

Suggestive selling company will survive.

Yoshitomo Ishizaki, President of Takako

Studied at Metal Engineering, Science and Engineering, Kinki University

1959-1972 Worked in a company

Experienced Manager of Quality Control, Sales, General Manager of Engineering Dept.

1973 Founded Takako Seiki Co., Ltd.

(Corporate name changed to Takako Industries Inc. on June 1 in 1997)

1990 CEO, TSW Products Co., Inc. in Kansas, U.S.

(It has 160 local staff members and sells hydraulic piston pump.)

Do you know a company of “Takako” it’s generally not familiar with people however it has 75% of market share of hydraulic piston pump in Japan, 85% in the U.S. having the top share in the world. It became independent from a company where the current president, Yoshitomo Ishizaki worked in 1973 during the time for the oil crisis. It started to sell special tool for American vehicles in the rent with 33m² in Eastern Osaka which was famous for the integrated place of small factories. Takako has been growing rapidly as a great venture company with craftsmanship in Eastern Osaka and has been still growing steadily based on the original technology. I asked Mr. Ishizaki, President on this top interview about what the key point of Takako’s rapid growth and how it obtained the core technology.

This interview was conducted in 2000. So, what Mr. Ishizaki talked in this interview and his background are original.

His career after the interview is as follows.

2007 Appointed as the Chairman of the Board of Directors, Takako Industries, INC.

2010 Appointed as the President, General Production Company

2011 Appointed as the Director and Corporate Adviser, Takako Industries, INC.

We desire that you search their website for the latest information.

Click this URL: <http://www.takako-inc.com/english/index.html>

Founded Takako

Interviewer: Please tell me the outline of Takako.

Mr. Ishizaki: I'm talking about what business we Takako are doing. There is a hydraulic piston pump in the world. It's maybe difficult to understand it. We can see construction machinery, vessel and agricultural machine in our town. This hydraulic piston pump of our main product is used there. We mainly do business of hydraulic machine representing the hydraulic piston pump.

We manufacture main products in our factory of Shiga prefecture and integrated all productive functions around this Eastern Osaka in the head factory of Shiga.

Interviewer: Why did you found your company?

Mr. Ishizaki: I worked in a company 27 years ago, 1973 when I was 29 years old. I started this company alone. It was in the severe condition of the oil crisis. I felt it difficult to start business in such severe period. I couldn't help being independent of starting this business in a small place with 33m². Of course, I did start it without any factory and machine and didn't have any job at that time, so I sold special hand tool such as stud remover and drivers that US Navy used in the war through my American friend for two years.

I didn't mean to found a company to sell such kind of tools however I managed to squeeze through the two years on this business.

Dr. Schlessler's advice

Interviewer: How did you reach to sell hydraulic piston pump?

Mr. Ishizaki: As I told you, we manufactured hydraulic piston pump but the formal name was axial piston pump which made very high pressure and was much smaller and more functional product than the conventional one. There has been such theory 100 years before. This pump has very complicated shape. For example, the part of sphere has to keep stable if the pump rotates 360 degrees. But it has to move a little if it rotates. The gap between axis and hole is 1micrometer and the product has to be very precise. I knew such products would be used in various places of the world. However, if

we spend much money to manufacture it, we manage to do it but we couldn't mass produce at low cost. This was very expensive parts. At that time, if I developed the technology to mass produce this I thought any companies in Japan and the world adopted it because I started up business in the times of recession. This was a start of this business. Who gave me the suggestion? When I went to the U.S, I met Dr. Schlessler who worked at Eindhoven Industrial University in the Netherlands. He said to me, "I heard you started your own business but had no jobs to do. So why don't you make a research for this product?" This led me to develop the axial piston pump especially the parts of putting pressure. This was the start of Takako.

Interviewer: How did you develop the product?

Mr. Ishizaki: I had no factory and nothing. I just had an office but no employees, so I thought how I started to manufacture the product. I'm originally a production engineer. I was also working as a production engineer in the previous company and majored in Metal engineering. I'm not an expert of business therefore I faced a problem how I manufactured this difficult product. The reason I chose Eastern Osaka was because many experts with special skills worked in the factory of this area. Such people specialize in the original works. For example, in order to make parts of the axial piston pump, first we have to shorten stick material or cut the outside appearance. We call it lathe processing. One of those people specializes only in this lathe processing. Others specialize in making space or cutting screw. Many people are an expert of one part of those operations however few can do all of them, so in order to make this product, I have to make a process drawing which shows how we have to do in each process, and walked from place to place. If I do so, I can make a great product. Therefore, I need a person to coordinate the production. If I show them completed product and tell them to manufacture the same product, nobody can do it. That's why I regarded Eastern Osaka as my own factory and started to make various products there. I experienced failures, but I could manufacture various products that I wanted to do there.

