

It seems rather difficult to precisely define when the Chuo Bohshi was established. At least this is my frank feeling, when I look at many documents that I gathered, showing different dates as to something that someone did, and I think that this sort of situation is quite common, when one tries to identify the date of foundation, be it our company or another.

More than ten years ago, many people were kind enough to celebrate the 40<sup>th</sup> anniversary of our company. At that time, the anniversary was counted from the date of the start of the business by Shigeo Nishii, my father, in collaboration with Susumu Nishii, my brother. Now that I try to discern a more legitimate starting point of the calculation of the 50<sup>th</sup> anniversary from among a pile of documents created in the complex path of the growth of our company, I am inclined to choose 1953, when our company was registered, or the summer to autumn of 1952, when such registration documents had been prepared.

I cannot stop thinking that the Chuo Bohshi has a long history of good luck brought about by the many people that it has encountered in its growth, and our products as well as their success are also guided by good luck, without which we have never seen the prosperity that we enjoy today. I believe that we need the help and support by people in and out of the company for further growth, and I wish all of you would continue giving us the same assistance that you have given us so far.

Kenji Nishii  
President  
Chuo Bohshi Co.,Ltd.

## Chapter One The Past, Present and Future

On the Occasion of the 50<sup>th</sup> Anniversary

Susumu Nishii

Supreme Counselor

Chuo Bohshi Co.,Ltd.

I started working in a hat company in 1948, which changed its name in 1953 to Chuo Bohshi. This is the 50<sup>th</sup> year since that event.

It was 1935 when I entered the retail business in Taikyū, Korea. The name of the store was Nishii Mart. My father, Tomekichi, moved to Korea from Japan in 1907 and worked as an apprentice at a footwear shop. He later opened a footwear shop by himself and added a haberdashery department in 1924, expanding the floor space to 3600 sq.ft. This shop then was called Nishii Mart, and we added another wing to the family business, that is, Ibishiya Department Store.

The decade between 1935 and 1945 was a period of low performance for the Japanese economy. In addition, there were attempted coups d'état like 5.15 and 2.26, as well as the Manchurian Incident and the Chinese Incident. The department store business collapsed in about five years, and was closed. My father became ill around that time, and I was responsible for paying the debt and rebuilding the family business, including the management of Nishii Mart.

In those days, our haberdashery department sold hats. I remember well that many stiff straw hats were piled up in midsummer at the store front and sold at one yen each.

Nishii Hat Company started in 1948

I returned to Japan barely and barehanded after the war, and I had to work to live. My sister's husband, Mr. Senba (now the president of Shinko Tonbo Hat Co.,Ltd.) was then in the hat business, so I worked for him learning how to make hats. In 1948 I started the hat business by myself. There was a house to let at Higashinari, which I rented. I covered the floor with three tatami mats, and I bought one iron, three sewing machines, and hired two hatmakers and three or four women as assistants. Here I made hats and my

brother Shigeo helped me by selling and keeping the books. This factory space was the only space that I was able to use, so I slept at the same place. This was not very uncommon, because everyone was poor then having lost everything during the war. We were happy because we had something to do for money and food. We had no heaters, so we kept an electric bulb switched on in the bed. The landlord occasionally came by to check if the electric meter was moving. We all kept very quiet to detect the sound of his footsteps lest we should be found out and scolded. Usually it was around midnight when we finished our work for the day, and one of the joys of those days was to go to the public bath. We quite often fell asleep in the bath but it was very enjoyable. Those were the days of our joy and pain.

When the business started we were still very small, and my brother went out everyday to Shinsaibashi Bridge to sell our hats to the passersby and get some cash. It was long after those hand-to-mouth days that we could sell our hats to wholesalers.

The first item we made was schoolboys' cap. We called these "buns." Shigeo bought in the black market many used invernesses and we made caps from them. This went on for about half a year, but one day there were no more invernesses available. So we switched to climbers' cap, and from there we diversified our product line, including ordinary hats for men.

The business was good and we were lucky. In Osaka there had been many hatmakers before the war, who, however, moved to the countryside to avoid bombardment, and since they could procure more food there than in the city, they did not return to Osaka for a long time following the war. We were able to grow into a significant size, in the years of their absence, without facing a hard competition with them.

Financially, there were many problems, but Shigeo could somehow manage them without involving me. He was great because he repaid all the debts we incurred, no matter how big they were. It was this attitude that enabled him to gain the reputation in the business community we are working in.

What has supported our growth?

We then moved to another premises nearby, where we built a new factory building and installed 60 new sewing machines, adding to our workers as

well.

The business thereafter grew swiftly, and in 1952 we started building a new headquarters at the present site, which was completed in January 1953, and to mark this event, we changed the name of our company to Chuo Bohshi Co., Ltd.

During this period, it was consistently our policy to make products of better quality. This is still maintained today, and will remain so in the future. I was in charge of production, and was very severe about quality control, insisting that no products of poor quality should leave the factory gate.

Naturally, adherence to this policy costs money. So I always gave enough headaches to the management. Our customers, nevertheless, are ordinary people without knowledge of hats. They do not know how we manufacture the hats, nor are they supposed to be concerned about the cost. I always believed in looking at our hats in the same way that a layman would. If something looks poor, the hat is not good, and it must not go into the market. When we met a complaint from a wholesaler, we chased the cause to the end, down to the individual worker who committed the error. I made it a rule to solicit complaints visiting wholesale across the nation, asking simultaneously what would be needed in future for our hats. This tour I practiced even prior to the change of the company's name to Chuo Bohshi Co., Ltd. I suppose that this scrutiny and persistence in terms of quality assurance has helped us gain the trust by consumers in our products and in laying the cornerstones of our current success.

Another policy of our company is innovation; the pursuit of something new. Under the guidance of my brother Shigeo, who preceded me as president, the challenge towards innovation was given the utmost priority. One example of our achievements during his time was the Silicon covered water-proof cap, which made our name better known nationwide, the other being the entry into the ladies' hat business, which contributed to a significant growth in the company's revenue. Of course, the road was not paved for such new attempts, but the enthusiasm created by managerial staff and other employees made them possible.

I believe that the present success of our company was brought about by the clear definition of the objective based on confidence and efforts and

endeavors towards those objectives.

### Towards the Future

Our company has established several new factories across the nation and even in Korea, where no other Japanese hat makers had factories overseas. At one time we had some 300 employees in our main factory and some 200 at branch factories.

We are at the outset of the 21<sup>st</sup> century, and we are not certain how the time and tide, as well as the hat industry will change. I firmly believe that our policy and tradition will remain unchanged. We do not want to ruin the trust of the consumers and the trade for the quality of our products, and we will continue making our hats and caps with sincerity. We do not want, however, to be content with the present success, and will always seek new goals and challenges. This is, I believe, the right way for the future of Chuo Bohshi.

I thank again the consumers and the trade for the unchanged patronage and support, and wish to look forward to further progress that our people will attain.

Half a century that I walked with hats

Takatoshi Hayashi  
Director-Counselor  
Chuo Bohshi Co., Ltd.

It was December of 1948 that I came into this business. The Nishii brothers are my cousins, and we grew up together at Daikyu, Korea. When I came back to Japan after the war, I was in another business, but shortly after that, I quit it and joined the Nishii brothers. Since then, I have always been working with them.

At that time, there were Susumu, Shigeo and Isamu, the three brothers Nishii, and myself, that is, four family members, and four employees to handle the sewing machine job. Susumu was primarily doing hat making, cutting the fabric by himself. Shigeo was the salesman and buyer of fabrics, and I was doing hat molding, packing and delivery.

As you know, we were making caps from used invernesses, which were very fine source fabric for schoolboy caps. As the time went by, used invernesses became unavailable and we had to find out some substitutes.

There was one felt factory nearby, so we started buying from him. But the quality of felt in those days was not good, and caps made from it were so weak that they were easily broken. One day, Shigeo said that doing business this way was no good for us, because we were cheating consumers. We then stopped making schoolboy caps, and switched to the climbers' hats made of cloth.

This episode illustrates the policy of the company to place top priority on quality. Shigeo kept saying that we would make hats and caps that would meet no complaints from consumers. Once our hats and caps are bought and worn, we would keep ourselves responsible until those hats and caps would eventually wear out. It was the expression of our motto, too.

The period of initiation

Those were the days that men wore hats, so we enjoyed a good business. However, we received no remuneration. When the day's work was done, we cleaned up the floor and slept on it. In those days we were doing molding ourselves, and worked until midnight. We did not feel this was a hardship. Every morning, I put a cart behind my bike to deliver hats. Holidays were on the 15<sup>th</sup> of each month, when I went out to a movie theater with some coins that I got from Shigeo.

Shigeo was a "gourmet" as we now call it. There was a house breeding rabbits, and he used to buy the meat from there.

In 1950, Nishii Hat changed the name to Tenri Hat. We merged with the Senba company and we covered the Higashinari region while Senba the Joto region. In 1953, we changed into the Chuo Bohshi Co., Ltd., which continues until today. It was around this time that we started making baseball caps. They were usually bought as working caps. From 1955 we made inroad into kids' caps, and then to knit caps, and in 1960 we made our debut in the ladies' hat business. At that time we began recruiting many people and the company grew. Back in 1955 we moved to new premises, and in 1960 we built a new factory at the current site

## The Orbit of Progress

In 1960's we made progress.

It was in 1959 that we rent a space at Sennichi Department Store. This was what we call an "antenna shop," designed to feel out through direct contact with consumers what is most liked. In 1960 we made our sales office at Shin-Ogawamachi in Tokyo. In those days Tokyo and Osaka was widely apart, that is we had to spend a night on the train from Osaka to Tokyo. It was therefore helpful to us to have an office in Tokyo as our beachhead for the market in Eastern Japan.

In 1961 we moved to the current premises, and in the same year we started building branch factories. The first was Seika in Kyoto, which was followed by Kizu (Kyoto), Tanabe (Kyoto), Kamo, Handa (Tokushima), Sadamitsu and Kawashima. Our production soared.

In 1964 we opened a subsidiary in Los Angeles called "Butterfly Enterprise". We were already in the U.S. market but shipping hats and caps from Japan was nothing more than transporting idle space. We were better off by having a factory in the U.S. There were, however, many problems with this factory in Los Angeles, so we eventually closed it down.

In 1965 we sent two female employees to Germany for training. We expected them to come back and work for us. One of them did not return because she married there, despite the promise to return and work for us. The other did come back and worked in our new division "Mullion" with newly established workshop, but her Swiss boy friend came to Japan two years later to marry her, and took her back with him to Switzerland.

These incidents are funny today, but anyway Shigeo was very enthusiastic about establishing overseas subsidiaries and sending people abroad for training. As we were rapidly growing then, we had enough financial resources for such attempts. In 1970 we made a joint venture in Seoul, Korea, and this was the first overseas expansion in the hat industry

One of the key growth factors was our inroad into ladies' headgear. Around 1955 ladies' hats became an important sales item, and we also made inroads in 1960. We were latecomers to this market and the business community

threw cold water on our attempt. We were not discouraged and told them that time would tell. It took four to five years until we caught up to our competitors, but when we started we were scared to go to department stores. We did not want to see that someone else was selling a lady's hat that looked better than ours. Someday, we hoped, we would not be afraid of looking at show windows. Some years later, the sales grew, and ladies' hats became the top selling line of our company.

### Quality and Raw Material

Since our early days, we at Chuo Bohshi have pursued premium headgear. Our history, therefore, was the one of innovation and development of new technologies and raw materials. When we started our business, poor quality hats and caps were taken for granted. The dyes faded, and the size shrank, and hats and caps would wear and tear quickly. Cleaning was out of the question. Once wet by rain, the dye ran and stained the wearer's clothes.

Shigeo was very quick to find a new technology and he would always pick up a new idea to apply to our products. He used the term "from scratch," and used to start from the procurement of new raw materials, often in collaboration with other firms. In Germany there was a dye called Indanthren, and in order to dye with that dyestuff, we sent the fabric to Hamano Textile Industries. The hats and caps thus dyed were very color fast and well known as Indanthren hats and caps. They gained a reputation and we received a letter from a retail store, saying that the hats, though dropped to wet pavement and picked up and washed, never faded, to the astonishment of the shopkeeper, who had been somewhat skeptical about this new product. These Indanthren-dyed products had no precedent in headgear but in clothing as well, and we received praise from the business community for having introduced an epoch-making new product.

### Towards Other New Products

In 1955 we introduced silicon-coated hats that can be used on rainy days. The fabric for this was also processed by Hamano, but coating the fabric alone was not enough for perfect resistance against water, because water gets into hats through the thread. So it was necessary to make thread water-resistant. We invited technical people from Hamano to our factory, and they invented a curer box, in which we hang and heat-dried bundles of

thread soaked in silicon liquid. Then we asked spinners to make bobbins of this silicon thread, with which we sewed silicon-coated cloth into hats. Such hats had no precedents in the market. We then tested the water-resistance property of this hat, by making a big dent on the top of the crown and filling it with water. Water remained there like a small pond, and we put these hats in a showcase, with dents filled with water in which we put gold fish. This was a nice promotional gimmick and the water-resistant hats made a great hit. Later we made further improvements, calling it the “Super Silicon Hat”, which was for a long time a sales-leader of Chuo Bohshi.

After this, we introduced other innovative products. Collaboration with Teijin (one of the leading textile companies in Japan) has resulted in 3-W hat, which are Wash & Wear and Wrinkle-free. A hat that could be laundered was also developed, overcoming many technical obstacles, which we promoted at the point of purchase by using wash machine.

