

Past JETRO Client

Molycorp Opens Japan Office, Anticipates Quadrupling of Japan Sales

October 2011--Based in Greenwood Village, Colo., Molycorp, Inc. is the largest producer of rare earth materials outside of China. Rare earths are used in a wide array of industrial applications, including metal alloys, magnets, aircraft, smartphones, laptop computers, LED televisions, computer screens, superconductors, cancer treatments, nickel-metal hydride batteries in hybrid cars, wind turbines, lasers, nuclear reactors, X-ray systems, fuel cells, and many others.



Currently, China produces 97% of the world's rare earths, and it has steadily reduced its exports to the rest of the world in recent years. Numerous Japanese companies, particularly advanced technology manufacturers, rely on these materials, and China's shrinking exports have demonstrated the importance of having a diverse supply of rare earths.

In August, Molycorp opened an office in Japan to better support its customers there. We spoke with company President, CEO and Director, Mark A. Smith, about the opportunities that led Molycorp to set up the office and their experience working with JETRO in the process.

Opportunities in Japan

Several opportunities in, and characteristics of, the Japanese market led Molycorp to establish a local office: market size, the ability to better support customers, a greater customer need for diversity in their supply of rare earth materials, the technologically advanced nature of the Japanese manufacturing industry, and a common set of values.

For over 50 years, Molycorp has been exporting roughly half of its rare earth production to Japan's manufacturing sector. "There is a very high level of demand in Japan," said Mr. Smith. "Japan is the world's second largest user of rare earths – second only to China – and it uses about 35,000 tons of rare earths a year. The next largest consumer is the United States, which uses about 15,000 to 18,000 tons of rare earths per year."

Mr. Smith said that Japan typically requires the rare earth elements that tend to be more expensive, such as the magnetic rare earth elements. "While 50 percent of our production volume goes to Japan, it could be more than 50 percent of the value." To make sure the company was meeting this demand and was able to provide its Japanese customers the level of service they were accustomed to receiving, Molycorp established a liaison office in Tokyo.

Japan has also made it a government policy to “reduce its dependence on China for these rare earth materials,” said Mr. Smith. In September 2010, after China ceased all exports of rare earth materials to Japan for over two months, Mr. Smith said, “many people realized how important this issue of diversity of supply is. They recognized that relying on one country for 100 percent of their rare earth needs could cause serious problems if political tensions escalated.”

“The Japanese are very technology oriented, which is a big reason why we enjoy doing business in Japan.”

Given its commitment to advanced technology and innovation as well as its core values, Molycorp also saw itself well-aligned with the Japanese business community. “The Japanese are very technology oriented, which is a big reason why we enjoy doing business in Japan,” said Mr. Smith. “They tend to be on the leading edge of the most advanced technologies associated with rare earths.” Through its own technological innovations, Molycorp will be able to increase the efficiency of its production and reduce its average cost to \$2.77 per kilogram, which is roughly half of average production cost in China.

“In our view, technology is the number one differentiator,” Mr. Smith continued, “but we also have a strong affinity for our Japanese customers because of...[their] values like trust, honesty, integrity, their absolute commitment to environmental protection, and the health and safety of their workers. These shared values allow us to work together in a much stronger and cohesive way.”

JETRO’s Free Office Setup Services Used

The following are the free JETRO services Molycorp received in setting up the Japan office:

- Information on the “Subsidy Program for Promoting Asian Site Location in Japan”
- Advice on Japan office registration and hiring
- Payroll quotes and information on banks that offer online banking in English
- Referrals to public relations firms in Japan

“JETRO was extremely responsive to every need that Molycorp had,” said Mr. Smith. “JETRO assisted Molycorp on all of these fronts and more. It was always done in a very non-intimidating, non-threatening way. Recently, we placed a call to JETRO to get some help identifying public relations agencies in Tokyo, and in less than 24 hours, JETRO provided several recommendations. There was no pressure to pursue any one of the companies that were recommended. They simply provided the insights we needed as well as the names and contact numbers.”

“JETRO assisted Molycorp on all of these fronts and more. It was always done in a very non-intimidating, non-threatening way.”

“[JETRO’s] guidance helped us get through a lot of the government, taxation, and regulatory issues associated with setting up a business in Japan.”

Mr. Smith continued, “Their guidance helped us get through a lot of the government, taxation, and regulatory issues associated with setting up a business in Japan. Even though we had our own legal advisors and our own contacts here after many years of doing business, JETRO was still an excellent resource that helped us to establish our office much faster than what we could have on our own.”

Benefits of Having a Local Office

Although Molycorp opened the Japan office only a couple of months before this interview, the company has already seen benefits from having an office in Japan. “I couldn’t be happier with the results of opening the office,” said Mr. Smith. “Having the day-to-day interaction either by telephone, lunches, dinners, business meetings--we’re in constant contact with our customers, and that’s really what the Japanese business community appreciates.”

He added, “The ability to contact someone in the same time zone who is knowledgeable about Molycorp and can make commitments on behalf of the company makes a significant difference. It’s just amazing what good communication does in terms of customer relations.”

“We’re in constant contact with our customers, and that’s really what the Japanese business community appreciates.”

Outlook

Molycorp estimates the revenue generated from Japan this year will be between \$200 million and \$250 million. “It’s very significant and it’s growing,” said Mr. Smith. “It will grow even more substantially next year when our production quadruples, and the sales into Japan will likely match that ratio.”

Molycorp’s Japan office currently staffs three people and anticipates adding two more within a year.

“As I mentioned earlier, one of the things that we continue to be particularly enamored with and very interested in is the constant technological advancements that Japan is making,” said Mr. Smith. “We believe that Japan’s deep commitment to technological advancement will be sustained for a long time. We want to be closely associated with all of these innovations, so I anticipate that Japan will continue to be a very major player in our company and, arguably, more so than any other Asian country.”

When asked why Molycorp has moved forward with establishing the Japan office in light of the March 11th earthquake and subsequent nuclear disaster, Mr. Smith responded, “Of course, that was an incredibly difficult event for the country. Molycorp was one of the first companies to make a significant donation to the Red Cross for the specific purpose of the earthquake and tsunami recovery effort. The Japanese

people demonstrated to the world their strength as a nation and as a people. As such, we anticipated that the disaster would only create a temporary slowdown in Japan’s capabilities and progress and that has proven to be the case.”

Japan Company Profile

Japan Company: Molycorp Japan, K.K.
Established: August 2011
Employees: 3, expects to add 2 more within a year
Business: Liaison of Molycorp, producer of rare earth oxide, metal, and alloy
Location: Tokyo Club Building, 9th Floor
3-26-6, Kasumigaseki
Chiyoda-ku, Tokyo
Japan
URL: www.molycorp.com
Parent company: Molycorp, Inc.

Get this article online at www.jetro.go.jp/usa/pdf/molycorp.pdf

For more information about establishing your business in Japan, contact us at www.jetro.org/usa/contact

**Note: The opinions contained in this article are based on the experiences of the interviewee. They are not representative of all experiences in Japan or working with Japanese companies, and do not reflect the opinions of JETRO.*

**This material is distributed by JETRO San Francisco on behalf of Japan External Trade Organization, Tokyo, Japan. Additional information is available at the Department of Justice, Washington, D.C.*