Find the market

Mr. Ishizaki: In Japan, there are various firms to treat hydraulic machine such as Kayaba industry, Fujietsu and Komatsu. If I can mass produce the product, such big companies want to adopt it soon. Therefore I managed to manufacture the product and visited them to show it. When they saw it at first, they didn't manage to believe me for a long time however they felt interested in it while looking at it many times. They thought it was impossible for me to mass produce them even if I made a few products. However, if I make it in each separated process and observe the schedule, I can make it. I told customers I could mass produce it and started to do business with major companies. But it was almost impossible for me, a small company, to have a business account with a big company listed on the first section of stock exchange. Therefore, they told me to cooperate with their subcontractor. They told me to become a sub-sub contractor. If I bring this product to their subcontractor, they can buy it from there. Most companies told me the same thing. However, I refused to do so. As is often the case with such indirect business, needs is difficult to grasp especially in high technology industry. I had to deal with those major companies directly, although I did business alone. I tried to find a customer who could deal with me directly. It was very difficult to do so but I thought to keep this policy for a while. Then, one day a major company told me to show the product again. At that time, I had one more employee. The company had never opened a bank account for a company with two employees like us since it was founded and will never in the future, but they decided to deal with us exceptionally. We could have the bank account directly with the listed company and started to deliver the product. Then, the company recognized our products are pretty good.. But the market was limited if we did business only with a company, therefore we tried to expand the market and went to other companies to sell it, but had the same problem of the account again.

It's been four years since we started this business. I thought if we sold it to overseas customers, we could sell it in the Japanese market, too. It was the fifth year since we founded the company in 1979. We exhibited our product in Hanover Messe where many engineers all over the world visited. It is the biggest exhibition in the world. In Japan, there is Osaka Intex or Makuhari Messe, but those scales are much smaller than Hanover Messe. Although Osala Intex or Makuhari Messe used only 6 halls, Hanover Messe used 25 halls and engineers visited there from all over the world. The sixth hall was a theme place where only major companies exhibited their products. We had a small booth in the center of the main place of the site because we had personal

connections with Dr. Schlessner. Our company didn't have so much sales at that time, but we borrowed ¥15 million from a bank which equaled to our annual sales to exhibit various products there. As a result, many companies relating to axial piston pump came to see us. Each engineer in American company of Caterpillar, Swedish Volvo and German manufacture Mannesmann visited our booth to see our products. They asked me whether I can do mass production or not, and I said "Yes." After that, we had requests from respective companies about our products.

Few people in overseas companies saw the background of our company. They don't care about where we manufactured products. They just focus on QCD, Quality, Cost and Delivery. I mean if we clarify the only demand of quality, cost and delivery, they don't care about how to make it and whether we have a factory or not. In case of Japanese companies, they try to see the background such as where we make products, how long we do business and which customer we deal with. Few overseas companies see those points. We propose how we do for it. It's easy to do business with them comparatively. While we were doing things like that, we could do business with Volvo in Sweden first and after that we had business with a major German company of Mannesmann like Japanese heavy industry. Caterpillar is very famous for construction or agricultural machines in the U.S. and also famous for an engine and sells single unit of engine. We also could deal with the company. That's how we could do business with overseas companies first. Then Japanese companies had a reputation that some companies started to mass produce such product or which company manufactured it. They heard that it was manufactured in Japan. When we visited Japanese companies, we had ten employees at that time, we could enter there soon if we knocked the door. They could make a bank account for us without saying anything. The situation changed like that. Now, we make about 75-80% of the whole rotary parts of axial piston pump motor in Japan. We do business with Komatsu, Hitachi Construction, Kayaba Industry, Fujietsu and Yuken Industry. They are all listed companies. We decided to do business only with major companies at the beginning. We also deal with Volvo and Mannesmann in Europe. We have directly treated them and no trading firms mediate between us and our customers.

