

## Success Stories: Ideas for Potential Players

I/S

ICT / Software

# INSTAR ITS

Sales / Services

### INSTAR ITS Japan, Inc.

#### *Choosing Japan as the first overseas market for innovative energy saving solutions*



*The headquarters of INSTAR ITS Ostrava, a.s. in the Czech Republic.*

Czech Republic-based INSTAR ITS Ostrava, a.s. (IIO) provides energy management and operations systems solutions to customers all over Europe. In May 2008 the company chose Japan as the location for its first overseas subsidiary, INSTAR ITS Japan, Inc., and the launching pad for their expansion into the Asian market.

IIO's integrated IS ENERGIS software solution offers efficient energy management via a combination of sensors and software to calculate and monitor energy savings through all aspects of a business' operations: from production to distribution to sales. The company numbers several major Japanese companies amongst its

customers and also Czech automobile manufacturer Skoda. Customers have reduced their energy costs by 5% to 10%, enabling IIO's system to pay for itself in just two years.

#### **A Business Opportunity Arising from an Interest in Japan**

INSTAR ITS Japan, Inc. was founded in May 2008 in the city of Kakogawa. For IIO, the Japan market's attraction was not just its size (about 15 times the Czech market) but also because Japan has some of the most stringent energy conservation regulations in the world accompanied by a high awareness in the public and private sectors of the need for energy efficiency. Japan has often been described as an "energy efficiency superpower."

The city of Kakogawa in the Kansai area of central Japan was chosen not just for its strong human resources, but also a large number of well-established medium-sized companies nearby, including in other green industries such as solar panel manufacture. With the help of the JETRO Invest Japan Business Support Center (IBSC) in nearby Kobe, INSTAR was the first foreign company to set up in the city. Links from the JETRO website and the Czech embassy in Japan even helped raise the company's search engine rankings.

INSTAR ITS Japan President Mutsuo Inaoka first met IIO's CEO Milan Grohmann in Japan in 2007, eventually

2008 Subsidiary INSTAR ITS Japan, Inc. is set up in Kakogawa, near the central Japan city of Kobe.



*President Mutsuo Inaoka (left) and Chief Information Officer Toru Akita.*

# INSTAR ITS



*The General Manager of SKO-ENERGO, a member of the Volkswagen group, is a satisfied user of IS ENERGIS.*

leading to the subsidiary's founding with the 9.6 million yen capital provided by the parent company. Grohmann himself has a special interest in Japan, and IIO's customers in Europe included Asahi Glass, Showa Aluminum, Panasonic and Daikin Industries.

The Czech company holds an appreciation for the trustworthiness and reliability of Japanese business, says Inaoka. When the company was founded, IIO sent three of their best engineers to Japan to train Chief Information Officer Toru Akita. "We are extremely lucky to have strong personal relationships with our colleagues in the Czech Republic, and communication is easy and quick," says Inaoka.

One of their strongest selling points, stresses Inaoka, is the extremely high level of Czech software engineering. IS ENERGIS's "open architecture" allows customers to adapt it for their own use, and the software has a 15-year track record of incremental improvement and is highly trusted by customers. The system uses data amassed over those 15 years to make future energy saving predictions and is updated by INSTAR twice a year.

**13,000 Facilities in Japan with an Energy Usage over 1,500 kiloliters of Oil a Year**

Consisting of both meters installed in factories and software to collate and analyze the resulting data, the system costs 30 million yen to install. The global recession and sharp drop in fuel prices has meant companies are wary of such large expenditures for the moment. But INSTAR are working hard to sell several systems in Japan which they can present as successful local examples. "It is difficult for us to be able to

convince customers without them seeing the system in action in Japan," says Inaoka.

In the process they are learning much about the differences between Japanese and European factory and business culture. For example, Japanese companies seem to prefer tangible methods of energy saving to complex systems, such as replacing tungsten light bulbs with LEDs. Also, since the system operates across all departments and facilities in a company, it can take extra effort to convince individual managers to cooperate, as each may not see a clear benefit to their own department. But, says Inaoka, learning to deal with such differences is an indispensable part of the localization process and will stand INSTAR in good stead come further international expansion.

They are also mulling tie-ups with large companies whose business networks and reputation can be used to attract and reassure customers. Initially they had set their sights on large companies, but now they are considering a cut-down system for applications such as building management. The system could cost as little as 100,000 yen a month.

A strong hope for the near future is a revised and strengthened energy conservation law due to come into effect in Japan in April 2010. Currently, there are no less than 13,000 facilities in Japan with an energy use equivalent to over 1,500 kiloliters of oil a year. INSTAR ITS Japan expects the energy saving market's expansion to accelerate as global warming continues, and is confident of future business opportunities.

**Japanese Operation**

- Established:** May 2008
- Capital:** ¥9.6 million (as of May 2008)
- Employees:** 3
- Business:** Solutions in the energy management and operating systems sectors
- Location:** 129-103 Noguchi, Noguchi-cho, Kakogawa, Hyogo, Japan 675-0012
- URL:** <http://www.instar.jp/>
- Parent company:** INSTAR ITS Ostrava, a.s. (Czech Republic)