Those were the days with one development after another. I was making a pilgrimage among textile makers, because fabrics already available at retail were no longer new, and it was necessary to go to the textile manufacturers to find something new. Asahi Kasei, Teijin, Toyo Rayon and Kanebo were raided by my visits two or three times a week. Nylon of Toyo Rayon, Polyester of Toyo Rayon and Teijin were for the first time introduced into headgears market through us. Especially, Ecsene of Toyo Rayon was adapted to hat making even when the material was still at the test in their laboratory.

It was really an amusing experience for me to foster such new “babies.” In any branch of business, challenges for something new are of vital importance. This is a commonplace, but the persistence in this direction has led Chuo Bohshi to today’s success. It costs money, so our products are about 20% more expensive than the competitors’. Nevertheless we have been enjoying good revenue and this is the living proof that our attitude gets support by the consumers and our products have an appeal.

Practice in Hat Business.

Shigeo, I believe, has contributed not only to the quality improvement of Japanese hats and caps, but also to the improvement of trade practices in the headgear business of this country. In early days, there were no good

rules. They used promissory notes, but the notes were not regularly honored and it was almost customary to pay only 70 to 80 percent of the amount due. Shigeo thought that this would spoil the headgear trade in the long run, while in other branches of the fashion business a more orderly practice was common. The beginning was to ask the wholesalers to pay 100% of the accounts payable. This met a strong resistance from wholesalers, and it took a good one year to tame them. What helped us in this battle was the fact that we had a strong product, that is, the Indanthren-dyed hat, which was always in short supply in the market and wholesalers wanted to buy from us by any means. The next problem was promissory notes. There were very few wholesalers who honored them on the due date. We educated them to meet the due dates. Next was the discount. You'd go to a wholesaler one day who would say "5% discount starting today." When we protested, they would say "OK no more business with you." We discontinued with one big wholesaler in this way. If a discount is proposed from the outset, it is a business negotiation, but proposing discounts at the moment of payment is unfair.

Anyway we stuck to this rigid principle, which may have appeared stubborn to the eyes of the trade, not only when we get paid but also when we pay. The practice in any trade would never change unless someone almost stubbornly insists on the principle of fairness, and we were the one to do this in the hat trade. Shigeo's policy was straightforward. "I do it based on my principle. If you do not like it, then no business with you." There were, however, remedies as well. When we decided to discontinue the discounted promissory note, we proposed discounts for cash payments. We offered discounts as big as 3% per month multiplied by the number of months until the maturity of the promissory note, when the bank interest per annum was 3%. This was a very generous discount. So we were strict but at the same time generous. Shigeo and I were saying that if we went bankrupt there would be many people pleased by the news. This kind of business policy was only possible because our quality was good, and it was appreciated by the consumers.

We offered good ideas for the betterment of the headgear business of this country. We were also very dedicated to the activities of trade associations. We held a Hat Fashion Show at Hankyu (one of the leading department stores in Japan) and issued PR publications, but there were not many people who would understand our good will, so Shigeo abandoned these fruitless ideas and withdrew from everything associated with the trade

association.

## Confidence of Chuo Bohshi and Shigeo

For me these 50 years were the years of hat making.

Shigeo passed away this year, and here are his words which impressed me two years after I joined the company:

“When we had red figures on the bottom line, let us know it in advance and close down the business. Then we pay to our creditors 120%”

“Why 120%?” I asked. “It is to thank them for a long relation. They would again help us when we start again.”

Despite his rigid attitude, Shigeo enjoyed the trust and support from so many people, and I believe that it is because of his way of thinking as illustrated by these words. His rigidity was targeted to himself before anyone else. It is reflected in the policy of Chuo Bohshi that is stern and rigid to product quality. I hope that Chuo Bohshi remains that way in the years to come.

I wish to take this opportunity to express my heartfelt gratitude for the patronage and courtesy rendered to me by our clients, which I hope to be given to our company in the future, too. I also hope that our employees will grow together with their company.

Thank you very much.

On the 50<sup>th</sup> Anniversary of Chuo Bohshi

Chinsui So

Kankoku Bohshi Co., Ltd.

Representative Director

I and the rest of the management of our company wish to offer our heartfelt congratulations on this occasion.

It is a rapidly changing and unpredictable world offering a great difficulty to the management of business, so I think it is the result of the excellent management skill on the part of the President, Mr.Kenji Nishii, and the people who support him, that you have adapted yourself to survive and celebrate the 50<sup>th</sup> anniversary. Here are my words of respect to all of you.

I was always very much envious when I watch Chuo Bohshi, because it has gained client patronage through planning one step ahead of competitors, through standardizing production and through quality assurance, which put together gave more thrust to the marketing power of the company and elevated confidence on the part of customers to its products. Such a company can survive over the competition, and this is demonstrated by the fact that you commemorate today the 50<sup>th</sup> anniversary. It is my pride and honor that we have been able to associate with you for more than thirty years.

My dear management staffs and employees of Chuo Bohshi, I think that the 50<sup>th</sup> anniversary is not the goal, not the point you have reached with the feeling of reassurance, but is merely a starting point for the future. Please do not forget the turmoil and agony that you have experienced. Please do not forget the customers that buy your products. Please do not forget the suppliers of good materials for your processing. Please do not forget your co-packers. Under President Nishii's guidance, you keep your hope towards the future, keeping your modesty, and leap unto the future as the manufacturers with tradition and history.

I once again offer my congratulations!

Chuo Bohshi Now and Then

———A Symposium with

O: Yasuhiro Onishi (Director, Chuo Bohshi Co., Ltd.)

N: Shigeharu Nagano (Technical Manager, Chuo Bohshi Sewing Co., Ltd.)

Y: Yoshio Yamashita (Plant Manager, Chuo Bohshi Sewing Co., Ltd.)

---You all are veterans in Chuo Bohshi group, but how did you begin as new comers?

Y I joined this company in 1956, so it is now my 45<sup>th</sup> year of service. There were not many employees, maybe 50 or so, and Japan was poor. I came from Shiga prefecture, and there were two others that joined from this district.

N: I joined in January 1964. the year of the 10<sup>th</sup> anniversary of the company.

O: I am relatively new, having joined in 1978. So this is my 24<sup>th</sup> year of service. I already got informal notice of employment when I worked as a part-timer, but was called in January to come and join immediately.

---- Chuo Bohshi was established in 1953.

N: Yes, but they already started working in 1947 on a small scale

O: 1947 is the year of birth of the current president. So, Chuo Bohshi is as old as he is.

Y: The first new product after I joined was the silicon hat. In 1955 we introduced the water-resistant hat, which made a sales record.

N: We promoted it with water and goldfish in the dent of the crown of a lady's hat at Takashimaya Department Store.

Y: It was the product which made our name famous across the nation.

N: It was a good introduction of our company into the ladies' hat market. The ladies' hat business was very active in the years after 1965. Actresses and TV talents posing for the gravure pages in Shukan Heibon and Myojo (popular magazines in Japan then) all wore our hats. I started working in the crown department, which was the core of the business. My colleagues that joined the company at the same time were all envious of me.

Y: In the limelight, so to say, was the crown department. Wholesalers made a long queue from early morning.

N: Yes, when I came to the office at nine in the morning, there were already many wholesalers waiting, who were saying "Sell us what you have. We don't mind minor defects." This situation continued for about 20 years.

Y: The economy was booming, too. It was the high-growth period.

N: We were also making the caps for Osaka Jogakuin (girls' high school). Navy blue sailors' caps. Until Osaka Expo of 1970, anything we made sold. There were not many types. Good sellers sold thousands of dozens each of one design. We were selling the same design sometimes for three years.

Y: we had to recruit like hell. The Expo time was our peak time.

N: The first sign of decline appeared during the first oil shock. Nevertheless our hats and caps sold regardless of the economy, provided that the summer is hot and the winter is cold.

----Does the weather affect the business?

N: I forgot where I saw the data, but it is said that 28°C is the best temperature for the sales of hats. Over 30°C, it is no good because people don't like to go out then. So fine weather between 25° and 28°C is the optimum climate for the hat business.

Y: Small assortment sold big quantities in those days. It was a paradise. Now it is reverse. We must have a very big assortment in stock to achieve any significant sales volume.

N: This kind of "Many types in small quantities" trend showed its sign 15

years ago, and became real and overwhelming about 10 years ago. We are at its peak now, with so many varieties, each in small quantities..

....Shallow and broad

O: When I joined the company, revenue was good and stable. As someone said a few minutes ago, we were relatively not much affected by the economy, so that the sign of a major change was not sensed.

N: Twenty years ago, if someone saw someone else wearing a hat of a certain design, he or she wanted to wear the same thing. So a limited variety was okay. In the last 15 years ago, customers don't like the hat of a design because someone else already wears it. So this is a socio-cultural shift. In those good old days if a celebrity was wearing a hat of a particular design, everyone under the sun wanted to wear that same design and thus one design could become a mega-hit. Now it is completely reverse.

Expo 70, the fest of the century.

N: Expo 70 was the most impressive event to me. The Expo opened in March, and after the May holiday week, sales soared. We were an official vendor at the Expo site, so we had sales stalls at the gates. The caps with the Expo logo sold like hell, and we were always short of the goods to sell. So we sold caps in the warehouse with Expo marks on them. This might be an off-record episode, though.

Y: That was the first time when I saw empty warehouses. Very impressive.

N: We could not take holidays, and stood at the stall in shifts. I was at the central gate but almost every customer paid with a 10 thousand yen note for a ¥3,500 cap. In time the door of the safe, half a meter high, could not be closed. So we guarded the safe in shifts. We ended up packing ten thousand yen notes in large cartons. We stamped and sat on them. We were very busy to prepare change. Such an experience we had never again since then.

Y: Expo time was the time that everything sold like hell. Clothes sold, too, but caps were exceptional sellers

N:I was in the women's hat department, but had to work for caps, never touching women's hats for a whole month. Going to the warehouse, taking out caps, and sewing Expo logos on them, that's all that I was doing for that full month everyday.

N: Expo was an opportunity not only for us but also for others in the cap business, I guess. I heard many companies could get rid of stocks sitting for years. That was the kick for us at Chuo Bohshi.

N: Not only for Chuo Bohshi but also for myself that was the largest kick I ever had. Never again in the future would I have the chance to step on heaps of ten thousand yen notes...It was hot at the Expo site.

N: That year was exceptional because every day we had fine weather. No typhoons came. The whole population of this country moved. Never again have we experienced that kind of big event. Farmers coop groups were perhaps one of the largest segment among the visitors, all buying some souvenirs. Everything with an Expo logo did sell, anyway.

### Our Corporate Culture or Climate

---Did you experience the shift of the corporate culture by the lapse of time?

N: Corporate culture---hmmmm, I don't think we have anything like that. Everyone can do what he or she likes to do.

---What was your impression about the company when you joined?

N: I was glad because there were just so many girls. (laughter). I was young.

Y: With many ladies our office was bright and gay.

This may be something other than what you say regarding corporate culture, but our company is such that when you are talented you can do whatever you want. If one wants to grow, one can grow. Such is our company. This kind of atmosphere was already there when I joined, and it is still there.

N: No solid corporate culture means several things. The absence of discipline is one negative side of that. Lack of discipline can be observed in lack of greetings with some employees, even in the presence of the superiors.

Y: We cannot dictate young generation today about greetings.

O: I know nothing about other companies because this is my first employment. So I took this climate for granted. As the years went by, I started thinking that we are much different from other companies, in that we are very liberal. Inasmuch as we are manufacturers, our technical staff has pride that they pursue objectives that no other companies in the industry know or are even cognizant of, and our marketing people are likewise. So I think we are a group of artisans in the best sense of the word, and this climate has supported our growth. Sometimes we run out of ideas in the pursuit of objectives, but in the end we come up with something unique. This is a good example of the positive side of our liberal corporate climate.

Shigeo, the ex-president, and Quality Assurance

N: We were placing first priority on the quality under Shigeo's policy so that our prices are several notches higher than our competitors'. Shigeo would keep saying "once bought, the hat must continue to be good until the customer throws it away," and this attitude permeated the whole company. We were all very rigid about quality, and Shigeo got really angry when he found some quality problem. He threw the bad hat to us, and I was his target, once. We were called to the President's office for any minor quality problem.

Shigeo's policy did not stop within the company alone. We had a PR magazine for the trade called "Hat Data Bank" with various research data illustrating the situation of the hat trade and business environment. This was started by Shigeo and ran for more than ten years.

Y: Another example of Shigeo's idea was the Merchandise Development Center", which was a sort of combination of exhibition room and small plant. When a customer came in and saw one hat, saying "Why can't you change it this way?" we changed the design in a matter of minutes and would show it to him, then sign the contract and start full scale production.

N: I think we are unique in having such a big exhibition space. When a client finds something in Hat Data Bank, he comes in and sees the sample, and can have it changed in the way he likes, and then place the order and leave.

O: Our Merchandise Development Center even had a hotel annex for clients from afar. There was also a cost accounting section so that the selling price of the hat, modified to the need of the client, could be instantaneously calculated, so that we could get into contract right on the spot.

Y: In that center there were some 20 peoples modifying the displayed samples to the need of the clients.

N: We were the only company that had an authorized quality control expert among the staff.

Y: In the hat trade there was no QC. We were the pioneer. We measured shrinkage, dye-fastness, etc. each by professional expert.