Develop the American market

Mr. Ishizaki: We have a local company of TSW in the U.S. I thought there would have needs of products in the U.S. and could do the same business on the same way as Japan there. However, in the U.S., it was meaningless to bring axial piston pump to the company which didn't manufacture it. So, in the U. S., we started business like this. Even a major company in the U.S. has a few problems as well as Japan and other countries. Although it manufactures such difficult products, it always has defectives and doesn't manufacture it well. Any companies had at least a few problems, so we went there to ask them whether they had any problems or not. I was sure they had. They had various problems such as severe precision products, expensive products inapplicable for the range of the budget and so on. We received the drawing and thought various things about it to manufacture products with quality and cost to meet customer's needs.

Interviewer: Do you do the same things in Japan as well as in the U.S.?

Mr. Ishizaki: We do the same things in the both countries. We have our own factory with 150 American employees in the Central America, Kansas State where no Japanese factories exist. They are generally in Chicago, Detroit, Indianapolis, L.A and San Francisco. However, why do we have it there?

Most companies have business first and will decide to build their factory as their business becomes bigger. However, we built a factory first and then developed overseas market. We didn't have any business and customers at that time. We didn't know where our potential customers would be. Therefore, if we developed the business on the West coast and found a customer on the East coast, it would take six hours to transfer by air. We couldn't take care of such customer, and those customers also wouldn't deal with us. Therefore, when I saw the map, I decided to go to the central part of the U.S., Kansas. It takes about two or two and a half hours to go everywhere in the U.S. That's why I decided to build our factory there. I went there to see the place. If I went there, I thought it better to go to the central place there, so I visited Hutchinson in the central part of Kansas called bellybutton in the U.S.

At first, I went to the Chamber of Commerce of Kansas State to buy a land and ask it whether it had any good land to build a precision machine company. A person in charge said, "Nobody has built such a company here because we have more cattle than human

beings.” Kansas is food inventory such as Kansas beef, wheat, corns. But I told him I wanted to do business here. He said, “There was a developed land to invite industrial companies twenty years ago. There is still no company in the place, so why don’t you build your factory there as the first company?” I thought I was so lucky and I bought about 40 acres of land first. If we hear 40 acres, we might think it takes a lot of money to purchase it, but the price is only ¥8 million, ¥20 per acre. It’s unimaginably cheap. Kansas has the same size as that of Japan but has no mountain. It’s the world of horizon. We bought the land of 40 acres to build a building and factory there and started to manufacture precision parts or axial piston pump in the same way as Japan from zero.

Even if Japanese is good at sales, he can’t compare with the local people. When I visited various companies and saw Japanese directed to American employee however I don’t think they work so hard under the direction of Japanese. Therefore, I decided not to assign Japanese there at the beginning and made 100% of local company. We had 150 staff members there but no Japanese. The president is also from local site. I’m Chairman of the company. The company becomes very successful in the same way as Japan’s and has 85% of market share in the U.S. which is bigger than that of Japan.

The biggest rival is our customers.

Interviewer: How about business in Europe?

Mr. Ishizaki: It’s very difficult to do business in Europe. It’s because Germany is originally an advanced country of piston pump and also industrial developed country, so German companies can manufacture such product by themselves. However, the cost of their product is much higher than ours. So we can receive a lot of orders from large companies but only have 40% of the market share in Europe.

Interviewer: It’s still high enough.

Mr. Ishizaki: Yes. I think so, too. I say who manufacture products. Our customers do it. The product is a kind of engine of automobile which is the most important parts. Even

if the product cost is expensive and we make it in their factory, they can't entrust us with this task. For example, axial piston pump is used in many military products such as combat vehicle and airplane. They don't care about the cost of such product. Anybody can make it if it costs two or three times higher. There is such part for this product, therefore we have no competitors in the world, but if we have it, we can say it is our customers.

Our customers are competitors as well as our customers. Any customers, manufactures this kind of pump but have to purchase the inside of the most important part of heart from us. They should feel this a little uninteresting. However, if good products are lower than their own product, it's smarter to buy than to make it because they will lose competition if they make it on their own at higher cost. That's why they purchase our products. We have competitors in our customers. We have global market share of the present rotary kind of axial pump.

