

Tohoku ROKU Project – Professionals Changing Society through Work¹

“We really are closer than family; if you borrow 600 Million Yen together, your destiny is tied together.”

— ROKU Project Leader, Masayuki Shimadaⁱ

“As a group, we’re more than the sum of the individual parts. The six of us are each running a business in a totally different domain – we have a realtor, an interior decorator, a restaurant owner, someone running a social services business, an advertising and marketing guy like me, and someone who has a background in agriculture. By bringing our skills together we thought we could help restore the Tohoku region, and that’s why we decided to start a business together.”

— ROKU Project, Yoshiro Takahashiⁱⁱ

In December 2013, Masayuki Shimada (32)² was heading to ROKU FARM ATALATA (“ATALATA”), a food emporium opened by the Tohoku ROKU Project in Natori City, Miyagi Prefecture for a meeting. Coming into view as he passed a giant Aeon shopping mall, the building was a strikingly modern design combining wood and glass, standing on roughly 3,600 square meters, and housed restaurants serving soba noodles and buffet, as well as a bakery, market, and kitchen studio (Exhibit 1). The facility had been built from scratch by a group of six entrepreneurs from different fields, including Shimada, who had met as a result of the Tohoku earthquake, without relying on grants or subsidies. ATALATA had been built upon their vision to revitalize the primary industries which had been the backbone of the Tohoku region by elevating it to a “sextiary industry³” encompassing production, processing, and sales, creating employment opportunities in the earthquake-hit areas.

Agriculture in Japan

After the Second World War, the Japanese government implemented land reforms that

¹ This case was written by Mayuka Yamazaki, with the support of Learning Initiative K.K. and Fumika Yoshimine.

² Age as of December 2013. Same for other protagonists.

³ Refers to expanding the primary industries such as agriculture and fisheries into manufacturing and processing (secondary industries) and distribution, sales and service (tertiary industry) (=1+2+3=6)

forcibly bought out landowners and sold their holdings to tenant farmers, creating a large number of small-scale farmers. Farmers' cooperatives that acted as middlemen between farmers and produce distributors, and in turn provided fodder and fertilizer spread across the country; organized as the Japan Agricultural Cooperatives ("JA"), the farmers' cooperatives became a loyal voting bloc of the Liberal Democratic Party, supporting the stable one-party rule that characterized the post-war years. Mandates decreed that only individuals or farming corporations could enter farming, effectively shutting out any possibility of consolidation or scaling of agricultural operations. Lacking scale, many farmers were forced to find additional sources of income, and as of 2000, 67% of farming households⁴ generated the majority of their income from non-agricultural sources.

During the 2000s, the aging of the farming population, leading to the rise of deserted arable land became an ever pressing problem. The average age of farmers was over 60 (Exhibit 2), the amount of deserted arable land had increased 194% from 1975 to 386,000 hectares, and actual land being cultivated had also declined 22% from 1965ⁱⁱⁱ. To address these problems, gradual deregulation starting in the 1990s created opportunities for business corporations to enter farming, culminating in the amendment of the Agricultural Land Act in 2009, which in principle did away with entry restrictions into farming in Japan. In addition, in 2011, the Sextiary Industry Act was established to encourage farmers, fishermen, and those working in forestry to expand from production into processing and sales, and business owners to support these initiatives. In the growth strategy announced in June 2013 by the Abe Administration, agriculture was highlighted as a growth area, with promises of additional reforms to increase productivity and competitiveness of the sector. The number of business corporations with farming operations stood at 1,261 as of June 2013, roughly three times the number before the amendment of the Agricultural Land Act⁵. And although still in its early phases, there was a growing population of farmers, comprised mostly of younger Japanese, who sought to bring innovation to the farming sector, such as by selling direct to consumers or growing organic crops, bypassing the traditional structure imposed by JA, which provided fertilizer and pesticides in return for control of the distribution process.

⁴ Farming households with more than 30 ares of arable land, and annual farming income of more than 500,000 yen.

⁵ Sum of non-profit organizations, special limited liability companies, and holding companies.

