there are determined specifications by the authorities. Production capacity is about 144m units per year. Yes, the big unknowable risk is whether the ‘Made-in-China’ stamp on Okamoto condoms leaving the factory will kill their appeal. We determine that if you can provide a world-class condom at a reasonable price, market share growth is expected. In the future, we will take advantage of production at our three locations in Japan, Thailand and China to strengthen our global supply system flexibility, and continue expand our business in new promising markets including Russia and India.

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Until now, China has brought challenges. Besides the huge brand-damaging fakes market, Okamoto has been engaged for more than a decade in a legal dispute with a Chinese company that registered the Okamoto name in China before we could do so. It's just a continuous battle. A constant game of cat-and-mouse that has been going on for 10 years and we just cannot seem to win. Other companies in this situation eventually just gave up and agreed to buy the Chinese brand or make the company an affiliate. We have absolutely no plans to do that.”

Q: “What about the legal suit from Guangzhou Daming United Rubber Products who sued over the right to claim the world's thinnest condom? Would this affect Okamoto's expansion plan and brand in China?”

Yoshiyuki: “The argument started over whose condom was thinner and they said they needed compensation from us. Do you know how much compensation they wanted? One yuan. It's such a primitive type of battle you can't even laugh about it. It was just a way of promoting their name.”

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“After the war, our founder focused on creating acclaimed ‘Made-in-Japan’ products with painful endless trial-and-errors. We pride ourselves on our technology and our founder had even once commented that ‘Work that is not profitable is the most lucrative. Our founder believe in addressing seriously real-world customer problems and if there is a demand out there even without immediate profitability, we will still diligently tackle it with earnest. Okamoto’s mission is the use the power of science to build the future with our years of accumulated experience, our proprietary technology honed and accumulated over the decades, our trusted reliability, our ceaseless research, our development that constantly pushes boundaries and our inquisitive spirit that endlessly seeks out challenges.”

Q: “Can you share with us the corporate culture at Okamoto and your management philosophy? How does the company continuously foster innovation?”

Yoshiyuki: “Excellent human resources and talented engineers have to be gathered and we will become a force for growth and become a global enterprise. This has been Okamoto’s culture for growth and innovation since the post-war turmoil under the leadership of our founder Minosuke Okamoto. Our founder made the world’s first latex condom and in the engineering sense in pushing the mechanization rather than a craft made by hand.

Our founder embarked on the rescue of two companies: Riken Rubber which went bankrupt in 1950, and Japan Rubber Manufacturer of the former Mitsui zaibatsu in 1954 which was on the brink of collapse due to poor management. After the war, innovation in the use and application of the rubber material enabled Okamoto to quickly rebuild the two companies after they are absorbed.

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Yoshiyuki: “Reliability, Comfort, Prosperity. These three factors are the hallmarks of an enjoyable life. Bringing these factors to customers requires technological and inspirational strength, and our ability to excel in both of these is the core of Okamoto. As we continue to grow internationally, Okamoto will work hard to maintain our contributions to society while respecting the environment.

During Okamoto's history spanning more than 70 years, we have gained the experience of many changing generations. Throughout these years, we realized that we must strive to earn our customers' confidence in our technologies. Okamoto matches technical capabilities with abundant creativity to manufacture products contributing to healthy and enjoyable human lifestyles, and aims to give great satisfaction for all those encountering Okamoto.

“Our management philosophy is firmly founded on principles of unique development, and Okamoto actively and comprehensively undertakes to develop and provide products useful in the daily lives of people. Through strict pursuit of high-quality, Okamoto builds trust in its original brand, and maintains robust competitiveness in domestic and overseas markets.”

The boundaries of science and technology are pushed every day by Okamoto's specialists in advanced fields working with a professional team of line workers. The satisfaction of our customers today motivates us to achieve the approval of our customers tomorrow. Okamoto will continue its pursuit of originality and create an improved, more comfortable future. We have developed our own technologies that have enabled us to manufacture products of the highest quality since our foundation in 1934. Our mission is to continue manufacturing these products to provide comfort and convenience to the lives of consumers.

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“Yes, I am agonising over whether my successor should come from the founding family. The problem is not new, but has become infinitely more complicated since July 2015 when Japan adopted its new corporate governance code, a set of guidelines introduced as part of the ‘third arrow’ of Prime Minister Shinzo Abe’s plan to revitalise the economy. The code imposes huge financial and other pressures on companies such as Okamoto. In particular, companies that want to install the third or fourth generation at the top will have to fight harder to convince investors in an environment where there is increased shareholder activism. We have to make a choice between the best way of ensuring continuity of the business or family succession. Of course, continuity must be the priority.”

Yoshiyuki: “Our standards of corporate behaviour include rising to meet challenges and overcome difficulties strongly with ideal and passion; not always seeking the easy way, but instead maintaining a law-abiding spirit, strong will, and energy; seeking both to understand people and to be understood, and to prioritize team play; continuing to work well, and making all possible rationalized efforts to ensure constant good relations with users and customers; cultivating the capability to broaden our perspective and adapt to changes in our world.

Okamoto continues to work well, making all possible rationalized efforts to ensure constant good relations with users and customers. In a coordinated way, the entire Okamoto is united in its efforts to create a meaningful and rewarding workplace.”

Q: “Yoshiyuki-san, you are the second generation leader who has led Okamoto Industries to scale greater heights. What are the succession plans for Okamoto Industries? Are you children working in Okamoto Industries? Will your successor be a member of the founding Okamoto family or a professional CEO?”

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Yoshiyuki: “I joined the family business in 1972 after graduating from the faculty of economics at Seiko University. I served on the board in 1985, became the Managing Director in 1989, the Senior Managing Director in 2003, and the Representative Director and Vice President in 2007, and later became the Executive Vice President. I took over as the President in May 2011. I am 66 years old this year. My son and daughter do not work for the company. Masaru Okamoto is my nephew and a former lawyer who became manager of Okamoto’s business administration department”