However, soon or later anybody will copy it because we have no patent. They should imitate our know-how to manufacture products. The only feature we have is to manufacture such products with our own-made machine by our own design. If we purchase this working machine from a manufacturer, anybody who have much more money and are smarter than us should make the product by themselves.

However, since we design the machine by ourselves, everybody has difficulty in following us. It also takes a lot of times to manufacture the product by machine sold everywhere. Therefore, the only feature of Takako can be said to make our original equipment for the product on our own. That's why nobody can manage to imitate it.

Obligation to Eastern Osaka

Interviewer: How many products do you outsource?

Mr. Ishizaki: 25% of the sales.

Interviewer: The ratio of self-manufacture is higher.

Mr. Ishizaki: Yes. How do we outsource? We have obligation to Eastern Osaka. When we

had no machine, we asked them to manufacture products. So, it's uninteresting to say good bye to them because we can do business by ourselves. That's why we outsource rough work before complete job to them. We finish manufacturing products in our company with our know-how. We outsource our work to about 150 companies in Eastern Osaka. We cooperate to work with the local companies.

You may know our settlement report because we've already announced it. We posted ¥7.1 billion in the consolidated basis in the year ended March of 2000, the parent company, ¥4.4 billion, American subsidiary, ¥2.7-2.8 billion at the rate of ¥ 105 a dollar, which depends on exchange rate of the subsidiary. This subsidiary is a 100% of holding company, so we announced the final results in the consolidated basis. In September or October, 2001, We aim to list the Tokyo Stock Exchange and the Osaka Securities Exchange. We made a profit of about ¥ 800 million in the consolidate basis but in fact the subsidiary in the U.S. made a profit of ¥600 million. The ratio of pretax profit of the subsidiary is more than 20%. On the contrary, despite Japanese company posted ¥4.4-4.5 billion, it only made a profit of ¥ 200 million. It means how bad the current Japanese economy was.

Furthermore, because of the different salary system, we can't reduce the cost. In the U.S., the average salary for 150 employees in 1999 was \$22,000 last year. So, the annual income is ¥ 2.5-2.6 million a person. In Japan, it will become double. In Kansans, everything including the prices is cheaper than Japan's so everybody can live there with the salary. We don't hire them at special cheap wage. There is an aircraft company next to us in Kansas because there is big land and runway for the test landing. Of course its salary is the same as ours. Charges of electricity in Japan are about ¥18-20 per KWH but ¥3.8 per KWH in the U.S. It is given a sizable portion of the total expenses for manufacturing company. That's why we can lower the manufacturing cost there than Japan's.

However, all American company doesn't necessary lower the cost. The production skills in Japan are still the top in the world. In that point, American companies are still an inexpert and inferior in the production engineering ability to Japan, but which can balance the two out. Our American factory has 300 working machine manufactured by mechanical division of the production engineering of Takako and uses 100% of the machine. Therefore, the number of manufacturing products per hour is same as Japanese factory's. As a result, they can manufacture the product at lower cost and increase more profits.

Interviewer: I understand you outsourced 100% of your production including basic parts in Eastern Osaka when you started business and gradually increased to self-manufacture products in your company. And the key point at the beginning was the ability of design or drawing or coordinating ability.

Mr. Ishizaki: Yes. We could manufacture products to an extent according to the drawing however we couldn't make them at lower cost. We had no loss of doing it but couldn't reach the cost level of customer's request. I thought we were impossible to increase the sales in such situation. Therefore, I decided to design and make special machine for manufacturing them. If we make a new machine to manufacture 30 pieces per hour, instead of the conventional machine which only made 10 pieces per hour, we can naturally reduce the cost. That's how we started to manufacture products in our company. Eight years after we founded the company, we started to design machine little by little and rented a factory with 330m² at the beginning where we started to make them a little by the machine. This is a start of our production.

Interviewer: Self-manufacturing enabled you to establish the original core technology that other companies couldn't imitate.

Mr. Ishizaki: Yes, we gradually increased the number of the machine from a piece to a few. Now we have 300 and several tens of machines in the factory of Shiga. We also have the same number of machines in the U.S. We used all finance loans because we need money to do it. We borrowed ¥500,000 from People's Finance Corporation to start business and we made the most use of such national loan system to manage for money. In that process, we experienced many economic recessions such as the second oil crisis and Nixon shock. However, thanks to our comparative new product and the demands that everybody changed the conventional system into this product even if the whole market fell into a decline, we could widely expand our products to the market and overcame the situation although the size of the market became smaller.

