

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 con-

struct a factory in Sagami-hara, 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 Kohtarō 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



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 <sup>(1)</sup>	4,184.4	845.3	400.3
FY1979 <sup>(2)</sup>	4,721.1	705.0	360.0
FY1980 <sup>(3)</sup>	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

the Japanese company went smoothly and was not accompanied by the usual drastic corporate takeover measures.

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.

market was not yet fully developed. Taking note of this fact, Mayer decided to advance into Japan with the aim of expanding its market share.

Corporate takeovers are quite common in recent years, but in the latter half of the 1960s, Japanese companies were generally opposed to foreign capital. Notwithstanding, Mayer's purchase of Takeda Machine Manufacturing Works went extremely smoothly because, in President Ono's words, "Mayer offered a high price and Takeda executives had foresight." The reason Mayer strongly insisted on outright ownership, says Ono, was that "Mayer wanted to have complete control and to operate the company on its own without loans."

The principal business of Nippon Mayer today is manufacture and sale of Raschel machines and import and sale of Tricot machines. Both Raschel and Tricot are warp knitting machines, and Nippon Mayer now controls 90% of the domestic market for both. With 300 workers on its payroll, Nippon Mayer has grown rapidly, recording annual increases in earnings and profit successively for the past several years. In its December 1983 term, the company's sales amounted to ¥5,270 million (\$22 million), current profit was ¥846 million (\$3.5 million) and its ratio of current profit to sales was a high 16%. Nippon Mayer obtained an impact loan from Mayer GmbH, but because the amount of this loan is offset by Nippon Mayer's savings deposits, the Japanese company has effectively no loan debt. Its ratio of net worth to total liabilities is 62%. In line with its policy of operating with owned capital, Nippon Mayer has never allowed its profits to flow out of the company. It has been paying a 10% dividend to shareholders only in stock.

## Emphasis on technology

A major characteristic of this company's management is that it gives top priority to technology. Nippon Mayer sets aside several percent of its annual sales for capital investment, the greater portion of which goes into renewal of production equipment as well as into purchase of new equipment, including test machines for developing new technology. Investment not directly linked to production is held down to the minimum or postponed as much as possible. The head office building is a squeaking structure, remodeled from an old school building. Although the employees dream of working in a modern concrete building, the management has no rebuilding plan because it considers a head office building "a facility not directly linked to production or technology." This policy is based on owner Karl Mayer's management philosophy. President Ono is an even stronger advocate

than Mr. Mayer of the policy of emphasizing production and technology. The great strength of Nippon Mayer lies in the fact that the two top executives share the same management philosophy.

## Service and market development

Another strong point is that Nippon Mayer has a comprehensive service set-up. Of the company's 300 employees, 25% are service personnel who maintain the machines the company has sold, provide guidance on operation of the machines, and help on design. They are busy hopping around Japan and the Far East all year round.

President Ono boasts, "No other company of our size can provide better services than we do." Its dedication to users is probably one reason why Nippon Mayer has been able to control a 90% share of the Japanese market.

No special technique is employed by Nippon Mayer to control the quality of its products. However, extremely elaborate care is paid to the minutest detail in producing parts. Needles used in knitting machines, for example, are manufactured by skilled female workers who, though using machines, produce sophisticated products of hand-made quality.

Still another strong point of Nippon Mayer is that it makes special efforts to develop uses for the knit material manufactured with Mayer machines. The company conducts research and development to study what kind of knit material the user should produce in order to realize high added value, and provides guidance to users of the company's machines. In a sense, Nippon Mayer is trying to develop a "Mayer Family," with the manufacturer and users operating in unison. One of the results of this effort is the development of the "Karl Mayer Blanket," manufactured by using double needle leans Raschel machines. Today, this product accounts for half of the Japanese domestic blanket market. Recently, it is being sold in the Chinese market also. Ono says, "Development of end uses broadens the future. If we neglect development efforts, the range of uses of knit material will become limited, eventually resulting in the contraction of the market for our knitting machines. Warp knit fabric accounts for only 10% of all textile materials produced in Japan today. Our biggest management task is to find more ways in which the special features of knit fabric can be used in order to expand its market." This is the reason Nippon Mayer chooses to work in concert with the users of its machines.

Ono says the company is aiming to develop end uses for warp knit fabric in cars (seats, etc.) and fishing nets.

## Hard times

It hasn't always been smooth sailing for Nippon Mayer, however. Sales were hit hard by the oil crisis of 1973 and the company posted a loss. To stimulate sales, Ono established the "Mayer Loan" service and started selling machines on deferred payment terms. To set up this service, he persuaded the company's bank to provide long-term, low-interest loans. In Ono's view, this system saved the company. It wasn't easy convincing the bank. "We had a very hard time getting the bank's cooperation solely because Nippon Mayer is a foreign-owned company. The bank at first refused on the ground that if our company should go bankrupt, it would be difficult to recover claims because the owner is in a foreign country. In those days, Japanese banks felt insecure dealing with foreign companies. I finally succeeded in changing the bank's attitude. This experience taught me that the most difficult problem in the management of a foreign firm operating in Japan is the procurement of funds."

## Mutual trust

With this as the turning point, Nippon Mayer joined the ranks of companies which boast high profits and sound management. The point that must not be forgotten in this success story of a foreign company in Japan is the relationship between owner Karl Mayer and Ono. It is no exaggeration to say that their relationship forms the axis of Nippon Mayer's business management. Looking back 17 years, Ono says, "We had met each other only a few times and I was only 34 years old, with no money of my own. But Mr. Mayer abruptly handed me more than ¥1,000 million (\$4.2 million), which was a huge sum in 1967, without asking for security or guarantors. He just told me to purchase stock (of Takeda Machine Manufacturing Works) and use the remaining money as operating funds. He said he would leave everything to me and would not intervene at all, adding that none of his own representatives would sit on the board as full-time directors. He told me my job was to supply modern knitting machines and dependable service to the Japanese knitting industry, which he said was lagging behind its counterparts in other countries. Since then, my whole life has been devoted to responding to the total trust which Mr. Mayer placed in me. Today, I manage several companies besides Nippon Mayer. In every company I started by trusting people, faithfully following the lesson this friend had taught me." Karl Mayer has shown that he possesses not only outstanding business acumen but also the ability to judge people. ●