Masayuki Shimada

Originally from Hokkaido, Masayuki Shimada dreamed of becoming a professional soccer player as a boy and spent his formative years focusing on soccer on a professional team, but left at 17 to pursue higher education. With his family running their own business, “becoming a company employee never was in the cards” for Shimada, and his plan was to become an entrepreneur after graduating from university. Through his experience organizing events as an undergraduate, he developed relationships with proprietors of the local shopping district, and decided to open a cram school in the area. Without any funds of his own, he created a business plan based on meticulous assessment of parents’ needs, which he used to secure a loan, and started his first business.

At age 25 he became a farmer, producing onions in Hokkaido. But the road was paved with challenges, with his attempts to pursue a new business model that would connect farmers and consumers directly (versus the traditional model with the local JA, and Hokuren [Hokkaido Federation of Agricultural Cooperatives] controlling distribution) received with hostility by entrenched stakeholders, leading to extreme difficulties for Shimada and other farmers who shared his vision. Through these experiences, Shimada developed a serious concern for the future of Japanese agriculture, saying;

“I believe that you need to pay farmers enough (for their produce) so that they can build a sustainable enterprise. Not just to be able to plant for the next harvest, but to have some reserves against downturns like a hurricane coming and destroying 20% of your crops. To be able to provide for your own children. This should be the market price, and we need to find a way to make sure that farmers get their fair share. That was the start of my vision”^{iv}

Just around that time, Iris Ohyama, a leading company from the Tohoku region manufacturing and retailing housewares, and Butai Farm, which produced and processed produce, were considering a business partnership in the agricultural sector. Through a trading company that had contact with both Iris Ohyama and Shimada’s company, the two firms came to know of Shimada and asked for his help in “revitalizing Japanese agriculture in the Tohoku region”. Yoshiro Takahashi (56), an advertising and marketing professional based in Sendai City, who went on to become a business partner of Shimada’s, met him around this time through an introduction from the chairman of Butai Farm. Takahashi recalled that;

“His strengths were different from mine; I’m rather more comfortable working with concrete things, honing the message and sharing it with a wide audience, whereas he was very strong in conceptualizing and providing the underpinning for the product development process. And even though he was young, it seemed he had a wealth of perspectives to draw on. But on a fundamental level, there was so much we had in common, such as our sensibilities, what we saw as issues in society, and our commitment to making good products, so I thought that together we could be more than the sum of our parts, both in terms of scope and quality of output, and decided that I wanted to work with him.”

Shimada initially did not accept the invitation from Tohoku. However, after his business in Hokkaido went through a turbulent period, he decided to start anew and moved to Sendai in 2009. Together with Takahashi, he participated in the operation of “Marche Sendai⁶”, a participatory market for city dwellers, and in 2010, incorporated K.K. Familiar to provide consulting on the “sextiary industrialization” of agriculture.

The Tohoku Earthquake, and Becoming ROKU (Six)

When the Tohoku Earthquake hit, Shimada, who had been living in Natori, evacuated with his family for a day to escape the tsunami which had surged into their neighborhood, but two days after the disaster, he had established the aid office of Marche Japon. Drawing on the inventory of pre-cooked stews and curries stocked at his office, he recruited volunteers from the neighborhood and began running a soup kitchen in the evacuation shelters. During the first bleak week after the disaster, when even the Japanese Self-Defense Forces were unable to reach many afflicted areas, the mood inside the shelters was tense and desperate. With “2,000 evacuees against the eight volunteers, it could very easily have become a dangerous, chaotic situation^v”, and while putting their lives on the line to aid the earthquake victims, Shimada made a promise to himself;

“I’ll never forget the sight of seeing a father pull up his daughter’s lifeless body from the water. Seeing the scene unfold, I thought, “I can’t step away from this”. If it had been my own daughter, I don’t think I could have kept a

⁶ Marche Japon is a participatory market (“marche”) for local residents launched in eight cities in 2009 with the backing of the Ministry of Agriculture, Forestry and Fisheries, with a three-year subsidy period.

right state of mind. But in the evacuation shelters, there was no outlet for the sorrow and suffering of the earthquake victims. And coming face to face with this reality made me feel that I needed to step up, to do something.”^{vi}