Takako's Core technology

Interviewer: Your core technology is the manufacturing ability. What is the main technology if you specify it a little more in detail? Production equipment designed by your company?

Mr. Ishizaki: Yes, I think so. I think it is production equipment especially engineering power and manufacturing technology. Manufacturing technology means to develop manufacturing process. For example, other companies have 15 processes from procuring material to the final process to manufacture this. Generally speaking, anybody needs 15 processes however smart people may create the method to manufacture it on 13 processes. In such a world, if we develop the way to do it on nine processes, we can of course increase profit and have competitive power. Therefore, the development for manufacturing process is the most important technology.

Interviewer: In that sense, you have had the core technology in your company since you outsourced 100% of your works.

Mr. Ishizaki: I think we manufacture products in a little different process from others.

Interviewer: You achieved to develop the original method with your own equipment one after another. That's why other companies can't imitate it.

Mr. Ishizaki: The key point to manufacture product is the manufacturing process. If other companies make products on three processes however we do it on five processes, we will be in bankrupt soon.

Interviewer: How is craftsmanship used there? Do you work upon products in accordance with the craftsman's process?

Mr. Ishizaki: Yes. It's good to think about the process but if we can't make products in that process, it's meaningless. When we had no own machine, we cooperated with craftsmen to manufacture products very hard. If we do it in our company and manufacture products with skillful work only with his skills, people only with a few experiences can't work like those experts. As a result, we will face to challenge it by

machine. That's' how we reached the point to make a design of the machine. Anybody can make the product with commercial machine, so we have to develop the original equipment. In our factory, when we finish one process, we start the next process soon. Our equipment has automatic function to continue operation immediately, for example soon after it completes one operation, it starts the next operation to make a hole. If it finishes the process, it starts the next work again. If it finishes all processes, it will give us almost complete product. If we order a manufacturer of machine tools to make such working machine tool, they feel it interesting and will try to make it. However, if they can complete it, they will start to sell it to other companies in the same industry. It's natural that they visit customers to sell it to say that they have developed a new machine. If we order them not to sell it, they will sell it. If they do that, we will lose our technology.

Interviewer: Do you outsource parts for your machine developed in your company?

Mr. Ishizaki: Yes. We outsource them and have many cases to outsource to build them up.

Interviewer: You assemble the parts by yourself. You can use advantage learned in Eastern Osaka.

Mr. Ishizaki: Yes we can order in units of parts.

Interviewer: If you ask a major company, you'll lose your know-how, but if you order a small company which only can manufacture one product, it won't know your know-how.

Mr. Ishizaki: Putting a cover on machine, they won't know the know-how. However some people look inside and understand it. So before they start to make it, we have to do new things ahead of them otherwise we can't run our business only for a year. Everybody thinks the same things. We have to continue to do such thing.

Interviewer: You substitute machine for craftsmanship.

Mr. Ishigaki: Yes, we do.

Interviewer: To summarize what you said, you rely on outsourcing 100% of your works at the beginning however gradually developed the original process by yourselves. Then you substituted handmade designed machine for craftsmanship to establish the own production system.

Mr.Ishizaki: Yes, to tell it in a word, you're exactly right.

Think about products on site

Interviewer: What engineer develops the manufacturing process?

Mr. Ishizaki: We have 220 employees in Takako, 150 in TSW and 370 staff members in total. Some people develop the process while they're working. We have few such special staff members apart from the other development team. We have 10 engineers in charge of the process development but we can't develop manufacturing process only with the staff members therefore do trial with proposal from people on site.

Interviewer: If you have engineers and technicians, you do it with both staffs.

Mr.Ishizaki: Yes. And it's meaningless that we only work on a bureaucratic way. We have cross-functional teams. When people in charge of inspection go to the worksite, they sometimes propose new ideas to make the conventional way easier. We unexpectedly might have a chance to do such things.

Interviewer: I often visit smaller companies around the Eastern Osaka. When I went there, I found some companies made the most of their advantage that engineers and technicians worked together. I think people ripe with experiences will have imaginative and many ideas. If they enter the company and belong exclusively to do it, they can think nothing.

Mr. Ishizaki: Yes, they will have hard brain and can think nothing other than that.