O: Hats and caps do not come into the category of apparel but sundries. So hats were not subjected to Quality Declaration Law of Domestic Goods. This meant we did not have to do QC, but Shigeo did it. It was one of the elements of Restructuring that Shigeo had in mind

N: Shigeo adopted more rigid quality standards as were adopted for other domestic goods. So, when we bought fabrics from big makers, sometimes it

happened that they did not pass our quality check. We gave them enough hard times.

Y: It was something that we alone could do.

N: Stern and rigid for making goods. That's what we do.

O: Shigeo wanted to make our quality standards in line with the standards of the top brands in the fashion industry. The time followed Shigeo, and years later, the law for the quality declaration was legislated for hats, too.

### Reminiscence of Shigeo

N: When I joined, Susumu was the president and Shigeo was the executive vice president. Susumu in charge of production, Shigeo for marketing. We were at the lower echelon and had scarcely any chance to see them.

Y: It was around 1976 when I started seeing Shigeo and it was the time that the Merchandise Development Center was inaugurated. He was the man of big scale and was thinking not only of his company but also about the hat industry as a whole. He made a major restructuring in 1973 after the model of a big apparel organization. Until today his foresight is alive.

N: He was the man at the head of the army, perhaps from his career as an officer during the war, but he was an ideal executive by having the people work for him.

Y: He was the man of philosophy

N: Yes, a man of mission and creed.

Y: He had a clear cut image of the goal and strived to achieve it with confidence.

N: He terrified us when he was angry because we made delay in reporting some trouble. The trouble itself did not bother him much but the delay was not permissible. He had a loud voice and everyone was in a panic before him.

O: He liked having morning meetings. In those days production started at 8.00 and marketing at 8.15. Visitors coming from outside often hit the wrong moment when Shigeo was talking and those who knew about our morning meeting went away in order to return later.. Anyway Shigeo was a big talker, a man of solid structure, but was afraid of flying in airplanes. When going abroad he reluctantly accepted it but otherwise he avoided airplane journeys.

-----Anything else that he did not like?

N: He did not like to show his weakness. When he was ill, he preferred hiding it. He did not like his weakness to be taken advantage of.

## Facing Illness

O: Shigeo faced his disease. He had several brain infarctions since before I joined, and he studied about it very much, having it treated at a big hospital. He sounded almost like a specialist. He had a column about the infarction in Hat Data Bank and he wrote there in series. He was frequently measuring his blood pressure each day. Once, I brought his suit to the hospital and found him writing that column in bed. I asked the doctor why it was not stopped and the doctor said "It is useless to stop him because he would do it anyway." He was a bold man but at the same time he was a careful man.

N: Everything was calculated in him

----There is a hospital in the company.

N: His brother was a doctor who worked at a national hospital, who retired and became the head of the company's hospital.. This way the management can take a good care of the health of the employees.

Y: He was very thoughtful about the welfare of the employees.

N: He was sensitive to his own health problem and so he was careful about the health of the employees, too.

O: When an employee fell ill, he called that employee and gave a thorough instruction what doctor he or she should see.

Y: He had almost fatherly concern on the employees.

O. When the boss was thus serious the employee should also behave as directed and go to a hospital as dictated by the boss.

N: I seldom took off but was absent for some days because of a cold. Then a telephone call through his secretary came to ask whether I felt alright, how high was my temperature, and why not come to the in-company clinic, and so forth. If I could come there, I wouldn't have taken the day off. (laughter)

Y: He was bold and tender.

O; He officially admitted Flu, but did not approve of the common cold, saying that it was the sign of laziness. He used to say that he had never caught cold in his life. At a time he was obvious catching cold which I could tell from his voice and the way he moved. I asked him if he'd caught cold but he denied. He took it for granted that people would catch cold, and he became soft and tender to the victim, but he never allowed himself to be that victim.

## An Adventurer of the Hat Trade

N: In Western Japan there was a federation of hat manufacturers, and men

of the trade had to spare his time for various mission asked by the federation, but Shigeo never accepted it. Susumu was the man for that.

O: In earlier days he was playing role in advertising but he resigned.

Y: There was a gap between his idea and reality

N: Hat Data Bank was the child of his thought about the trade. He wanted to give stimulus to the trade by doing something epoch-making. Without such stimulus he believe that the hat industry would have no good future. He thought it was useless just to get together and talk with coffee.

O: Other men of trade thought him to be egocentric and that he did not listen to other people, always insisting on his idea alone. Susumu on the other hand was a good listener and other men in the trade respected him

Y: In the hat trade Shigeo was a character. He was not only feared but respected, too, because he had the vitality to build up Chuo Bohshi in the way he wanted with quality and technology.

N: He was a man of confidence and he led the trade in the way he wanted to.

#### Chuo Bohshi from Now

---There is a significant change in the society. What do you think about the future of Chuo Bohshi?

Y: It will be increasingly difficult. Our marketing people will have a hard time. We need more power in planning and sales.

In production we have our know-how and technology. We have problems sometimes about the delivery but basically we can resolve problems. The challenges will be in marketing.

N: Until some years ago all what we had to do was to follow the boss. In the future we think we have to change the way of doing things. It is what our boss is aware of. Each one of us is asked to think and do. That will lead all of us to our goal, and to the growth of individual ability. We must put our individual resources to the job. We must face the difficult environment and strive to win against it.

O: Our customers know and appreciate our technical and marketing resources, and we cannot afford to lose their confidence in us. Production capability is basically inflexible so that we must contrive to come up to the expectation of clients. We must make our clients understand this and let them use our resources more tactically. This will help us to grow further.

Y: My generation was simply going in a daredevil manner. But it has become necessary to watch the environment and think. On the side of production it will be necessary to speed up. We must adapt ourselves to the world. We must know what to do in three categories of the product flow,

namely: quick, slow and ordinary. It is necessary for us how to cope with demand by combining these three. We know enough about them but we must act. That's all.

Symposium II

This is Chuo Bohshi!

Takao Terada (Manager, Terada Business Dept.)

Shojiro Yamamoto (Planning-Sales Dept.)

-----Please start with self-introduction

Y: I joined in 1981. Working in the planning-sales department.

Planning-Sales is unique to us. Normally, planning and sales are two separate departments, or development and production are two separate functions. With us, planning-sales covers everything from material purchasing down to sales to wholesalers. So it is sales including planning, which is so different from any functions in other companies, that it is difficult to explain our function. I was in other business, but was intrigued by Chuo Bohshi. I had the expectation that this company would make me do something meaningful.

It was an instinct, which was proven correct at a later date, but I thought here I could do things not in the way that a gear in a mechanism does, I didn't like that way of doing job at my previous employer, so I wanted to get out. I called some ten companies and selected Chuo Bohshi as the right place for me. I am 42 years old being born in 1960. After I joined I was doing nothing other than planning-sales. I am in charge of the DAKS® brand.

-----How old are you, Terada-san?

T: I was born in 1961.

-----What brought you to this company?

T: I couldn't care less where I work, because I was planning to quit in three years. I was a comedian (manzai) in the performance club of my high school. I was planning to enter apprenticeship at W-Young (a famous comedian group). I wanted to be rich. I wanted to have a lot of money.

-----Was it at the time of Manzai-boom?

T: A couple of years before that. I promised Mr. Toshio Sakata (a famous comedian) to become his apprentice when I was at the second grade of my primary school. He was saying that he could have me when I finished school. I changed my mind, though, and abandoned this idea. But I couldn't forget living in that sort of world even after I got into high school. In the second

grade of high school, I was given a chance by W-Young to be on stage, and I went to various places nationwide to perform on stage. I wanted to be No.1 in that kingdom. That's why I wanted to quit in three years.

Why I chose this company was because the capital was big and I thought I could do A to Z by myself, something similar to what Yamamoto was saying a few minutes ago. Doing something A to Z is the same as Manzai comedy. In Manzai you do everything by yourself, stepping up the ladder by your own character.

I thought I could draw anything on white canvas if I joined this company.

I was not in sales. I started in production. Two years there. Then I told the boss of the Material Department, Miyai-san, that I wanted to quit, and he said to me that it would be great if I pursued my dream.

Akiyama-san in Personnel Department said to me, though, that I had better stay another year, because if I quit in two years, the future applicants from my school would get a bad reputation. So I stayed another year. It was around this time that the plant manager, Shinohara-san, one day in July, two to three days after I got my summer bonus, gave me a ten thousand yen note. There was no written message but I felt his warm regards in that money and I should stay another year to save his face. Then there was Mr. Yamada, the managing director, who was asking Akiyama-san for a fresh young man, and Akiyama-san recommended me. So I was seconded from Chuo Bohshi Sewing to Chuo Bohshi. I was making some small achievement there by selling some 200 millions in the first year, so Chuo Bohshi decided to keep me. I told to the president "I could make hundreds of millions if I became a comedian, so please buy me insurance for ¥100 million. I don't mind if the recipient is the company" The President said that I should stop nonsense. This is now a laughing matter, but I feel why I am here and now this way is because other people helped and guided me.

While working I often received invitations to the stage world and my old friends kept saying I would do better in that world. So, naturally there were a lot of conflict and I was split in half. If I lived in the stage world it would be a lot of fun like buying lotto, but I was already earning more than my colleagues and if I was, I should stay in this world.

I did not have any attachment to the hat business. In time, the company gave to me the responsibility for Lacoste®, and I felt that the company trusted me, to which I must return the trust. This somehow braced me up and the sales soared. Someone pushed me up at the right moment. Although I am self confident but I feel I was helped by others, too. Those things made me what I am today.

About a year ago, my department got my name, Terada Business Department. What I am doing is sales, but any big business has got the name of person, like Honda, Matsushita, Takenaka, Obayashi----except Bill Gates. If a department should get a name, it can be my name. I am a positive thinker. I respect the company which gave my name to the department and I will stay for ever.

-----Who invented the name?

T: Mr. Kenji Nishii, the President. An interesting man. He likes logical chess quiz. Others like more simple games but he is different. He is not only interesting. He is intrigued **in top something**. In that point we agree with each other.

Y: Yes, the boss was saying that Terada would be glad because I gave the name that would please him most. I asked him what the name was, and the boss replied "Your own name".

T: When I am talking to the clients in apparel business, they are all amused because they tend to like things avant-garde. In the first place they think it is a typo. Then I explain, and they say it's funny. To start the business with something funny is a good thing. 'cause we start with something positive. I don't know if Mr. Nishii did it purposely. If so, I respect him. I was worried if my boys would like this name, but I'm reassured by knowing that they make a gag of it.

Seriously, inasmuch as this department bears my name, I cannot make mistakes. Perhaps the management has named this department with my name knowing I think like this. They know I like to be outstanding, from my background as a stage performer.

Chuo Bohshi as an organization

----How do you think about this company?

Y: I feel I am working with considerable freedom. Of course I do my job freely with company's money, and given this, what I do must generate earnings. I am grateful to the company for letting me do things in the way I want to.

----So it is a liberal climate.

Y. Yes, provided that I am responsible, too.

----Is this climate a part of the tradition?

T: Yes, since Shigeo, the former president, established the company. Chuo Bohshi, if I may say, is a planning company. No salesman of ours spends a day by visiting clients alone. We all think and create.

Y: As said earlier, planning and sales are combined as a set. There is no

“salesman”.

T: This type of organization makes employees conscious of responsibilities. If planning, production and sales are independent units, people working in those units have no total responsibility. Their responsibilities are limited to those within the units to which they belong.. Our Planning-Salesman is responsible for all. To us this is normal.

In other companies, too, a good planner is a good salesman and vice versa. Isn't it?

Our organization is not a vertical one, so that we have such shortcoming that workers in lower echelon cannot use respectful expression to the people in upper echelon, which appears sometimes inappropriate when our people meet visitors from other companies and someone says to his boss “Hey, that's wrong, boss” In our company it is taken for granted but it is uncommon in the prevailing culture. This kind of formality is lacking with us. Don't edit this part, because this is true.

-----Well, OK.

T: It may be all right for the time being because it has its own merit, but we must revisit this and learn to behave more properly in front of people from other companies. One problem is the lack of the organizational responsibility. A manager is responsible for everything in his section, but there is no such “manager” in our mind, although there exists an empty title. An organization cannot move like this.

Y: True

T: The world is benign as long as things are going well. When the time comes to collaborate with other company, this shortcoming becomes apparent and no one will want to work with us, once they know this. If things go wrong, they have no one to sit down and talk to, no “manager” responsible for the project.

-----So that is what we lack.

T: Yeah, that's what we lack.. My department is different. We have good structures of juniors and seniors. Juniors respect seniors, seniors take care of the juniors, and when some trouble arises, the seniors take responsibility, because it was they who signed the approval. That's the way of doing things.

Y: That bad tradition is partly a negative legacy from Shigeo's reign. He decided things by fiat. Lower managers' decisions were overthrown overnight, which made them think “Why have we been spending all this time?” There was no one who bridged between the two. With the current president, things are changing, but anyway we have to keep abreast with the time for further growth.

-----It may be one of the typical shortcomings of “owner management”

Y: Yes, I think so. They pursue their dreams. Many entrepreneurs who started their businesses after the war were dream-pursuers. They were energetic leaders, though.

In any sector of business, manufacturers are really interesting. Having said this does not mean that I disrespect wholesalers and other go-betweens.

T: The government itself has started a “manufacturing university” and I think that making things will continue to be important for Japan. “Made in Japan” should continue to mean something. We insist on “Something from Chuo Bohshi”. I think that making things generating various ideas is the most exciting job. It means one can hold leadership in his hands.