While continuing to provide hot meals to evacuees in the months after the disaster with Takahashi, Shimada met Tetsuya Watanabe (45) who operated a restaurant employing people with disabilities, Fumihiko Oe (38) who ran an interior decorating business, Hiroshi Ikeno (47) working in real estate, and Hidenao Ito (39) who was in the restaurant business (Exhibit 3). Watanabe too had operated a soup kitchen using supplies from his restaurant, and Oe’s firm had started supporting reconstruction four days after the disaster. The six of them launched Tohoku ROKU Project, with the goal of providing employment opportunities for the disabled, and reinvigorating the primary industries through “secondary industrialization”, by creating a facility showcasing food and agriculture. Shimada recalled how the six members got together;

“We met through our work in the evacuation shelters, which enabled us to build an authentic bond – all of us were there purely out of our desire to help, with no agenda or ulterior motives. I didn’t set out to recruit them, but as I shared my vision the group came together and things started to take shape.”^{vii}

All six members were professionals and business owners in different domains. For example, Takahashi worked in event planning and promotion, while also turning around his family’s tatami mat business, reincorporating as K.K. Oriza. Traditional tatami mats were of uniform size and material, and could only be used in traditional Japanese-style rooms, and were low-margin products due to a fragmented and multi-tiered distribution system. Takahashi used new materials co-developed with Toray to produce “Oriza” tatami mats that offered a choice of designs and colors, and sold directly to end users to increase profitability.

“Just making tatami mats, you’re basically bleeding money. Our customers are big construction firms, and they have all the power in the relationship. Even if we get an order to provide tatami mats for a ten-story apartment building, our profit is so small. We don’t have any say in how much the construction firms will bill for the tatami mats, and that’s the way it’s always been. My father suddenly passed away when I was 28, leaving the business

with many debts; my mother took over but she too was overwhelmed and the business passed to us, the three children. I had my work in Sendai, so my younger brother and sister quit their jobs and returned home, and we agreed that we needed to come up with a product that would sell on its own, that we didn't have to rely on construction firms to sell, and we decided to sell directly to end users. We realized that we had to re-think the business from scratch, because even sourcing the materials meant you had to go through multiple layers of distributors, leaving you with little leeway in how to price your product.^{viii}

Another thing the six founders had in common was their engagement with farmers and fishermen. Shimada and Takahashi had already started their consulting work on the “sextiary industrialization” of the primary industries, with Takahashi noting that their involvement with Marche Japon was the catalyst for establishing K.K. Familiar;

“Seeing the farmers talk about their produce [at Marche Japon], which they had grown with such care as you would give your own child, and seeing how earnestly they interacted with consumers, I came to feel from the bottom of my heart that I really wanted to help them. I've been working in event promotion for many years now, but this was not something that I'd be doing for money, but something more intrinsic...there was a strong personal connection, and I wanted to make this part of my life. But the fact is, even if you sell 100 cabbages at 100 yen each, you only make 10,000 yen. And you also have to spend time to actually grow the produce. So there were obviously many issues, and I knew that I needed to get more involved to make a difference, and Shimada-san was of the same mind, so we started a company to help farmers expand into food processing and sales”^{ix}

The other members also had connections with food producers. Oe, who had started his own painting contracting business at the age of 20, had initially worked primarily on assignments from farmers, gradually expanding into interior decorating and renovation. Through his entry into the restaurant business in 2002, he had come to the realization that consumers were eager for produce bought directly from farms, voting with their wallets. The restaurants run by Watanabe, who employed over 100 workers with disabilities at his “Rokucho-me Nouen”, and Ito also sourced directly from vegetable farms, seeking better quality and taste.

Looking Ahead – 90 Years

The six members finalized the concept for the ROKU Project facility in July 2011, after a series of discussions. The theme was “Looking Ahead – 90 Years”, asking of each what they could do to make a better society for those living in the 22nd century. Out of the many reflections that had come in the aftermath of the Tohoku Earthquake, one was the importance of food, and the chain linking producers to consumers. Oe added that;

“[In the aftermath of the disaster] there was no one producing, processing, or selling food, and that left a big impression on me. What I had taken for granted until then was actually quite fragile, and I realized that I needed to change my ways. Without farmers, without the drivers and trucks to deliver the produce, we could not provide food – that was the realization I came to running a soup kitchen in the evacuation shelters. This was a big change, a life-changing experience for me.”^x

Therefore, it was decided that the ROKU facility would be a live showcase for the primary industries reborn as the “sextiary sector”, processing produce in partnership with farmers to add value, and selling it through on-premise restaurants, shops, and markets, in addition to sourcing from producers in the Tohoku region. So that the facility itself would “provide an opportunity for consumers to understand how their food is produced, and how it travels onto their plate”^{xi}, plans were made to run a farm on the premises which would provide vegetables for the restaurants at the ROKU facility as well as an opportunity for children to experience agriculture.