Interviewer: Growing smaller companies have a common point that their founder does everything. He has great educational background but he can't help doing all jobs from lathe because he has no staff member. Such various experiences enable him to create new ideas. I have such image for growing small companies. Their advantage is that engineers and technicians cooperate working together.

Mr. Ishizaki: I feel they can create something new. We have various proposal groups but I think a mixed team is more interesting. However, I can't necessarily it's the best. This is because when we develop an idea deeply, we have to talk about it with a specialist, otherwise we can do nothing. As I always tell our employees and think it by myself, even if I have an idea that I want to do however I can't do it well in some cases even if I want to do. If I think about it in the meeting room for a long time, I can't solve it. However, if I go to the site and see around with seated on a chair with everybody, I will have an idea. Therefore, different from general case, we have a room for inspection and evaluation in the center of the factory of Shiga. If we have some problems, we'll gather on site not in a meeting room. When we seat there for an hour and do something, we'll have a new idea. We human beings have eye power that is something invisible. Human beings especially have such powers. Therefore, if we have some problems, we'll go to the factory and talk about it. If we do so, we are very surprised that we can solve problems in many cases.

Interviewer: What special things do you have to continue to have such imaginative power?

Mr. Ishizaki: We have in-house qualification system and various lectures such as lessons by in-house staff including me or outside teacher. If our employees have such lessons, they'll receive a mark, and in order to get recommendation to promote an assistant manager, they have to get several marks. Average age of our staff members is around 30 years old. I'm the oldest. All staff members are so young. Therefore, if I tell them to do their best or work so hard, they don't understand it. We have to tell them what to do and what purpose they have to work for. If we do it, they really work hard although I tell them to go home earlier. When I have a drink with customers and go through this head office at 11:00pm. They still work so hard. The lights still turns on

brightly. When I'm worried about a thief coming in the office and go to see there, everybody still works so hard. I have to tell them to stop working and go home earlier because they have their own family. We have merit-pay and annual income systems. Even if they overwork for a long time, they will have no overwork payment. We include monthly overtime payment for 30 hours in their annual salary regardless of their actual overwork time. I tell them it's more beneficial to go home earlier. That's why we introduce annual salary system. We adopt the system to an assistant manager or the upper level. We review their income once a year and some will increase it, others decrease it. Although we have such system, all staff members work very well. Such method is ordinary thing in the U.S.

All school backgrounds are welcome.

Interviewer: It's comparatively easier now to secure staff members because everybody has difficulty in finding a job for the economic recession. Meanwhile, it's very difficult to find real great engineers or technicians.

Mr. Ishizaki: Yes. It's difficult but there are such great people. I put an advertisement of axial piston pump on the spread of "B-ing" by Recruit last year with a copy of "Is there anybody to do such a thing?" We had 300 applicants for it. We rent a room of a hotel to have interviews and decided to hire 5 people finally. There are really great. From the latter half of the year to this March, we had a reason to increase the production therefore we hired 40 people midyear. Of 15 were new graduates. I used such medium although I don't know some people might be good or bad.

Interviewer: Do all engineers graduate from university?

Mr. Ishizaki: No. We don't care about academic background. Of course, many people have a diploma. We have no description of academic record in our working evaluation or when we hire employees. Therefore I don't know what background they have.

Interviewer: I hear people with various backgrounds such as hairdresser and civil

operator play more active role in smaller companies of the Eastern Osaka.

Mr. Ishizaki: Many people work there. A person who worked very hard in the production engineer was a musician before.

Interviewer: Such people are more interesting.

Mr. Ishizaki: Yes. We don't know about their educational background and just adopt wages based on ability and ages. Their salary consists of half of wages based on their age and other half on ability.

We don't care about how many years they experience working. We have to evaluate them like that.

I also have no academic background. There is an area of Shigaraki, a famous portray town in Shiga prefecture. There is a mountain called Mt. Takako. The name of our company comes from it. I went to Osaka for employment as a group and studied in evening class of Fuse Industrial High School for four years. I graduated from the school while I was working during the day. After that, I studied at Kinki University and Research Center of Tohoku University but left there without diploma. I also studied at MIT in the U.S. however I didn't graduate there. When I was asked about my academic background, I just said that I graduated from high school. Concerning about licenses, I only have a driver's license.

