Company Case Studies — NISSEC Ltd.

A Bridge Across the Pacific

By Hidetatsu Furutate

NISSEC Ltd., formerly Fairchild Japan Corporation, the Japanese subsidiary of Fairchild Camera and Instrument Corporation of the United States, is aiming to develop itself as "not only a semiconductor maker but also the nucleus of integrated information industry companies," according to Yoshihiko Morozumi, NISSEC chairman.

Fairchild Japan was established in Okinawa in November 1969 as a wholly-owned subsidiary of Fairchild, which is said to have pioneered semiconductor development and production in California's "Silicon Valley." Fairchild Japan was renamed later as TDK Fairchild K.K. under a joint venture agreement with TDK Electronics Co. to market a whole range of semiconductor products. The head office was moved to Tokyo at that time.

In April 1973, a reliability center was set up to maintain and improve product quality. TDK Fairchild was the first semiconductor company to make such a move. At the same time, a sales office was opened in Osaka.

In November 1978, the agreement with TDK was canceled to allow Fairchild to set up its own marketing activities in Japan as part of the global strategy of the Fairchild group. As a result, the company reverted to a wholly-owned Japanese subsidiary of Fairchild Camera and Instrument under its original name, Fairchild Japan. At the same time, capitalization was increased to ¥457 million ($1.9 million).

In May 1979, Fairchild Japan joined the Schlumberger group headed by Schlumberger Ltd. of the United States, the world's leader in the field of oil exploration following the acquisition of Fairchild Camera and Instrument by this group. Schlumberger is also an information-related conglomerate. This is why NISSEC Ltd. is developing from a semiconductor maker into an information enterprise.

Human factor

The company's business record in Japan prior to its name change is impressive, according to figures revealed by industry sources. In the 1984 business year, sales are expected to jump 40% to over ¥10 billion ($41.7 million) from about ¥7 billion ($29.2 million) in 1983.

The secret behind such phenomenal growth seems to lie in the company's Japanese-style management. Its management philosophy has four pillars—people, technology, quality and service. In particular, the company sets great store by the "human factor," which it believes holds the key to success.

Its new integrated IC factory embodies this management philosophy. It is located in an industrial park in Isahaya City, Nagasaki Prefecture. Construction began in August 1983 and ended in late May 1984. Total building space is about 5,200 square meters. The factory began full-scale operation in the third quarter of 1984 with a staff of 200. Morozumi says the production target is set at 10 million units per year.

The factory was built to improve service for Japanese users. Production in Japan makes it possible to solve a number of problems that existed when all ICs were imported. For example, the geographical distance between production and consumption and hence the time required for delivery can be reduced. With a local factory it is also possible to develop and manufacture products that better meet user needs.

The factory is the third of its kind to be constructed in Japan by a foreign-owned company. NISSEC plans to build a wafer factory and a design center as a second construction project.

During the Edo period Nagasaki was the "window" through which Japan, then under a national policy of seclusion, introduced Western culture and technology. Now, as Morozumi puts it, NISSEC is "making a contribution to the development of Japan's electronics industry through Nagasaki."

Moving into information

The company's first concrete move to enter the information industry was the acquisition of a 20% interest in Cosmo 80, a venture-capital business based in Tokyo (capitalized at ¥200 million ($833,000)). NISSEC has been attracted, according to Morozumi, by the rich engineering talent which Cosmo 80 commands in the information and communications field. Several other companies, such as Mitsubishi Corporation, IBM Japan, TDK and Daikyo Oil, also have stakes in Cosmo 80. This indicates the strong appeal that Cosmo 80 holds for companies in the information and communications industry.

NISSEC, as a Schlumberger company, is expected to spearhead the group's information-related operations in Japan. The conglomerate, Morozumi points out, has a high stake in the information industry. It analyzes a vast quantity of oil exploration data transmitted via satellite.

Schlumberger, however, is a latecomer to Japan's information and media industry, although it is a leader in semiconductors. But it does have in its fold several firms that excel in information processing, including Computer Aided Systems (CAS), which owns CAD/CAM software.

Morozumi says the link-up with Cosmo 80 is aimed at staking out a position in the information and communications industry, where deregulation and competition will be promoted with the advent of a second telecommunications entity following the proposed privatization of Nippon Telegraph & Telephone Public Corp. (NTT), the government telecommunica-

Hidetatsu Furutate is an economic correspondent of the Nihon Kogyo Shimbun and covers international trade problems.

tions monopoly, next April. NISSEC, he says, also plans to join forces with CAS and related software companies as part of its effort to expand into the information industry.

