

Column 6 Nanshin Seiki Seisakusho Co., Ltd.

Challenges involved in reconciling risk reduction and supply chain optimization

Nanshin Seiki Seisakusho Co., Ltd., based in Kamiina Gun, Nagano Prefecture (the number of employees: 243; equity capital amount: 48 million yen) [as of March 2024]), is an electronic parts maker that develops and manufactures a great variety of parts, including auto parts and commutators for micromotors, for which it has a world-leading share, by taking advantage of its expertise regarding precision press, precision plastics, insert and outsert molding, and a unique precision electronic part called Presstics, which combines the merits of presses and molding.

Nanshin Seiki has been promoting in-house, integrated production, which covers a total set of production processes, including development, design, mass production, and quality assurance, and which the company has upheld since its establishment in 1960. It has obtained a high level of trust from customers in terms of quality, delivery time, and cost.

The company established Nanshin Seiki (Hong Kong) Co., Ltd. in China in 1993 and started operations in a factory in Guangdong Province in 1994. In 2014, it started operating Nanshin Seiki (Vietnam) Co., Ltd. in Viet Nam. Nanshin Seiki is contributing to the expansion of the market by building a production system to supply products globally and is supporting customers' global operations.

Column Figure 6-1. Pictures showing the head office, factories in Japan, China, and Viet Nam, and some of the products



Note: From left to right in the top row: the head office in Japan and the factory in Japan; From left to right in the bottom row: the factory in China, the factory in Viet Nam, and some of the products manufactured at the factories

Source: Pictures shot by Nanshin Seiki Seisakusho Co., Ltd.

One motivation for Nanshin Seiki's advance into China was Tier 1 and Tier 2 customer companies' desire to build Japanese production systems there. Following the customer-driven advance into China, the company has steadily expanded its operations there. From around 2008, business with ASEAN started to increase, so Nanshin Seiki advanced into Viet Nam, an ASEAN member, in order to gain further superiority.

However, from around 2018, Nanshin Seiki started to perceive a risk in depending on China for procurement because procurement from China came to a halt because of the tariff barriers due to the effects of the U.S.-China trade friction and the COVID-19 pandemic. At around that time, the company received requests from several Tier 1 and Tier 2 customer companies to avoid the production of new parts in China. In response to the requests, it reworked the existing production system and manufactured products for Tier 1 and Tier 2 customer companies in a factory in Viet Nam and in Japan, while it manufactured products for the Chinese market in a factory in China. Through those efforts, Nanshin Seiki has reduced its procurement dependency on China and gained high regard from several Tier 1 and Tier customer companies.

On the other hand, Nanshin Seiki's products are comprised of multiple Tier 3 and Tier 4 units of parts, many of which are manufactured in China. Therefore, as a result of the shift of the manufacturing base from China, the transportation cost incurred by the company has increased, so the company has not gained any clear merit in terms of cost at the moment.

The case of Nanshin Seiki points to the possibility that risk reduction efforts may not lead directly to supply chain optimization because those efforts entail demerits, such as a cost increase. However, when making risk reduction efforts, it is necessary to consider merits and demerits from various viewpoints, including long-term effects due to market trends as well as short-term effects on cost. Nanshin Seiki President Katagiri said: "In response to situations like the suspension of production due to the effects of COVID-19, major listed companies and companies with large sales are expected to shift away from the Chinese market in the future, so the building of a supply chain that avoids excessive dependency on China will start from now on."