Another key goal of the ROKU project was creating jobs in the disaster-hit areas. The evacuation shelters, which Shimada described as “a perfect microcosm of Japanese society”, had pointedly exposed many faults that had been simmering under surface, such as the exclusion of people who seemed “different”, for example those with disabilities. Shimada had seen many cases of disabled people moving out of the shelters to live on their own in damaged buildings, feeling unwelcome in the community shelters. Building on Watanabe’s experience of employing more than 200 disabled workers, Shimada was strongly committed to creating work opportunities for the disabled at ROKU, saying;

“One of the core goals of our company is to change our values through the

way we work. For example, creating work opportunities for the disabled in the middle of a residential neighborhood, making them visible. Communities are driven to exclude people with differences because they don't seem familiar. But the reality is that they too are members of society, and we should actually think it's odd that we don't see anyone with disabilities when we go to work."^{xii}

Based on their own experience in the aftermath of the Tohoku Earthquake that rescuers would arrive at the latest by the third day, the facility was designed to provide a temporary refuge to local residents in case of emergencies. In order to build rapport with the local community, the facility included a "community center" that local residents could use at will.

Leveraging their six different areas of expertise, Ikeno took charge of acquiring the land, Oe the design and planning of the facility, Watanabe the operation of the buffet restaurant and hiring of disabled workers, Ito the running of the soba noodle restaurant, Takahashi the stone hearth bakery and promotion, with Shimada focusing on defining the vision. The design of the building was commissioned to the Rebirth Project, run by the actor Yusuke Iseya, who they had met through Takahashi's connections in the aftermath of the earthquake and tsunami. Iseya had launched the Rebirth Project with the goal of re-evaluating the impact of human activity on the environment and society, seeking to create new business models that would in turn support new ways of living, asking "how can people survive on Earth in the years to come?". With initiatives in apparel ("HATCH YOU"), food ("HOUSE475"), housing ("THE SPIKE SHOW"), water supply, energy, education and media, the ultimate vision was to bring together these activities and create a settlement called the "Reverse Village", and expand internationally.

Shimada explained that "because we have professionals for all key functions on the ROKU team, it is very easy for us to reverse engineer, and connect the day-to-day operations to our vision. Design, implementation, operations, and my core capability, which is creating the vision – the vision that holds everything together."^{xiii} The facility was named "ATALATA", based on the Italian words for "weaving together bonds".

Shimada also was clear that he did not want to impose ATALATA's ethos on visitors, as he felt that otherwise it would be difficult to gain intrinsic, sustainable support for their vision.

“People shrink back when they hear that something is ‘for a good cause’. Consumers could care less about creating jobs for the disabled or the plight of farmers and fishermen, but if you have good products at fair prices, they will come for sure. The distribution process, the logistics, the stakeholders...none of that matters to the end consumer and it’s up to us to create a natural momentum for change at the front end if we want to make a difference.”^{xiv}

Oe shared his thoughts on elevating the primary industry into the “sextiary sector”, saying;

“Expanding the role of producers into processing and sales is important, making sure that they’re getting their fair share of the profit. But I’ve come to realize that it’s not as easy as it sounds. We have professionals across the value chain – production, manufacturing, logistics, and sales – and we can’t make a difference without all the pieces fitting together. When we talk about “sextiary industrialization” we tend to focus on the farmers, but we need cooperation from those farther down the value chain. Right now we’re putting a lot of effort into working with vegetable farmers to create and sell pickles made from their produce, but if you ask us where’s the additional profit, well, we have to take into account the increased labor cost. Basically, we need to scale up to make this sustainable. The inputs to make the pickles don’t change much whether you make large batches or small, so if we could create more points of sales, and produce at scale, we could make this into a profitable business. We’re still sub-scale, so the labor cost is too high – otherwise, all the farmers would have been doing this on their own initiative, a long time ago. To the end consumer it doesn’t matter how difficult it was for the producer to get the pickles to their plate, and we don’t want to be lecturing consumers on why it’s so hard for the farmers to make a decent living. What we believe instead is that if we connect the producers and consumers, and engage our customers in thinking about where their food is coming from, demand will naturally grow. And if we have more demand, then we can scale up and eke out a sustainable margin, small as it may be, and also create a jobs. If we communicate the origins of the product and the production process at our shops, I think the consumers will come to understand, “Aha! That’s why this tastes so good”. And that should serve as a