### Good Points of Chuo Bohshi

T: The secret of our growth is product quality. Chuo Bohshi was always aiming at a high quality. Shigeo thought in the outset “let’s make a quality product” and everything began from there. He was criticized that what he made was expensive. Still today our salesmen are criticized for the product being expensive. But this means good things, too. No.1. It trains our salesmen to be criticized. They become tough professionals. No.2 It elevates the credibility of the brand. So quality brings about good things for the employees and to the consumer who bought it. Today we have many imported headgear, but we are better. When we make our products abroad the policy doesn’t change. Something that we can say “That’s the thing I wanted to make”. Our competitors think that our products are expensive but better than theirs. This policy was established by Shigeo

Y: “Not the price. But the quality” was his motto. He was persistent, until he resigned. This thought has been the central pillar that has supported the organization for 50 years.

-----The people working here are all confident about the quality.

Y: Sure, because it’s what they plan and make by themselves. If they don’t approve of it, there’s no meaning to remaining in the company.

T: Good people stay. There are those who leave, leaving dead stock of what he planned and failed to sell. Bu there are those who stay, even with the dead stock, willing to come back with something better next time. Those tough and hungry guys stay. So we have an inventory of strong characters. Sometimes, this result in something negative as I said. Too strong a character can make bad things, too.

Y: So it is difficult to draw a good organization chart. As an individual, anyone in our organization is much more competent than his counterpart in

other companies. We may, however, have weakness in terms of strategic movement as an organization. Headgear business is not mainstream industry. It does not lead the Japanese economy and everyone knows it. But in terms of the size of the job given to everyone in the organization, it will be the same size of the job across other industries. So, measured in the lifespan of an individual, the amount of joy or agony is the same no matter in which sector of the industry one works. Don't you think so?

T: All of us in Chuo Bohshi has a strong personality. There are sparks between us everywhere. Everyone thinks that the things should get done in the way he thinks right. So there are constant collisions. This, however, is the strength during an economic stagnancy such as now. Everyone faces a different direction, so even if the company faces a wrong direction, this will compensate. What we need to think is the step-up. We must elevate ourselves from a personality-oriented plane to the next higher plane. In the world outside, our egos will not be accepted. How many people can climb up to the next stage? On this point, the future of Chuo Bohshi depends.

It is in our production area, too, that we have strong personalities. They are those who survived.

Y: We have good staff, who want to respond to impossible questions.

T: Those competent people also make complaints. They are ego-centric. That's a tough job to be the boss of this company. My sympathy goes out to him (laughter). At any rate, we have those crooked guys who need four-fold ropes to tie them down.

-----So the management offers such gimmick as "Terada Business Department" to such people.

T: Yeah, it's a big pressure. I don't know what other people think but having my name as the banner of my department means a lot of pressure. It's rewarding, too, though. The sales are soaring, thanks to everyone, at least as of now.

Hats on every head in Japan

-----Any other wishes you have?

T: We must look out, out into other business sectors.

Also, other companies have started showing interest in headgears. We don't want to lose against them. We must challenge. Otherwise we cannot survive. We must approach them with our solid business proposition. This is what we used to do but we must continue doing so on an enhanced scale.

We cannot sit and wait, and do things in the way we used to.. That's the road to perishing. We cannot afford to stop. We must go onward. Of course

with detours as necessary. Straight alone is a foolish choice. We can have personal resources, we can have this and that, but what is important is the bottom line. As long as we have a good bottom line, the winning chance is for us, and there will be people who support us.

Y: As long as we are a company, the earnings is the top priority. The important thing for us is always being profitable. For a big company, a momentary red bottom line in a division may be acceptable, but a company of our size should be profitable across time and across departments.

My own dream is to have everyone in Japan wear headgear. The statistics show that the wearing ratio of the headgear started to go down in 1947/48 but it is going up again in these five years. It is partly because younger generation started to wear headgear but as the aged generations grow I think we can elevate the wearing ratio twice as much as of now during the time of my service. Do you wear headgear?

---Yes when I ride bicycles

Y: Almost forty years went by since the middle-aged men deserted the habit of wearing hats as a fashion item.

--- It needs a certain sort of courage to wear hats as fashion item.

Y: Because other people don't wear them?

T: Once used to it, one cannot forego it. With a bit of courage one starts it and gets nice comments from others. Then one becomes self-confident. Hat-mania increases this way. One needs praise, though. The hat is like that.

Y: Once a middle-aged man gets used to it, he will continue it until he gets in a coffin.

T: You start at 42 or 43. Our average life span is 78 so it means more than 30 years. If yearly consumption is three, you will buy 100. So there will be a big demand. Since our society becomes aged, one out of six or seven is over 60. It is now that we sew the seeds.

Y: Yeah, worth trying.

T: I want to have everybody buy a hat. If 100 Million people buy, 100 million hats. When one goes to Disney Land or Universal Studio, one buys a character cap. They behave differently at those places. There the hesitation goes away. It would be great if we can change all of Japan into such theme parks.

Y: Yeah, that'll be great

T: Right. Japan as a park

Y. Exactly

T: If that becomes the reality many other things will sell, too.  
A big boom in economy.

Chuo Bohshi is great after all

T: I think we are great. If I see a good-looking hat on the street, we can make the same thing within a week. This strength is what we planners can count on.

Y: Yes we can make what we want anytime.

T: We can make a pattern paper, buy fabrics, and make the hat in a week. We have rows of good pattern-designers and we can buy from anyone thanks to our financial power.

Y: Nobody would refuse our purchase order. They all say yes to us. I have had no experience to be denied.

T: Such system and credit we owe to Shigeo. We can explain our system to our clients. We can make decisions right in the meeting room of the client's office. We don't need to go back and ask someone.

Y: That's why we get a lot of kicks doing the job. Partly it is because of the liberal management attitude, though. But I have caused no loss to the company.

T: "No loss to the company" is our creed. The company is a company which must make earnings. (to the interviewer) Write at the end that you, too, have found this job interesting and would volunteer for the hat business, for a position in Chuo Bohshi.

Y: Write that you, too, want to wear hat, until you drop dead.

Y: Yes.

T: A hat is a very smart item to show your sense of fashion.

Y: Don't go for a mask cap, though. We do not welcome those robbers. I have more than twenty name cards of detectives.

T: Yeah, that man under the snow in Aomori

Y: Yeah

T: A corpse was found in Aomori. It was all bones. Cloths were rotten. The hat, however, remained intact, as if you can wear it again. I told this to the boss, and guess what he said.

He said "That's no good. That's too good"

It is the age of ecology so everything should turn to the earth. But our hat did not, because it was the fruit of our pursuit of quality.

Consumers' Satisfaction---the Ultimate Aim of a Merchandiser

-----Your closing words, please

T: I want to make "Chuo Bohshi" known as a brand. We have many brands

including Borsalino® or DAKS® but I want everybody would say at a glance “Here’s another Chuo Bohshi!”

Y: Until a few years ago we had been making Butterfly Chuo Bohshi. They were washable but never lost their shapes or size. Consumers call us direct and wanted to buy another. We receive many, many calls like that.

I want to add a “fashion” element to our tradition. Having good quality alone is not sufficient for the ages to come. We have to adapt our tradition to the time and tide.

T: Shigeo was always saying that the consumer is not a mass but an individual. We must think whether he would be satisfied, and if he is ever satisfied, he must be satisfied with our hat.

Y: If it goes that way, the next choice that he would make will again be Chuo Bohshi. We will hold ourselves responsible until he throws it away after a long, long use. This way we want to convince him that his next choice would be Chuo Bohshi again.

T: Consumers buy with the money they strived to earn. If we fail to satisfy them, there is no meaning of our doing this business. We are selling him a dream, and if he is satisfied with his decision to have chosen and used our hat, we’ll be reassured. He will then again choose our hat next time.

Y: Agree!

T: What shall we do now to realize it?

Y: Create and go forward.

T: Persevere with persistence

Y: Wear a hat from tomorrow

T: Good things first.



Symposium No.3

That's why This Job is Amusing.

Shinya Kono (Ecletico Co. Ltd. Business Dept): K

Kazuo Nishioka (Chuo Bohshi Millinery Dept Mgr): N.

Noboru Hashimoto (Chuo Bohshi Sewing, Kamo Plant Mgr): H

Yasuyuki Yamamoto (Chuo Bohshi Sewing, Production Chief): Y

----Please introduce yourselves.

H. I joined 16 years ago. I'm thirty-six years old. I didn't know anything about hats when I started. This was my first employment, so I didn't know whether I joined a normal company or not (laughter).

I am a pattern designer. I make the model hat.

K. I joined 5 years ago. I'm 29 years old now. I joined a small bank after high school but this bank went bankrupt few years after I started there. I moved to another company and after that I joined Chuo Bohshi. Two years ago Ecletico started and I started working at Ecletico.

N: I joined five years ago and I'm 34 years old. I was working for the Moon Bat Co., one of Chuo's clients, at department stores. Three years there and I quit. One year in the fabric business and then Chuo. I am doing sales now.

Y: Fifteen years of service. Before I joined Chuo I was a salesman but I felt I did not fit to that job so I quit and joined Chuo. Now I'm 33 years old and I am making crowns.

----Are all of you married?

H: Yes, everyone here is married. I learned the job here and I found my wife here, too. I got a lot from the company. Money and a wife (laughter).

....Are most of the employees married?

H. No, I don't think so. There are many young people and women are in majority.

K: In production area, especially.

H. In sales men are now in the majority. In planning ladies predominantly.

----Yes, there are many ladies, indeed.

H. Shigeo used to say that even you leave the company with pregnancy, those who have skills must come back once the children grow up. There are many in the hat business after quitting Chuo. There are many in-house marriages, I guess.

Y: My wife is still working here.

K: My wife married me when we both were working for other company.

N: I am a different minority.

### Atmosphere in the company

----How about the atmosphere?

H: I don't know any other company so I have no way of comparing it with others. I don't think ours is especially different from other companies. I don't have any complaints and perhaps I am working in a good place. I do not have to flatter but I think I joined a good company.

----So you can work relaxed?

H: Yes, as relaxed as I am dressed.

N: Yes I think our climate is relaxing, too. I have been here longer than anybody in this symposium. I think we have good, kind people around us. I have many nice people of charming personality in our sales. There are no lazy men and the atmosphere is good

K: My former working place was more formal. They all were in suit and ties. Here I can be dressed anyway I like. In my previous employment 1 plus 1 always made two. Here, one and one can sometimes be two, sometimes zero, or anything. That is an amusing place to work in.

Y: Yes, the atmosphere is relaxing. It is not free, because it is a factory, but I can work here in a relaxed mood. When I started I was told what to do, but now I can create. There is no fiat from top management and I feel no restrictions.

----Because you are delegated very much and you can do the things at your discretion.

K: Yes, I think so.

H: There is an atmosphere of trust and delegation.

K: You cannot go by your own decision alone, of course, but when I develop a recommendation I get the blessing from the management and I can do in the way I plan to do. It is a rewarding experience. We are still young and immature and do not know what kind of freedom is allowed in the outside world to the junior people as we are. So I wish to welcome any advice from senior people, and I am lucky to get practical advices from them.

### Hat Making

----How do you feel by making hats?

H: I didn't know there are so many hats for fashion before I joined this company. To me hats were merely sun-shades.

I was born in Tokushima (a warm area) so I didn't know there are such a thing as hat for protection against cold weather. I was surprised, or impressed, rather.

----What do you make now?

H: I am doing ladies' hats, for teen-agers up to 70's. What to make for which generation is planned by planning-sales department, which brings in the ideas to us. I make the prototype based on those ideas.

----How do you think about those ideas? Are they good?

Everybody:

----Don't you think they are bad?

H: Yes, sometimes and somewhat. For example, they suggest fabrics for old ladies for hats for teen-agers. In such a case I feel the idea is absurd but I follow their instructions because I suppose there were a lot of thoughts behind it.

----Is the job amusing?

H: Yes, because it is creative job. I am especially pleased to see ladies wearing the hats that I made. I once saw my hat in Tokushima, my native town, which pleased me so much.

N: It is rewarding.

H: Yes, but in my core I was thinking it could be better if it was worn in a different way.

N: You would say "that's worn in a wrong way." But the first experience as such is really rewarding.

K: Also pleasing is seeing my hat on display.

H: You are moved. You watch someone pick it up, and say in your mind "go ahead and buy it." This is the pleasure of the maker. I want to share with everybody else the pleasant feeling of making something. Making something by yourself and sending it to the market. This is really rewarding feeling and I was taught that feeling by joining this company. I want to share this feeling with everybody in this company.

----Nice comment.

Everybody: (laughter)

H: Yes, but I was preparing this comment since yesterday.

Seriously, I think there is that feeling.

K: Yes, I am glad to see my idea takes form.

H: There are times that I would like to shout “I made it.” This is not simply a buy and sell type of the job.

### The Strength of Chuo Bohshi

-----What is the strength of Chuo Bohshi?

H: Flexibility. I bear it in mind when I am doing my job. There is an air against an established routine, a stereotype of doing something in a pre-determined way.

K: I think our strength is the fact that planning and sales are combined in unity. In other companies they are different and independent. We plan, buy the fabrics, and make the hats, as a continuous flow. This is our strength. This enables us to respond quicker to the market, which can be restated as flexibility.

N: I feel in the same way. Our salesman is responsible from planning, buying fabric, and every other step down to the cost calculation, So he is very confident of himself and can persuade the clients with enough knowledge of details. Fabrics we buy from makers but we do not merely buy. We talk with the planning staffs of the fabric makers and let them create new fabrics. I don't think any other company is capable of doing this.