Interviewer: Even though you don't graduate from those universities, what you learned in various places would be helpful for you. For example, a meeting with Dr. Schlessler as you told me.

Mr. Ishizaki: Yes. I think so. I owe what I am to various people.

Highly-profitable Subsidiary in the U.S.

Interviewer: Could you tell me other businesses?

Mr. Ishizaki: I told you the whole Takako posted ¥7.2 billion in the consolidated basis in this term. The sales relating to hydraulic machine accounts for 65% of the total. There are parts called chip mounter that move well on the printed board of TV. It is a device to mount a chip on the board. Such equipment for manufacturing electronic parts accounts for about 20%. The rest is automobile parts. Only our American subsidiary manufactures that. If we attach the parts to hydraulic pump of diesel engine for environmental measure, we can reduce discharge of Co₂ and No₂ to a half or less. I had this idea before. If we manufacture injection pump of diesel engine with this high pressure device, I might make an engine to cut discharge of Co₂. I offered Japanese manufacturers to develop it, but same as the story I told you before, they thought that it was ridiculous such a small company as Takako tried to make a reform of engine. I thought it uninteresting and went to a big company of Navistor in the U.S. which manufactured truck of Ford or Convoy called Navistor, a truck like a big house. The company was so interested in the proposal that we tried to make it together. They manufactured jet pump of diesel engine with our rotary parts.

Denso or Bosch manufactures the conventional pump which jets light oil with a pressure of 800kg square centimeters. But if we use our pump, it has capacity to jet it with 1,500kg pressure and discharges of Co₂ will reduce to 60%. Therefore, Navistor and Caterpillar, an engine manufacturer in the U.S., Rex Rose and our company decided to develop this product. We manufactured 10 pieces in 1992 and passed the field test for a year in the desert or in Siberia. It was very small parts and was manufactured only 1,500pcs for a year. In 1994, we sold it 150,000pcs a year. In 1996, Caterpillar adopted it on its engine, so we could sell it 320,000pcs. In 1999, we sold 540,000pcs. Only this engine passed the control of exhaust gas in the U.S. There is no other company to manufacture it except for us. GM also adopted the product and Isuzu in Japan did, too. The parent company did nothing for it but what our subsidiary manufactured was sold very well. That's why our subsidiary can make high profit. The reason that the subsidiary becomes highly profitable is in fact there.

I didn't think about it before so when I founded the American company, I made an in-house law that 30% of after-tax profit would be paid to the parent company. The law makes really effective. The subsidiary made a profit of ¥600 million, so after-tax profit was ¥400 million. It gave us the parent company 30% of ¥400million that was ¥12 million dividends last year. Because we were in the recession, it was very helpful to receive such a lot of money with which we can pay salary. This is why our subsidiary is

highly profitable.

Aim to become a suggestive selling company

Interviewer: In order for small businesses to survive in the future, it's important to continue to propose new idea. It's because if they stop doing it, major companies will enter the market. In your case, for example, if users start to self-manufacture products in their companies, you can't keep to dominate the market. Therefore, if smaller companies like you have new businesses, you can make the most of your advantage. In your case, continual proposal for new business idea such as parts for diesel engine leads to become successful. How will you propose new idea in the future?

Mr. Ishizaki: You are exactly right. Our customer isn't interested in doing business with us if we don't tackle new business one after another. This is because other competitors have already started the next new business and we leave behind unless we do new things ahead of them. As you say, if we do the same things without any change, we'll be involved in the competition. If small companies like us can propose nothing to customers, we will be in bankrupt soon. Subcontractor will become insolvent in the future. They only receive spare jobs from others. That's why we call them subcontractor. The important thing is to have a direct contract with major companies. A company which proposes new business to customer is sure to have an advantage. Small and medium companies must propose new ideas, otherwise they can't survive in the future. Subcontractor will close down first.

Improve the ability to propose

Interviewer: How can you get the ability to propose?

Mr. Ishizaki: In order to improve the ability, we should see a flow of the times and think about what we should do. Whether we have the ability or not depends on we think

about it or not. Anybody can understand it if he thinks.

Interviewer: For example, as you said, you went to customers and asked them whether they had something you could do to absorb new business. It's important to improve your sense to choose what customers say.