catalyst to drive demand, and with more demand we would be able to work with more producers, and hire more workers on the production side. I think that only by connecting together the steps between the farm and the end consumer can we create a stable, sustainable business. It's obviously quite a challenge, but our belief in the vision is pushing us to climb the mountain and prove the concept.”^{xv}

Beyond the Vision

In order to open ROKU FARM ATALATA, a food emporium, during 2012, Shimada focused on directing the efforts of his five co-founders and a small number of additional staff. But faced with a shortage of building materials such as concrete, as well as builders due to the large-scale public works for rebuilding that were being orchestrated by the central government, as well as dynamic changes in the external environment, the construction of the ROKU facility could not avoid a significant delay, with a 2012 opening no longer a realistic option. As he pushed forward with the project, Shimada was forced to confront a seemingly endless number of new tasks, from project management, fund management, overseeing the multiplying number of accounts with suppliers, promoting the new facility, preparing for the hiring of new employees including those with disabilities, securing the necessary government approvals and licenses, optimizing logistics and distribution, overseeing accounting and tax affairs, as well as designing in-store operations, and he keenly felt the need for additional personnel. Deciding that ROKU needed more people like the founding members with their diverse expertise rather than a generalist, Shimada decided to initiate a search for additional professionals who would support the ROKU Project, including the opening of ATALATA.

Exhibit 1

ATALATA



FLOOR GUIDE

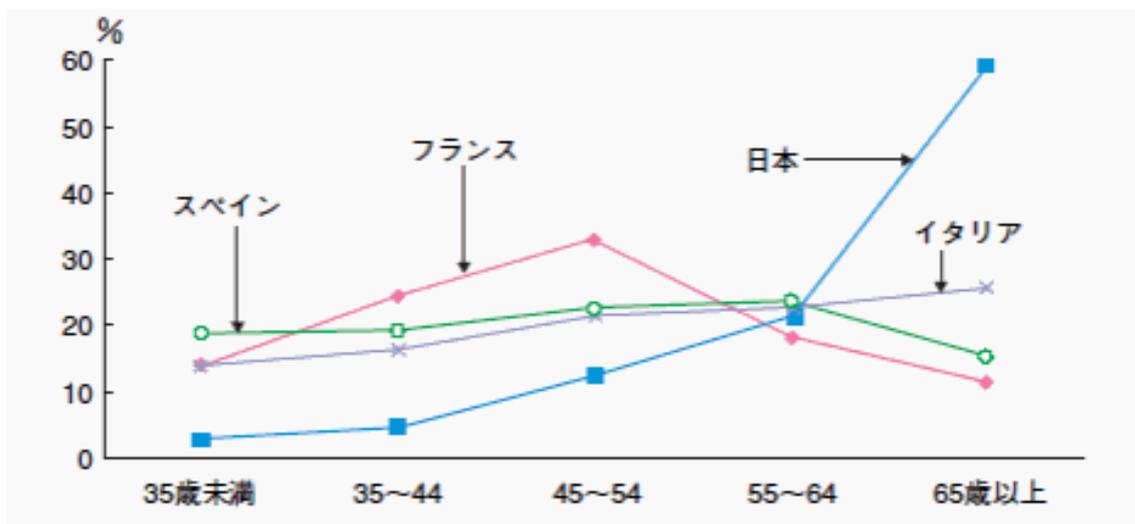


Source: ATALATA website

Exhibit 2 Aging of the Farming Population



Source: Sankei Newspaper (based on Ministry of Agriculture, Forestry and Fisheries statistics)



Source: Ministry of Agriculture, Forestry and Fisheries

Exhibit 3

Tohoku ROKU Project Members

Masayuki Shimada



CEO, K.K. Familiar

Originally from Iwamizawa City in Hokkaido, Shimada started planning his first business while still a student at the Hokkaido University of Education, launching a start-up in the education sector after graduation. In 2010, he established K.K. Familiar in Sendai, focusing on consulting, research, and manufacturing and distribution of food products to support a greater role for farmers in the processing and sales of their produce. Starting out with just two employees, the firm has now grown to 40 employees.