Y: I am in production and I think our strength is the technology. We have technology to make the hats that nobody else can make. We have machinery to do that, and sometimes we make machinery by ourselves. I think this is a considerable advantage over our competitors. We have this knowledge as assets accumulated over time of our long tradition, and we can adapt these assets to new requirements of new ages.

### Along with the Time

----What are the weaknesses?

Y: There are many, if I include small things, too. Especially in the sales area, we have well-defined and good objectives, but our action is slow.

N: As a salesman, I feel there have been a lot of changes in these two to three years. The market is changing. We have to accept and cope with those changes. We are no longer capable of rejecting orders for small quantity and big variety. We must communicate and work together.

----What do you mean, more precisely.

N: Product life cycle has become shorter. Demands tend to be for small quantities for a big variety. In the apparel world, the lead time for the

delivery is only three weeks nowadays.

We have to face the situation and do what we must do. The production has started to understand it but we must understand the change down to the bottom and cope with it.

K: My comment is similar to his because I am in production but wider variety, smaller quantity and short product cycle is a commonplace now. Every client orders this way so this creates many problems in the production area. How to resolve this is our challenge. I don't think we can further grow unless we surmount those problems.

---Did you see any change with the new president?

H: Management orders come to me more direct. This may be partly because I was promoted, but I think the company is closer to me than before. Now with the new president the policy is changed to "you take your share of what we gain."

K: I am new to this company so I don't know the era of the former president.

---I see. There is an increasing share of your generation in the employees.

Is the Future Bright for Chuo Bohshi?

---How do you think about the future of this company?

H: I want it to be N<sup>o</sup>.1. To work in a N<sup>o</sup>.1 company makes an employee feel good. Even if the market shrinks, I still want that we are N<sup>o</sup>.1.

Y: I am making a lot of hats. I frankly wonder who buys all these hats. Everybody; (laughter)

H: I feel the same way and I have been feeling so for a long time.

Y: The hats of my area are in premium category. The volume grows every year and the same question rises in my mind.

N: Perhaps they sell because they are unique and therefore rare in the market. We can be confident that they sell. For the younger generation there are a lot of cheap products but as for the premium category there are not more than five makers in Japan including us. As long as we compete in this small but important market we'll be OK until the day when all the hats disappear from the market. I feel this way working as a salesman. There are criticisms, too, but after all the orders come to us. That is because we are not merely peddling hats but make business propositions with newly created ideas, which are accepted by our clients. This is a really amusing job and everybody in our sales area is ambitious enough to make the trend by himself rather than pushed by the trend.

---You want to drive the world, instead of being driven?

K. It is a part of strength of Chuo Bohshi

Y: There are so many hats in hat business world which are nothing more than an imitation of ours, as I see it. So, yes, you can say that we are driving the world.

K: Our production know-how is of a high level but sales know-how is at a high level, too. We can put full trust on it. I am a beginner and there is a lot that I have to learn. My seniors are all kind to me and teach me the way.

H: I see my seniors as my rivals. But not vice versa (laughter). I want to exceed them someday. There were such persons as great as historical big names (laughter). When I hear about them, I want to challenge their fame and win.

K: Yes, I want to be like them, too.

H: I want to be in that number.

### Objectives in My Area

-----Tell me about your objectives in your area of responsibility.

H: I try hard because I want to be more and more recognized. The new plant has just started and I want to get it into orbit.

K: I have become a senior member at Ecletico and I want to use my boys in an efficient and clever way. I want to create more jobs and I want to make products of which I can be proud.

N: My section has only three people but I want to persevere to get more clients. Making new products and having them accepted by the market to attain a good bottom line is my objective.

Y: My area is a section now but I want to make it a department. I want to respond to the trust in us by salesmen. Of course if the order is too big I'll have problems. I want to try my best.

----Thank you. What are the jobs that await you when you are back to your area?

H: Patterned hats for which our planning-sales department took orders.

K: I...umh

H: Are you going to think what to do from now?

K: Well...

H: I lay you off, boy (laughter).

K: Planning and so forth. Everything runs together. I must choose what to do first, but anyway I start and go ahead.

N: I came back from Tokyo yesterday so I have to take care of things waiting for me on my desk.

Y: I must take care of Nishioka-san's order

N: Thanks a lot (laughter)

## Chapter Two

### A Portrait of Chuo Bohshi

#### Special Symposium

#### Post-war Hat Business and Chuo Bohshi

Hiroshi Kurihara (President, Kurihara Co.,Ltd.): K

Asajiro Korai(Chairman, Santo Boshi Co.,Ltd.): Kr

Akira Shigematsu (President, Shigematsu Co., Ltd.): S

Katsuyuki Nakata (ex-President, Daiichi Co., Ltd.): N

Hiroshi Fukuda (Chairman, Bel-Akatsuka Co., Ltd.): F

#### 50 years working with Chuo Bohshi

---Please tell me about your relation with Chuo Bohshi

Kr: It was 1946/47 that Mr. Nishii started the business. We didn't know who he was, because everybody we knew we had known since before the war. I was told that he came back from Korea. I was also told that he came into this business because his wife had brothers in the hat-making business.

It was around 1947 that Mr. Nishii came to my house by bicycle, and he had something on the cargo stand of the bike. My wife asked what it was and it turned out to be schoolboys' cap. In those days there were many used invernesses sold in the market and Mr. Nishii bought them and converted the fabric into caps.

My wife wanted one but Mr. Nishii refused to sell unless she paid in cash. In those days, the payment was made only on the 15<sup>th</sup> and at month end.

Mr. Nishii was a man of discipline and he kept it throughout his life. The times changed and of course he coped with the change, but the basis of his thinking with the discipline remained unchanged.

He thought that he must make hats and caps that people would like and want. The payment must be cash on delivery. This was his creed and he lived with it. This was something really great.

I don't think there was any time lost in his life. All work no play. That was his life.

N: I came into this business in 1947 and I called on Mr. Nishii around 1949 or 1950 when I was an apprentice in the purchasing area. It was Nishii Hat or maybe Tenri Hat and not yet Chuo Bohshi.

There were many hat and cap makers and Mr. Nishii was making climbers' hat. He tied up with Hamano Textile and was making hats that nobody else could copy. I was impressed seeing that Mr. Nishii explained about the merits of those hats for about 20 minutes. I was convinced this was the right way to do the business, that is, to be knowledgeable about his products and passionate to convince others of the merit of these products.

As Mr. Korai said earlier, Mr. Nishii was so devoted to making things, serious but at the same time enjoying his job. This attitude has laid the cornerstone of Chuo Bohshi today.

F: I came into this business in 1950 and was visited in 1952 by Mr. Hayashi, who is now the counselor of Chuo Bohshi, who proposed a business relationship. I have been doing business with Chuo since then.

In those days they were making the Metro in navy blue which sold very well. And climber's hats, too, were good sellers. They were doing a perfect job and we as a wholesaler bought a quite lot of caps and hats from them.

As Mr. Korai said earlier, the payment terms were very strict since then. Quite square and rigid. Much later, I introduced my old friend to Chuo, but Mr. Nishii said he must have collateral.

This friend of mine was very senior to me so I asked Mr. Nishii to change his mind. I visited and asked Mr. Nishii many times. Then Mr. Nishii asked me if I could underwrite and or guarantee him. I said it would be very insulting to him and asked Mr. Nishii to change his mind. Finally he agreed but I had to try like hell before that.

That was Mr. Nishii's way of doing business.

He spent much of his time and effort for the wellbeing of the hat industry. There is a trade paper published by Japan Hat Association and Mr. Nishii

spent his effort to improve the quality of the contents of this paper.

He then started to make inroads in the highly fashionable ladies hat business and created the hats better than those by well-known makers Makishin and Chiyoda. I brought here a catalogue issued by our company in 1977 and almost every page was filled by Chuo's hats.

Mr. Shigeo Nishii was also well known for the affection he had for his products. This was at the core of the quality of their hats. Shigeo's management capability and Susumu's know-how and persistence for good quality production is the base of their obvious success today.

Kr: Our association with Chuo was during the first half of their 50 years of history.

In 1947 my brother and father opened the business. I came into this business in 1958 and I have enjoyed the business with Chuo for about 30 years until 1977, when our business relation was discontinued for a certain reason. Chuo was outstanding in research and development, and supplied good products, so that many wholesalers carried their products. This means on the other hand that everyone has the same products, which has an adverse effect sometimes. I was doing business at Minami-Kyuhoji and every wholesaler had Chuo's products in inventory. They were so dependent on Chuo and this would present a difficult problem. I saw Mr. Shigeo Nishii when he was the head of the executive committee of the All Japan Hat Research Society, and I thought this man is different from others. He spelled out major objectives, and then would delegate and check periodically. I asked him once where he studied this way of doing things. He said that he learned it from a colonel when he served in army. This was an impressive incident. Then we discontinued with Chuo, because if we continued buying from Chuo, we would end up in having the same products as our competitors. Also, SSDSS was coming up and we had to have our original product. This is why we parted with Chuo. There were two big names in this business, Renown and Onward. They were thought to be manufacturers but in fact they were wholesalers. We wanted to be manufacturers as well, and started planning and buying fabrics to have them sewn at sewing factory. There we collided with Mr. Nishii. He said that it is what makers do, and not the job of wholesalers. There were a lot of pressures and talks, but finally we chose our own way and discontinued the relationship with Nishii. I was the managing director and my elder brother was the president.

Many business friends gave us advice that we should withdraw our decision. This was the proof how powerful Mr. Nishii was and how high was the quality of Chuo. It is now 25 years since then.

S. I came to a hat wholesaler in 1962 which had business with Chuo. I was very fond of Chuo's products and sold their products in the Kyoto, Osaka and Kobe areas. The business with Chuo soared. Unfortunately our president passed away in 1965 and the relation with many manufacturers had to be discontinued. Chuo also asked us to submit some collateral if we wanted to continue the transaction. I went to see Mr. Shigeo Nishii and explained that our effort had contributed to the growth of Chuo's business. I was only 20 years old then but I told him I and other member of the company strive for rebuilding the business without remuneration. He said to me "Mr. Shigematsu, if a sob story can feed you, the business world is a paradise. Stop the sob stories" I still remember his words then.

In retrospect, this hard situation that we could not sell Chuo's products was the driving force for our effort in development and sales of our own products. Chuo's quality is good. This fact is supported by the devotion on the part of the management to the research and development, and their sense of responsibility that the company would undertake full responsibility if something should be wrong.

On the other hand, Shigeo's policy was a bar for the revenue growth. Since Chuo is such a big maker, they should be selling more than ten billion, but in reality they do not. It is partly because such financial policies impose a restriction and repels those wholesalers who want to buy from Chuo.

Shigeo Nishii as the President

---Shigeo was a very important person for Chuo Bohshi. Can you tell me your impression about him?

T: I was invited together with other two business friends, Mr. Nakata and Mr. Nishijima of Akatsuka, to an expensive restaurant, Ikuo. Before that, Shigeo sold directly to the retailers through his subsidiary Daibo. We all protested this because he had neglected us. He said to us that it was not something that we should worry about and raise a big noise, and his only intent was to follow up our business. He said that the money would not go directly from retailers to Chuo but only via us, which never followed that way, though. He also said to us that he was selling directly only those

headgears that we were not purchasing from him, so there would be no conflict. He said he was thus merely filling the gaps. This was untrue because retailers could see his showroom and pickup whatever they wanted to buy. So, essentially, we were all cheated by him by expensive dinner. He must have thought that those stupid kids as we were could be easily cheated (laughter).

N: It was our failure to have accepted that invitation (laughter).

S: Treated well even with take-away to bring home.

Kr. That story I remember, too, but I was polite enough not to mention that (laughter).

This is another incident. We wholesalers were invited to Ikuo or some other expensive restaurant, and the objective of the party was to talk about the future of the hat business. At that time Shigeo said he might go into wholesale business, if it was profitable. This was a shocking statement at that kind of meeting. We all were doing business with due respect to the franchise of each other. I was always told by my business contacts “don’t ever invade in manufacturing.” Well, the business culture may change by time and the taboo may change, too, but I am a man of the Meiji era and want to stick to the old culture, not to invade others’ territory. His direct sale was in contradiction to this culture but I think he did it with enough thinking and confidence. What he had in mind was to foster the growth of the hat business as a whole. Rationality was his supreme value and as the result of his rational thinking he started that. It was not his intent to give hardships to the wholesalers.

I think that Chuo Bohshi’s growth to the world-wide enterprise is indebted to Shigeo’s leadership. To make the things wanted by consumers was his motto. He used to say “Hats are a fashion item, not merely headgear. One wears a hat in order to put the final dot to his or her dressing” We all should pay due respect to his contribution to the hat business as a whole. With his presence the hat business world of Osaka has grown to the level of that of Tokyo, regardless of that after the war Tokyo has always preempted Osaka. Speaking of his personality we can criticize much but his contributions should nevertheless not be neglected.

### Rigid Business Terms and Conditions

F: I had many quarrels with Shigeo, who, at a time, shouted “Never come again!” Hayashi-san calmed down him and I continued the relationship.

There was a big shock when he started making hats in Korea. There were no precedents as such and people were worried that he would make hats and caps with much less cost in Korea and bring them to Japan. Now many hat companies make sourcing from abroad including Korea, but Shigeo preempted everybody. Someone I met today commented that the market would be oversupplied when a flood of headgears should come from Korea, and there would be price wars and many returned goods. I, however, think that nobody can reverse the tide.