Schlumberger has already made clear its intention to enter this field with NISSEC in the vanguard. But it is also expanding in its traditional lines of business. Next spring, Schlumberger Japan plans to construct a factory in Sagamihara, Kanagawa Prefecture, to manufacture oil exploration equipment. This factory is expected to produce equipment for sale in the Far East and Middle East. At the same time, Schlumberger Japan's work force will be expanded to 500 from the present 100.

Thus Schlumberger is making a major move to expand its operations, with NISSEC serving as the nucleus of related companies in the Schlumberger group. According to Morozumi, a general office for the Far East will be opened in Tokyo in the future. Such offices are now located in New York and in Paris. In this broadening field of Schlumberger operations, NISSEC is seen as a bridge between the information industries of Japan and the United States. ●

Company Case Studies — Nippon Mayer Co., Ltd.

A Shared Philosophy

By Akira Tamai

Last summer, the Fukui Institute of Technology conferred on Mr. Karl Mayer of West Germany the title of honorary professor. Behind this event lies the story of a foreign company's successful investment in Japan.

Mayer is the owner of Karl Mayer Textilmaschinenfabrik GmbH, and is also owner of its subsidiary, Nippon Mayer Co., Ltd. The subsidiary, whose president is Kohtaro Ono, is capitalized at ¥1,000 million ($4.2 million) and is based at Fukui City, on the Japan Sea coast.

The honorary professorship was conferred on Mayer in recognition of his outstanding contribution to economic and technical exchange between Japan and West Germany and to the popularization of warp knitting technology in Japan. Addressing the gala reception held in his honor, Mayer said, "Japan and Germany have many things in common and feel a mutual sense of affinity. Economic and technical exchange between the two countries must be stepped up further."

It was Mayer's first visit to Japan in five years. As he inspected his plant in Fukui, his eyes narrowed in satisfaction and delight at the vigorous activity he observed.

Step-by-step approach

It was in 1968 that Mayer GmbH advanced into Japan. The company concluded a sales tie-up with Takeda Machine Manufacturing Works Co., Ltd. and invested capital in the Japanese company. Eventually, Mayer acquired Takeda's entire stock and changed the company's name to Nippon Mayer Co., Ltd. It was the first case of a foreign company advancing into the Hokuriku District facing the Japan Sea. Mr. Mayer set his eyes on the Hokuriku District because he knew that people in this region are diligent, persevering and dutiful. His judgment proved correct: Nippon Mayer chalked up outstanding production and business results. It is said that 35% of this company's employees neither take paid holidays nor come late for work.

Mayer GmbH wanted to set up in Japan a totally-owned company from the very beginning. However, those were the days when foreign investment in Japan was not yet fully liberalized. Thus, Mayer took the long way around, moving toward its goal gradually. Mayer's agreement with Takeda at the time of the tie-up was that when foreign investment became completely liberalized, Takeda would transfer all shares to Mayer. Thus, Mayer's acquisition of the Japanese company went smoothly and was not accompanied by the usual drastic corporate takeover measures.


Karl Mayer, owner of Karl Mayer Textilmaschinenfabrik of West Germany

Business Performance
(Foreign capital 100%; as of Nov. 1983)

(in ¥ million)

	Sales	Profits before tax	Profits after tax
FY1978(1)	4,184.4	845.3	400.3
FY1979(2)	4,721.1	705.0	360.0
FY1980(3)	5,387.2	1,094.5	439.3
FY1981	4,076.8	579.2	273.2
FY1982	4,900.6	720.5	303.5
FY1983	5,269.2	856.4	401.4

Notes: (1) Apr. 1978-Mar. 1979
(2) Apr. 1979-Dec. 1979
(3) Jan.-Dec. for FY1980 and after

Mayer GmbH advanced into Japan as part of its strategy to expand sales of warp knitting machines in the Far East. The warp knitting machine requires a complicated patterning technique. Therefore, training of operators as well as thorough after-sales service are the determining factors in gaining a dominant position in the market. In order to dominate the Far East market, Mr. Mayer thought it essential to establish a foothold in Japan, the largest market in the region. He was therefore watching for an opportunity to advance into Japan. After closely investigating several Japanese warp knitting machine makers, Mayer chose Takeda Machine Manufacturing Works, which he found had technical capability and youthful employees. Although Mayer's Raschel machine controlled a big share of the world knitting machine market, its share of the Japanese market was not more than 25%. Furthermore, the Japanese knit

Akira Tamai is chief of the Fukui Bureau of the Nikkan Kogyo Shimbun. He joined the industrial daily in 1965 and covered the machinery, automobile and shipbuilding industries before being appointed to his current post in 1982.