Mr. Ishizaki: If we get difficult job, it'll be little profitable for us. We can't manufacture products with one part. There are other parts connected with the parts. We were so appreciated that we got this job but it's too difficult to make more profits of this. Since we did business with minimum profits, when we went to the site and found some parts, we asked them to receive such parts. Our customer feels indebted to us for the difficult task. Therefore they gave us the parts and told us to estimate the price of our products. After receiving it, we're going to receive the next ones. Then, we'll increase it one after another. If the cost of other companies is ¥1,000, we pursue the way to do it at ¥500. If we have prospects for cutting down the cost to ¥500 and one of other companies is ¥1,000, we estimate our products price at ¥800 so that other companies can't do the same. If they lower the price to ¥800, they'll be in bankrupt.

Interviewer: There are mainly two information resources for new proposal. The first is relationship with customers. The second is the relationship with academic world such as connections with Dr. Schlessler.

Mr. Ishizaki: Yes, I think so. We have opportunities to exchange professors of various universities in Japan. Also our customer manufactures their products to sell them therefore we have to always research such information and customer's requests.

Interviewer: Are those relationships helpful for the sales activity?

Mr. Ishizaki: We could do business with the personal connection before for example we knew general manager and factory leader. Now, it's very good and earnest time. Even if we know anybody, customers don't buy expensive and bad products. If they do it, they'll lose the competitions. If we win in QCD, we'll get customers. We sometimes can't sell our products because we have no connections even if we give them good and reasonable products quickly. However, we have few cases like this. We'll do various things from

now such as purchasing parts throughout the Internet. There is no personal connection on the Internet. It's going to be very earnest times now. It means anybody has a chance in all places and all people who have ability regardless of the size of company have a chance now. When I founded this company, I was 29 years old. It's been 27 years since then. I became 56 years old now. I could receive a lot of suggestions from various people for 27 years. I have to do it more and more with young people. I have a youthful spirit of being 30 years old.

Interviewer: You said you would list your company on the stock exchange. If you do so, you will have increasing fixed expenses in a halfway scale of your company and have to make mainframe products resulting in competing with major companies. I think there is the minimum and best scale of a company to list. What do you think of it?

Mr. Ishizaki: We have to achieve ¥10 billion in sales. If we accomplish it, the next goal is ¥20 billion. I think we have to reach at least ¥10 billion as a company. We have no reason to list us. None of my relatives and family involve in our company therefore everybody can stand on the same start line. Our shareholders are financial institutions, insurance company and in-house share holding group. In-house share holding group accounts for 27% of the total. Since we are in such condition, it's the best to become publicly-opened company for everybody in order to make each financial asset. That's why we're thinking of it.

Interviewer: I think it's better you have more sales. How about the number of employees?

Mr. Ishizaki: We have 370 employees in total and will have 400 including 40 new staff members who enter this year. I don't care about it too much. I would rather care about what management system we have to make.

Message to the top

Interviewer: We have corporate membership from major companies to small businesses

among readers of Business Insight. Finally as a successful venture President, please give them some message.

Mr. Ishizaki: As I said before, we small businesses have to propose new business ideas to customers or market. We have to come out from subcontractor. The most important is to be a company who can propose new business ideas. If we do so, we naturally will know what we have to do. If we know it we are in the same condition as we can achieve the goal so we just start to do it. I think like that.

In addition to that, I told you the eye powers. We have to carry out our belief. I like a Kanji(Chinese character) of “*Nen*(Mind)” that is strong sense or feeling. In short, the important thing is to have thought that we want to do. Without thought that I like you, you may not like me. Without thought that I want to develop this, I’ll naturally have an creative idea. Therefore, we have to continue to think about it. If we have no idea, we can start nothing. The important thing is to continue to have thought. If we stop having thought, we’ll be over.

Interviewer: Thank you very much for giving us your precious story.

[Postscript]

Takako has the management with craftsmanship of Eastern Osaka. Many articles describe the company like that, however, when I talked with Mr.Ishizaki, I understand his efforts not to rely on such craftsmanship are the key force of the company. He substitutes his original manufacture process for outside available craftsmanship to make the core technology. This is an advantage of this company. He doesn’t satisfy the existing core technology but always continue to acquire or maintain the ability to create new proposals. This will be said to the key of the future of this company. It’s also common challenge for many small companies and ventures. We should keep an eye on how Takako will develop in the future.