Tetsuya Watanabe



CEO, K.K. Apple Farm

Originally from Tagajo City in Miyagi Prefecture, Watanabe leads K.K. Apple Farms which is a licensed provider of social services to the disabled, as well as operating the popular buffet restaurant “Rokucho-me Nouen”, where over half of the staff are handicapped workers.

Yoshiro Takahashi



Born in Ishinomaki City, Miyagi Prefecture, Takahashi worked for an advertising agency, taking charge of producing and promoting many events in the Tohoku region.

In 2001, he established K.K. Oriza, developing innovative tatami products incorporating a modern sensibility, winning many awards including the Good Design Award. Takahashi also produced “Au Fournil Du Bois” a popular bakery specializing in French bread, housed in a renovated stable.

In 2010, he established K.K. Familiar with Masayuki

Shimada, and started providing consulting services to support producers expanding into food processing and marketing. Most recently, he produced the bakery “Le Temps Riche”.

Fumihiko Oe



CEO, Oohori Kentaku K.K.

Born in Tendo City, Yamagata Prefecture, Oe established the painting contracting company “Oohori Kogyo” at the age of 19, the predecessor to the current Oohori Kentaku K.K.

His business is built on a firm commitment to understanding the customers’ perspective and living environment, from painting to building, and now includes a food consulting division and a design business.

Hiroshi Ikeno



Managing Director, K.K. Top Real Estate Development

Originally from Yamagata City, Yamagata Prefecture, Ikeno decided to specialize in real estate after a working for a trucking company, attracted by the opportunity to create value by connecting people to people. While working at the office of a judicial scrivener, he studied records-keeping and law, and then worked as a salesperson for built-to-order homes. At the age of 29, he established K.K. Top Real Estate Development, focusing on real estate transactions.

Seeking to be a company that goes “above and beyond” to support clients, his firm offers innovative services such as purchasing and selling fully furnished properties for restaurant businesses in Sendai, as well as offering real estate development consulting, and high-tough service to landlords and property owners.

Hidenao Ito

CEO, Oriental Hospitality Garcon



Born in Tendo City, Yamagata Prefecture to parents who operated a restaurant, Ito has been interested in the food business from a young age and focused his endeavors in the restaurant industry.

His first opening was a traditional pub called “Waraku”, re-working his parents’ restaurant, which was followed in 2008 by the Yamagata soba noodle restaurant “Enzo” in Sendai. Ito’s strong commitment to satisfying customers led to his interest in sourcing directly from producers, and he currently works with farmers, livestock farms, and fisheries in the region.

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- i Casewriter interview December 1st, 2013
 - ii Casewriter interview February 3rd, 2014
 - iii “Current Events in Pictures”; Nikkei 4946
<http://www.nikkei4946.com/zenzukai/detail.aspx?zenzukai=30>.
 - iv Casewriter interview December 1st, 2013
 - v “Michinoku no Shigoto – Interviewee: Masayuki Shimada”; July 6th, 2011
<http://michinokushigoto.jp/archives/297>
 - vi “Michinoku no Shigoto – Interviewee: Masayuki Shimada”; July 6th, 2011
<http://michinokushigoto.jp/archives/297>.
 - vii Casewriter interview December 1st, 2013
 - viii Casewriter interview February 3rd, 2014
 - ix Casewriter interview February 3rd, 2014
 - x Casewriter interview February 3rd, 2014
 - xi “Minna-no-terebi Senbra – Sendai, Residents, and Communities – Frontier Spirit ROKU FARM ATALATA” November 1st, 2012
 - xii Casewriter interview December 1st, 2013
 - xiii Casewriter interview December 1st, 2013
 - xiv Casewriter interview December 1st, 2013
 - xv Casewriter interview February 3rd, 2014