N: When I became the president I made a courtesy call to Shigeo, who said that I have to realize an earning before tax and depreciation at least 10% of revenue. I thought that would be a tough objective but strived and attained 7%. I brought this to Shigeo but he commented "I told you ten!" Then, the next year I could get ten and showed it again to Shigeo. Later, I was told by one of Shigeo's staff that Shigeo told everyone in the company "Daiichi (N's company) realized 10% earning before tax and depreciation. Raise the selling price to Daiichi" (laughter).

That was Shigeo. He was a character but he had a charm of his own. I don't know if this is criticism or praise.

Y: I was told by Shigeo that we should never send Summer or Year-end gifts to our business friends, because otherwise they would surmise we were making a profit.

N: When a wholesaler makes profit, sell him higher. This was his creed (laughter). I guess this was his joke and he was not serious, though.

Y: Shigeo told us we must not say "Thank you" to the wholesalers, because, if thanked, they would think we were making money, so don't thank (laughter).

S: Shigeo was a gold player. He blessed every shot he made even if there was some distance from the hole. He was intolerant of the shots by others, no matter how close they were to the hole (laughter). He said it was not golf but mountain walking.

F: Walk for health was his rule. He was really a character, and scolded in a very loud voice, and I was young so there were confrontations.

In the business community I was at one time in charge of the trade paper so I had many occasions to interview Shigeo. He contributed to the hat business community very well but at the same time he tried to advertise his company. I was trying to be neutral for the wellbeing of the community so there were confrontations naturally. He was a very rigid businessman, too. One time I brought to him a promissory note with 75 days maturity instead

of usual 60 days, and he returned it and asked me to bring to him a new one with 60 days maturity. I think this was a sound request but I had hard times, too.

S: We discontinued the relation with Chuo in 1996 and the next year our earning jumped up 100% over the previous year. It was Chuo that takes the lion's share of the earning, and leave very little to the wholesalers. So, wholesalers bleed and become weak. If Chuo shifts their policy and let wholesalers earn, I would not be surprised that they would sell ten billion.

F. The stagnancy in their growth may perhaps be attributed to the dilution of their resources by diversification to the taxi and other businesses.

### Growing Together with Others

Kr: Shigeo had no words for things other than business. I was invited often to the exhibition at his showroom and met him but he didn't speak about anything other than business matters. So, in my long association with him since after the war, there has been no chance to hear something other than business from him, so there are no words that remain in my impression. I kind of agree with him, though, because business is business and there is no need to exchange personal conversation. He makes products of good quality then sells them to us and we pay. That's all. I was once invited to Hotel Okura by Shigeo and his son, the current president, but he talked of nothing other than business. You would expect at such an occasion some conversation on entertainment, family, health, and so forth, but he was different. I respect him in this regard.

As I said earlier, back in 1948, he was making schoolboys' caps from invernesses, and at that time, he said he would not sell his caps unless the transaction was cash on delivery. He insisted on this all the way down through the last moment. Superficial things changed over time but he persisted on the basics. I admire him in this regard.

And the hats he made! He made such hats that convinced every one of us that without his hats in stock we will be out of business. In other words, he forced us to buy from him. That is really magnificent.

One time he went into a department store which did not carry his hats in their showcase. He was angry saying that is the shame of the hat industry.

N: But his hats were sold in the annex of that department store.

Kr. Yeah, a slight misunderstanding (laughter). What I wanted to say was that he was that persistent, self-confident and straight. An ordinary manufacturer does not pay attention to such small things. They leave it to the wholesaler.

---You supported the hat business community in the past 50 years. Let me know your strategy for the future.

Kr. Times change, and we must keep abreast with it. We cannot just repeat what we have been doing. We are getting older and must think about how we hand over the button to the next generation. Having said this, it does not mean that we dump off everything to the coming generation. There are things they can do and they cannot do. We must discern.

I came here today not as a representative of my business but rather as a management member of the Association. In the Association our current topic is reform. A committee is going to be established to revisit the whole system. The Association was founded in the high growth period under the intervention of the state and there are things that no longer fit to this new environment. I think it is wrong just to preserve it as is. Grossly stated, everything valid at that growth period is not longer viable. We must rethink what is appropriate to the environment.

We used to think that wholesalers should remain wholesalers, and territories must be respected. Nowadays we are crossing boundaries. Wholesalers cannot make factories but they can order from copackers. They can even do retail.

I think a kind of consortium with some powerful nucleus may be a good answer. Those things that a single company cannot accomplish could be done by a consortium. Without such cross-border and cross-functional cooperation, small businesses such as ours cannot survive.

The association is called the Federation of West Japan Hat Industries Associations, under which retail, wholesale, manufacturing, raw material and processing are consolidated. In reality this organization does not move as we planned, and we must rethink its design. We must find an optimum form for such an organization. It may be better to consolidate by product property, or by region, and all other possible combinations. We were doing it by business category, but this may have been wrong. We have to discuss and find the solution.

Under these circumstances, Chuo Bohshi is not very much enthusiastic about the group's activity, though they pay membership fees. I strongly appeal to the president of Chuo Bohshi to spend more time for this group activity.

(Mr. Kanji Nishii (Ns), the president of Chuo Bohshi, enters)

Ns. Thank you all for coming today. You know Chuo Bohshi better than I do and I expected you to frankly talk about Chuo Bohshi. That's why I came late.

S. Mr. Nishii, please join us to talk and lead us as the representative of the top maker.

N: There are just so many things I have to do including succeeding what the former president has left to me, so I hope you would allow me some more time.

S. We have been just talking about the reformation and please help us.

Kr. We were talking enough before you appeared and I, too, wish for your participation because your company is very important. I am the president of the federation and we were talking about the reformation of the federation. Your participation, as the representative of the top-maker, is very much welcome, and we are all eager to have your opinion.

----What do you think about the new president of Chuo?

F. Different from Shigeo. Shigeo was an army-officer and was doing things in the traditional way. Shigeo used to say that my company and his must go in tandem, and I was doing my job with his words in mind. The current president is a man of the modern age with a broad knowledge about the time and tide and talks to us with frank words. I am thankful for that.

Ns. A Founder must have such vitality as my father. The second generation in general is much different.

Chuo Bohshi was a company with a kind of dictatorship, and it has its shortcomings. We must learn how to change this. We are too proud and we must change as a business organization. I don't mean to criticize my father but we must change to be a business-oriented company. Our people are too proud and arrogant vis-à-vis the clients and suppliers, as well.

Kr: When did your father pass away?

Ns: February 18. 83 years old. He did not feel very well about his heart since the morning. He went to a hospital and then in the evening he appeared at the New Otani, had two cocktails at the bar, ate well at Imai, drank again

and went home by taxicab, and when he arrived at his house, he could not stand up without a neighbor's help, and went to heaven in a good mood. No pain at all. It was typical of his life style. My cousin, who is a doctor, said he could survive if he did not go out. He was the man that would act once he decided to do something. Once he decided the plan of the day, no one including himself, could change it. So it was a life.

## Towards the New Age

Ns: I still cannot judge whether Shigeo did do something good or not for the hat industry after the war.

S: He made a big contribution.

F: Quite so. We are happy to do business with you, as we were happy with Shigeo. You two were running the company in tandem

S: There was nothing negative amongst what he left to us.

N: We are often asked by journalists about a representative hat maker, and we always mention your name. You are contributing this way, too.

S: Chuo has elevated the cultural level of the Japanese hat industry to the global level. Swedish hats are famous but Chuo is the best.

Ns: We are now making hats with size variation by one centimeter. This is the first time that we did this but I recognize again now the pleasant fit of a hat. The fit feel varies even if there is some millimeters difference. I always compare it to a carafe at a bar. It says one liter but actually it varies.

For example 59 cm is too tight for me but 60 cm is too loose. So I have made a series with 0.1cm difference and found out my size to be 59.4. We cannot make and sell hats with such fine tuning but 0.1 cm difference really counts in the fit. We still have some problems to resolve before we introduce the 1 cm notch hats but I recommend you to test the feel at our next exhibition.

S: I feel as if I'm listening to a maestro playing.

Ns: I do not cut the pattern paper myself, but I felt that our pattern designers are the best in the world. They say they would make a hat 0.2 cm larger than the sample, and they actually made it within a month. Such fine tuning I have never expected.

S: Even with CAD we cannot make it. We are also using CAD but are not satisfied. Maybe it is because every head has different shape.

Ns: Yes. We change patterning by every size. Strictly speaking, there are six versions within Japan regarding the shape of the head depending upon the district. So it is necessary to change the pattern depending upon where you

want to sell. In actuality we cannot go that far, so we are content with changing the size a bit.

Kr: Stiff straw hat was an old timer and that was difficult. We had to change the pattern by district. Eastern Japan was round, Western Japan a bit small, Kyushu was a bit large, and so forth. In Shikoku Island there are fine differences, that is, Tokushima was a bit large.

Ns: To do such a fine tuning is really interesting, though regarding profitability that is questionable. Fine tuning seems ideal but we do not have a clear and positive response from the side of the consumers. We therefore don't know whether 1 cm notch hats would really bring money. So we will display the minimum quantity at the store front. When consumers should really like it, it will sell. At any rate we must start this way.

N: The problem is that the men's section at retail is decreasing. Many retail hat shops are closing and department stores cannot be so heavily counted on, because for them the men's area is a relatively dull sector. It is hard to make sales grow under these circumstances.

Kr: The wholesalers must be very powerful to push.

Ns: What we can do is to make the best quality and challenge.

N: There are many consumers who make complaints that the big sizes are not available at retail fronts.

F: For small sizes there are demands.

N: I was told by the ex-President of Toraya (a famous hat shop) that if I want to make a success in the hat business I have to carry an inventory of full size varieties. Unlike ladies' hats, there is no decline in the price for men's hats even if the inventory sits there for years. As a successful specialty shop of men's hat, I must have full size inventory and meet satisfaction of every customer. Then I will be known through word of mouth route and establish me as a specialist.

Ns: The research shows that a customer can wait for three weeks. We can follow this because we can deliver out of inventory in a week.

Going back to 1 cm notch hats, I think this is the item that Shigeo would appreciate if he were alive and saw it. We introduce them in the year of the 50<sup>th</sup> anniversary which happens to be the year of Shigeo's passing away. These hats may be a token of our tribute to him.

Ladies Hats That We Planned Together

Humiyasu Hirate  
(ex-President, Mankyu Co.,Ltd.)

We started business with Chuo sometime in the mid-80's. We were doing business primarily in Ladies hats, so we were late to come into contact with Chuo, who were mainly in men's hats. Mr. Takenaka came to us and we started transactions. Our business was small in the beginning.

Mr. Takenaka was a hard worker, but at the same time he was a kind of romanticist. He later quit and started a hat company and I think those who start their own business are by and large romanticists. Shigeo was a romanticist, too, of a unique character, who had many friends as well as enemies. I think that is why he succeeded in making his company grow big. Chuo was men's hat company, but it was primarily men who wear hat so they were in the right sector of the market. It was only after the war that the hat has become more of a lady's item.

I started my career in 1958 by joining Onward Kashiya (an apparel company) after graduation from university, where I learned many things. I was in charge of ladies' apparel there and stayed about two years and left. I moved to Mankyu and there I opened a ladies' hat section.

In those days' department stores were the mainstay of the market. There were almost no ladies' headgear shops, except for San-Ai at Ginza and Suzuya at Ueno. The time was changing, though, and ladies' hats were changing, too, from stylish hats to more casual caps. Casual caps thereafter became big sellers when SSDSS started. It was about that time that Chuo realized our presence and proposed to us a business relationship.

#### Proposition of the Products Planning

We, however, did not sell Chuo's product. Rather, we made use of Chuo's know-how and technology and have them make what we think fashionable. This modus operandi was unique to us and no wholesalers were doing business this way. Shigeo, though, did not like this. He thought that he would make the hats that he thought right, and the wholesalers' job was just to sell his hats. Mr. Yahachi, however, did understand our idea, so he accepted our order without consulting with Shigeo. It was only after a long time that Shigeo started to recognize our way of doing things.

Through Yahachi's understanding and cooperation our business with Chuo did grow very fast and big.

In our company we had female planners since the 70's. It is now commonplace but in those days I was frequently asked what I was thinking and planning to do by hiring those amateur girls. I thought that men would never understand the ladies' psychology, and would be unable to plan ladies' hats. I thought that at the center of the planning function there should be girls who are in the same age group as the consumers. Yahachi joined our planning staff meetings and were many big sellers came out of this collaboration.

Our company is a wholesaler, but we suggested to the maker the idea for new products. We never had manufacturing facilities, though. We were content to leave that part to manufacturers. We were concerned about "what" to make. We were closer to the market and so I thought, we knew better about the needs of the market, which should be reflected in the products.

#### Headgear Business in the Future and Chuo

The quality assurance of Chuo was so rigid, which appeared to me too much, but it would be what supports the value of the brand.

I think in the future the wholesaler's position would become more uncertain. The manufacturers would remain indispensable, no matter whether the plant be located inland or overseas. But a go-between like a wholesaler is questionable. Does the market really need this? It was one of the reasons why I liquidated Mankyu.

Chuo had, I believe, a business style at a time to do sales by themselves. They went back to the current style of using wholesalers but I don't think the idea of direct sale was extinguished.

I don't think it is a bad idea for Chuo to have a wholesale division within the company.

The reason why the wholesale business is still staying alive is that the "consignment sales" system is alive. Before the war, the retailer had to "buy" the goods. After the war, Onward Kashiwama started the consignment style where the retailers are "consigned" the goods for sale and when the goods remain unsold they can return them to the manufacturers. Onward thought that under the high growth economy it would be too

time-consuming to leave the job to the retailers about purchasing and deciding the selling price, and it would be more practical that manufacturers/wholesalers dictate the selling prices nationwide and accept the returned goods and let retailers concentrate on store management. (in such a system the wholesaler functions as a warehouse/control center of returned goods for possible re-distribution). This idea was good under the high-growth economy, but as the economy slows down, we had better leave this part of the job to the retailers' discretion, and, if so, the wholesalers would lose their *raison d'être*.

The consignment system inevitably accompanies returns and the impact of the losses to the economy by accumulated returns would be considerable. With those highly fashionable items like ladies' hats the re-distribution would be very difficult, and hence, the goods will be returned and thrown away.

When internet spreads bigger, there may be no more retailers, and even department stores could lose their significance, because consumers would directly deal with the manufacturers.

Well. It may still take some time until this happens.

Chuo must be very much praised because of its excellence as a manufacturer. They are different from all other manufacturers in their management style. There are many manufacturers who try to achieve Chuo's strength, so they should expand their activity to the distribution sector in the future. This is what I believe.

Expectation to Chuo Bohshi  
Shigeo Matoba  
Ex-President  
Shinko Co., Ltd.

We have been doing business with Chuo since the very early days, when they started making hats. It was the days when my father was the president. Chuo came with the offer for climbers' cap, and we were the first in Tokyo area to do business with Chuo. There were many big, well known hat makers so I suppose it was very difficult for them to enter the market. When my father saw the sample, he was convinced of the quality, and that was the start of everything.

## Shigeo in memory

I met Shigeo Nishii many times and was taught about the business. He was a good friend to my father and they both were alike. So I had an amicable feeling from the beginning. They had the same personality. They both did speak with a loud voice,, and got angry very easily. When I met Shigeo for the first time, I thought that here was another man like my father in Osaka. Shigeo was an Osakan merchant, my father being a Koshu merchant, and they had a similar business philosophy.

I found out later that they both agreed on my training; that is, when I would graduate university I should join Chuo. This agreement was never observed because my father became ill in my student time and I had to succeed him immediately.

Shigeo was a talkative man and talked through when we dined together, but his topics were always business and hats. He really liked hats, especially men's hats, and he always talked enthusiastically about design, material, fabrics, colors, etc of men's hats. He always ended his talks by saying that we must buy from him double or triple the volume we were buying. He seemed to have had scenario of his talk before he came to me and topics were constructed in order to reach the conclusion that we should buy 50% or 100% more during the coming year. He was a good talker with a loud voice so I was easily hypnotized. When I came back to myself I often thought that I had been mesmerized (laughter). Of course he did not cheat me and his intent was serious, but I became wise enough not to give him my yes right away (laughter).

As he became ill, he talked about disease. After his retirement he came to Tokyo once a month to visit Keio Hospital and on such occasions he gave me a call for dining. The last time we met was also one of these occasions in the year before last. He goes to Keio at 5 o'clock in the morning. He has reservation at later hour of the day but he goes at five. He wanted to be the first to see the doctor. Then he could finish at ten or 10.30. He was short tempered, but forgot easily. He was like a quick boiler, boiled fast and cooled fast. I was accustomed to this type of personality because my father was such, but for those who are not familiar with it he must have been difficult man to get on with.

## Expectation to Chuo Bohshi

Chuo is undoubtedly the No.1. They are quality manufacturers with all the technical resources in terms of material development and pattern designing. There are no variations in the quality so that their products are absolutely reliable.

Hats are such products that accept almost every material, be it leather, fabric, knit, or anything else. But accessories should fit the material. It needs a fair amount of research and development but no other makers can compete with Chuo in this regard. Every year there comes out new materials and one must invent or select new linings fit for that. Without this the hat with that new material cannot be a good hat with unique taste. Chuo has the strength and or know-how to do this, which is their unique strength, vis-a-vis not only other makers in Japan but also other makers in the global market. Their shortcoming, if any, is the price. Theirs are expensive. Under this stagnant economy the average price zone of good sellers is coming down, but Chuo has very little in that zone. Theirs are positioned one notch above that price-zone. They of course know this very well so they started fighting in that popular price zone by introducing production facilities abroad.

We have many business contacts, except in the kids' market, but sales reps of Chuo are all men of distinctive personality. They are very well-skilled and talented, so new-recruits would have a hard time in being trained by them and succeeding to their places. With such new generation, though, Chuo will show additional growth.

With the current president, Kenji Nishii, their way of doing things are changing. At Shigeo's dynasty he had many brothers and relatives to look after diversified business wings, With Kenji it is his one-man show and the modus operandi must change. The time and tide change, too. Kenji started Ecletico and created a new division, which is the movement to cope with those changes.

For the Chuo Bohshi in future, I hope they would become a quick mover. The delivery lead time must be shorter, which is our primary concern today. With such a vibrant market where the fashion trend changes so quickly, a

speedy production cycle is imperative. Also, one must be able to respond quickly to repeat orders. I hope Chuo to build up such a system.

The problem with Chuo is its slowness to follow the changes of the world and the market trend. Price is another weakness of theirs (laughter).

They are the No.1 and I make these requests to them with a great expectation for improvement and further growth in the future.

Mr. Shigeo Sakai and Chuo Bohshi  
Masahiro Murase  
President, Murase & Co., Ltd.

Shigeo was vivid, and a good talker. I liked him, and we met together many times to talk.

I think it was Shigeo's vitality and his vision, as well as his persistence to his goal that has contributed to the growth of Chuo. This character of his was the reason that some people disliked him (laughter).

It is a long time since we started to buy from his company. I am still impressed today by his reputation and pride in the products that his company makes. Quality is the primary reason why so many wholesalers across Japan buy from his company. In that regard Shigeo allowed no compromise. It was his belief and religion.

Murase and Chuo

My company has entered its 49<sup>th</sup> fiscal year, so we are as old as Chuo which celebrates the 50<sup>th</sup> anniversary. Shigeo started the business almost simultaneously with my father.

We started around 1940 and it was a small, private business of my father. We were incorporated before the war, but since we were new comers, we had very little contact with Tokyo or Nagoya makers, and our suppliers were mainly in Osaka. There were many hat makers in Osaka, and Chuo was a new member of the community. Shigeo started with his brother and they made schoolboys' caps from used invernesses, as I heard from my father.

In 1950 we were already business friends. When I entered the company it was the period of high growth and hats were selling very well. In those days kids' caps were a mainstay of the business. Kids used to wear caps when they would go out. There was good demand for kids' caps and so there were many manufacturers in Tokyo and Osaka. It was around this time that Chuo introduced washable caps and they made a great success. Mr. Oue was the manager who introduced many new items, and when he came out with this washable cap he demonstrated it at the department store with a washing machine. Consumers as well as we had believed that caps or hats were not washable, so this new product was a significant departure from the common sense of the time. This cap was really a big seller and it was the result of their innovative resources and quality-first policy, all of which were attributable to Shigeo's beliefs and strength.

I was still very young and I reminisce about the old days. Today it is difficult to find a good seller as such (laughter).

Chuo Bohshi as a company

Through our long history of association, I can put the impression of Chuo in a few words, that is, a company that sits in the middle of the hat world. They fight like a champion. They do not fight in the corner but at the center of the ring. They always are in the middle no matter whatever goes on at the fringe of the hat community. When I look back, I always think that they are great. This is all attributable to Shigeo.

---Does it mean an orthodox business style?

I don't know what is orthodox in a business, since there are hundreds of ways of doing things. I think they are great because of a good cash flow and confidence in quality. They believe in their products, and when they meet a complaint and are convinced that it is due to their mistake they would do anything to compensate. It was Shigeo's implicit policy and I felt it not from his words but from his personality which I understood through many contacts with him. Today there is PL or Product Liability Law and we cannot be content with what we do. The age has come that will meet Shigeo's policy. It is great that he started this policy 30 years ago.

His attitude was reflected in his style about delivery. He used to say that he would pay a penalty when he should delay the delivery commitment. I don't know whether he ever delayed and paid, but this attitude was really his way of doing things. I do not know how other people or his employees would

think about this, though.

### Shigeo Trained Me

Shigeo spoke very loudly and said was straightforward about what he wanted to say. I was often scolded by him. When I was young I was a bit afraid to see him, but I studied to elevate my level so that I could speak with him on the same mental level.. I had trained myself before I saw him in order not to be defeated by his big voice and inner strength. I always found out that I was improved myself after I met with Shigeo. I always got good stimulation from him.

From him I learned how to be a president of a company, as I was still junior in my father's company. I came to Osaka as many times as my father allowed me to, say, two to three times a month. After my father died, I came once a week. Of course I saw many other people but most frequently I saw Shigeo.

----Did you feel Chuo was Shigeo and Shigeo was Chuo?

Not necessarily. But his policy was well reflected in the way of doing things of his company.

Chuo's product, be it a good seller or not, was for me a reliable product, in the sense that I would cause no troubles to the client who bought that product from me. So, I had an assortment of their products, including even slow sellers. What I did not like was their prices. I still dislike it. I think it was Chuo's style to determine the store retail price at a fixed margin. I think their salesmen had easy jobs.

----Chuo has a good quality, but high price, too?

Otherwise, they would not have grown that big. What helped them grow was their quality, and it was Shigeo that made the quality.

I didn't like Chuo's price, but I was compelled to buy Chuo's products because I needed them. I am still compelled even today (laughter).

Shigeo used to say "Buy from us. Then you'll have no trouble" The price was high and the market could not accept as many as Shigeo would have expected, though. For any wholesaler, let me say this, it was impossible to think about the inventory assortment without Chuo's products.

## Positivism of Shigeo to the Business

I was not merely talking about business with Shigeo. We often conversed about various subjects from a global perspective.

He often asked me how I position my company in the business community, referring to that of his company, and he said that we must not be content with the present position as the leader of Nagaya or middle Japan district. I got much stimulus from what he said. So 25 years ago, my company opened a Tokyo office, and this inroad in Tokyo area made it possible for our company to spread our franchise in Eastern Japan. One must be bold to extract some good lesson from what he says, though. He spoke with a loud voice and gave you big pressure, so if you are timid you would avoid seeing him again. There are two types of people, that is, one who extracts good things from his saying, and the other who is merely upset by what he says. He was straightforward and there were employees who could not stand or got angry and quit. I liked him, though. His straightforward attitude was what I liked and learned from. With such a high reputation, he was forgiven for speaking straightforwardly. He was a man of determination and his statement was backed up by his willingness to take the responsibility for what he said. There are many at Chuo who understand this and follow him with the due respect.

I never remember that I ate with him, regardless of the facts that we got together so often. He never treated me right (laughter). We always met at the office of the President. Once a year, at the new year or the end of the year, Shigeo came to Nagoya to greet my father, and that's all. Otherwise, we always met him at his office. While talking, he never said anything other than business matters. No play at all.

## Chuo Bohshi in the Future

----How do you think about Chuo today?

Normally, when you start making some new product, you think about a selling price that will fit the market or the consumer, and then define the cost within that framework. Chuo does it differently. They think "we used this material. We endeavored this hard to make it, so it must sell at this price." They try to dictate the market, instead of adapting themselves to the

market. Of course, I don't mean that they disregard the cost. But it is their style, as I see it.

It must come from their self confidence, built up by manufacturing all the hats they sell in their own factory, with very severe quality control. It was a common practice then to let subcontractors do the job and so-called makers were busy to collect the products from subcontractors.

But Chuo was different. They had their plant and did all the tasks within. This was really exceptional and their employees were all very proud of this fact. Their people are sometimes high-handed and would say "if you cannot accept our conditions, please do not buy", and this sometimes upset the clients including us (laughter). But still, we all are forced to buy from them because they are so good. They climbed up to that height. How the new president will succeed this kind of attitude remains to be seen, but I think it is a challenging job for him.

---How about Chuo in future?

Until 7 to 8 years ago, they were the No.1 in our purchase list. Nowadays it is No.8 or 9. The market is growing and this resulted in the decline of Chuo's share. For example, there is a low-teen market in which cosmetics and magazines for those girls sell. Chuo's hats will not be accepted in this market. They just don't make those things and even if they do, the selling price will not be acceptable to them. So, Chuo is very weak in the youth market. This market needs items of short life cycle. Man needs a good footwork which Chuo does not have, because they sit in the center of the ring. There will be no staff, I suppose, in Chuo who have sensitivity to this kind of market and its needs. I once told Shigeo that his company would always turn the production system 100% of its capacity, and would not leave any contingency. If there be some contingency left, then there is a room for a new bud for a new market.

The youth market is a cheap market and it may be difficult for Chuo. But youth has changed in these days to look for something better, and that is an opportunity for Chuo. For example they move from synthetic to real leather, and from cow-hide to lamb, or from ordinary felt to 100% woolen. I recommend Chuo to know better about the youth market.

How does one cope with the transition of the world? I think such a big company like Chuo should use media advertisement to propose a new life

style with hats and caps to every age sector. I think there is a lot of chance for growth in headgear market if a good media strategy is adopted to create a new image for hats. I think it is even Chuo's duty to do so because they are national marketers of headgear. They can even think about adding distribution channels under their control.

They do a good job in design, quality and the price (laughter). They are very good as long as we see it in the short range. Long range, they should consider with a broader perspective. That is what I think.

## Chapter 3 A Portrait of Shigeo Nishii

### A Quarter of a Century with Shigeo Nishii

Hiroshi Ejiri

(Director, Marketing Science)

#### The Initial Contact

It was in 1974, now 28 years ago, that I met Mr. Shigeo Nishii, the first president of Chuo Boshi. This was the year of

- the third year of Mr. Tanaka's second cabinet
- the discovery of Lieutenant Onoda at Lubang
- the resignation of President Nixon
- the publication of "The Study of Kakuei Tanaka" by T. Tachibana
- the start of Mr. Miki's cabinet

It was the time of the sunset for the Japanese textile industry, and the Japanese economy was aiming at further growth by the heavy chemical industry. It was public opinion that the textile industry would decline because it was labor-intensive. I suggested in *Chuo Koron* (a leading magazine in Japan) that:

- The textile industry and apparel industry must be separated
- In the U.S, the textile industry was declining, while the apparel industry was growing. If we had a good guiding policy, we could expect the growth of apparel industry also in Japan.

My article got the attention of the readers and I received many requests for lectures. I remember I had a lecture meeting at the Osaka Chamber of Commerce and I later learned that Shigeo was there among the audience. I met him in person, however, at Kobe where I had a similar lecture.

I was then asked to give the lecture in Kobe with the identical contents as that at Osaka, which I followed. At the end of the lecture, a short man sitting in the front row said to me that he came to listen to me twice, but was disappointed because the contents were identical. It was Shigeo. He continued after this with several questions to me, and stated his thinking, His statement was very logical and his voice was loud, and I felt some pressure from him. I answered him and explained why I made the lecture

with the same contents, which he understood. This was the first encounter with him, and the beginning of a friendship that continued for quarter of a century.

A relation for 25 years

Everyone has several friends with whom one meets frequently, but there are very few that one meets once every month or two for a quarter of a century. My relation to Shigeo was like that. I met Shigeo perhaps more frequently than Kenji, his son and the current president of the firm.

In 1979 I left the Distribution Research Institute where I served as a director, and established the Marketing Science Institute with my colleague, Mr. K. Kashima, and started lecture meetings twice a month in Tokyo under the title of Apparel Information Analysis. These meetings included:

- Mr. Kunio Watanabe, President, Kind Wear
- Mr. Genjiro Terada, President, Caravan
- Ms. Kinuko Kojima, President, Tokyo Soir
- Mr. Hajime Yanagisawa, President, Isshu

as well as

- Mr. Shigeo Nishii, President, Chuo Boshi

At these meetings we could talk very freely and all the attendants were able to absorb the knowledge about hats from Shigeo, including very minute particulars relating to their manufacture.

In 1985 these lecture meetings progressed to an “Apparel Strategy Research Meeting” and Shigeo was always a participant. When he could not find the time his son, Kenji, attended.

Other than the contacts at these meetings, I went to Osaka and met Shigeo for analysis of the hat market, or company diagnosis of Chuo Boshi, all requested by Shigeo. It was around this time that I introduced the “representative” system in the U.S. apparel market in an article, in which Shigeo was interested, and he established a company named “Daibo.” I went to Osaka frequently to guide him in the management of Daibo and these were other occasions when I met him.

In these ten years Shigeo used to come to Keio Hospital in Tokyo once a month for a medical checkup, and on those occasions we'd meet at the Hotel Okura and dine together. The last occasion on which I saw him at the Okura was on Tuesday, January 8, 2002.

There are many reasons why we could be friends over so many years, and one of these was that we shared the objective of contributing to the growth of apparel industry. Another reason may have been that we both were born and grew up in Korea, Shigeo at Daikyu and me at Pusan and still another reason may have been that we both know pre-war and war-time, although I was a little bit younger than him.

Then, what did we talk about?

A Born Entrepreneur

Let me list those topics that we did NOT talk about:

- Movies
- Drama
- Music
- fine art
- novels
- sports
- hobbies
- travel
- TV

We may have been “defective people” who have had no taste or humor.

Instead, we talked about:

- Decline of department stores
- Low profile of specialty shops
- Lack of growth of Daibo
- Restrictive factors for the hat manufacturing business
- Changeover of management at Chuo Boshi
- Visions after Shigeo becomes chairman of Chuo
- Heritage and its succession
- Disease and its development
- Good and inexpensive restaurants
- Reminiscences of the days when we were soldiers

Most of these, clearly, were the topics relating to Chuo Boshi.

Shigeo was then already 84 years old. He had lost his position at Chuo Boshi for a few years earlier and was not permitted to make contact with his former subordinates. He was not allowed to participate in the decision-making process of the company. But he was still concerned about Chuo Boshi. What he was thinking about at the snack bar of the hotel he used to patronize in the few hours before he passed away is unknown, but I can easily presume that it must have been the future course of action of Chuo, especially the redevelopment of the sales area at department stores. He really was an entrepreneur incarnate and he was thinking about his business all the time, regardless whether he was awake at his desk, in bed, or on his deathbed.

To the Bottom of a Business

No dictionaries mention this idiom, but there is a saying “to go to the bottom of a business”. This means that one devotes oneself to one business which one has selected from among many alternatives. With Shigeo, we saw this idiom incarnate.

When I was a kid, my father used to go out with soft hats, or panamas, in summer. When I was in a college it was the time when college caps were in decline and no-cap styling was thought to be more up-to-date or groovy. Now almost everyone abandoned hats, and caps are worn for casual occasions such as travel. The market for hats has very much changed.

This was not a good time for hat makers. Almost nobody was willing to buy a hat. So I advised Shigeo that he should make ladies' hats. From the point of view of marketing strategy, one should change oneself to cope with the new market situation, when there are changes in the environment, with new products. This is the golden maxim of the marketing.

He declined and said that he would continue making hats for men.

He said his son might change the course of action, but he would not change so long as he is at the steering wheel. He continued:

1. He accumulated know-how in men's hats. He would not throw it away.
2. He should aim at No.1 share position. When this was achieved, his

company would have higher profitability.

3. He knows that big revenue cannot be expected from the men's hat business, but what is important is not revenue but earnings. Stable earnings can be expected even in the hat market.
4. The hat market is not dead. When he specializes in the hats that meet the trend of the market, his company can stay alive and Chuo would have a good *raison d'être*.
5. There will be stronger competition against foreign brands. But as long as Chuo leads the market in terms of creativity, Chuo can beat these overseas competitors.

He enumerated these reasoning without any pause or interruption in just a few minutes, and I was overwhelmed by his logical thoughts, with such strength that repels all the criticism I was impressed by his expertise, his attitude to get to the bottom of his business, and thereafter I never offered any advice to him.

Shigeo's philosophy was thus to "go to the bottom of his business." This was very suitable to a man who started his business from nothing and has built it up to be the largest hat maker in Japan.

Concerned about the Decline of Department Stores.

Shigeo criticized department stores because he was told by wholesalers how arrogant and stubborn the department store buyers were. He said that the wholesalers were not making money because they were forced by department stores:

1. To accept a huge volume of returned goods
2. To accept losses due to mismanagement of the inventory
3. To bear some percentage of promotional expenses
4. To absorb various expenses
5. To buy some goods that department stores want to sell to wholesalers in return.

I don't think there has been much change up to today in this situation of department stores giving a hard time to the wholesalers.

But I think that Shigeo changed his attitude towards department stores at that time. He was now afraid that department stores might fade and vanish

from the retail segment of the nation. Chuo used to sell most of its goods through department stores and hat shops. Hat shops, however, have mostly disappeared with the decline of shopping arcades, which used to exist around railway stations, the reason being probably the increase in automobiles and consumers move to suburbia. So, department stores became the only outlet for Chuo.

Department stores, unfortunately, are not doing well. The profitability of department stores was low even before the bubble period, but it has worsened since the bubble, so that many went bankrupt. People say that ultimately there will be only one or two department store groups that can survive.

This decline of department stores will be fatal to Chuo. This is what Shigeo thought, and it is true. For the high quality and premium-priced hats of Chuo, department stores are the only effective outlet for their products. If department stores disappear, Chuo has to disappear, too.

So in these few years, I talked a lot with Shigeo, mainly about the theme

1. Can department stores avoid decline?
2. What would revitalize them?
3. Can department stores regain their growth strength?

Shigeo was purged from the management team of Chuo, so his days were spent just reading in a room in a condominium. His thoughts were focused on how to stop the decline of the department stores. He was a thinking man. He found joy in finding answers to his questions. He was that type of entrepreneur.

The reason why Shigeo, a mere entrepreneur, was so concerned about the fate of the department stores was as explained above. It was connected closely with the future of Chuo Boshi. He even found enjoyment in thinking this difficult question, as I consider his mind today in retrospect.

To Respond to Misunderstandings about Daibo

I think that the concept of Daibo faithfully reflected the logical character of Shigeo. Daibo is an agent between Chuo and the retail shops, so that there is an understanding that Daibo somehow replaces wholesalers. There are those who criticize Shigeo and believe that Shigeo aimed at direct

transactions with retailers. This is not correct. His basic policy was to sell to wholesalers. But there are new creative hats which wholesalers won't accept although retail shops do. These products are going to retail shops through Daibo and serve to give a broader shelf assortment at the retail outlet. Inasmuch as retailers are desirous of having broader variety in their stock but wholesalers are more interested in effective inventory control, there is room for Daibo to intervene.

As a matter of fact, Shigeo invited retailers as well as wholesalers to the exhibition of new lines, and those items for which both wholesalers and retailers showed interest would be sold via wholesalers to the retail front, but those items for which retailers showed interest but wholesalers did not went to the market via Daibo. So Daibo was a complementary element of the distribution channel. This is a mechanism that Shigeo invented in order to resolve otherwise conflicting distribution elements: that is, responding to the desire of hat retail shops for a broader variety while simultaneously paying due respect to the wholesalers convenience for a smaller variety and better inventory management. This is, I think, one of the masterpieces of Shigeo's thoughtful achievements.

#### Hesitation about the Successor

Since the earlier days when his son had still been working at Renown (a leading apparel company of Japan), I believe Shigeo was willing to select his son as his successor. There were many apparel makers which were in trouble with regard to the successors to the founders, but Chuo was fortunate to have had Kenji Nishii, the son of Shigeo, as the most reasonable candidate, both in terms of his ability as well as his reputation among employees.

I once told to Shigeo that he was fortunate to have a good successor, to which he briefly responded affirmatively.

Few years after Kenji returned from Renown, I asked Shigeo why he would not retire and pass the president's chair to Kenji. He responded that Kenji was not very healthy and that was his concern, which turned out to be untrue because when I asked Kenji if he was ill, Kenji said he was not ill at all.

It was Shigeo who became ill in the meantime, and he had to use a wheel

chair. But Shigeo declined my advice to retire. When Shigeo was in his mid-70's, he said that he left it to Kenji's discretion whether to divest from a taxi company belonging to the group or to give that company to Kenji to manage.

However he did not refer to Chuo Boshi itself.

It was only few years ago that I found out that Shigeo was forced to retire. I placed a call to him, but the company switchboard did not connect my call and there was a long pause before my call was finally connected. A few days later I met Shigeo, who told me that he had been forced to retire to the Chairmanship, leaving the presidency, in an unexpected manner. I think this was good for the company, but apparently Shigeo did not like the manner and style of the whole proceedings of his retirement. For some years he was complaining to me, so I recommended that he take trips abroad, or write his memoirs, or collect bonsai or pet animals and plants. He apparently did not think much of my ideas and every time I met him he was worrying about the future of department stores.

Shigeo had recognized the competence of his son, Kenji, as the successor from early days. I do not understand why at the last moment there was such a hesitation on the part of Shigeo to retire. As for inheritance, on the contrary, Shigeo was trying to leave for Kenji as much as the tax law permitted.

He told me he had done everything possible, having learned at a seminar about inheritance. So, I think that his hesitation was due to his attachment to the company per se, and not the wealth he had accumulated.

### A Chaser of Dreams

Shigeo was a man who chased his dreams into his 80's, and I cannot help but respecting him in this regard.

After 80, he was saying that his health was on the decline. He was not eating meat as much as he had done. He now ate only twice a day, and less and less breakfast. He felt some trouble in walking. His friends passed away including his brother. He was saying that next it would be his turn. Although an old man, Shigeo was suddenly very lively when he started talking very logically about the plans he had in mind: to create business plans and realize them. This was his main objective in life. This taught me

that it would be best to let him have dreams and strive for their realization, if we wanted to allow him live longer.

I was told by Shigeo about two dreams he had; i.e., the renovation of sales fronts at department stores, and the better utilization of a building he had in Aoyama, Tokyo. There was still another dream before these two, which was the management of a residence for elderly people at Osaka, close to his company. These dreams were, without exception, not for his own pleasure but for that of other people. At the age of 80, this old man was still dreaming about contributing to society.

### Promise to a Comrade

When Shigeo told me that he would like to be buried at Daikyu, Korea, and not in Japan, I was much impressed. Many people prefer to be buried at the place of their ancestors, but he did not. Is this because his father started the business at Daikyu and he spent his childhood at that place? It was not so. He promised to be buried in a foreign country when he as an officer and said farewell to his dying subordinates at the Chinese front, consoling them that he, too, would be buried in foreign soil when the time would come. He never forgot this promise.

### Man of Effort

When his father came back to Japan after the war, the family settled down at Aichi, and Shigeo went alone to Osaka in 1946 to start the hat-making business with only two sewing machines. This kind of story is not unique, but the effort spent by him from this meager beginning to become the Japan's largest hat maker must have been enormous.

Shigeo used to write a column in a Chuo PR magazine called *Hat Databank*. There are not many businessmen who write. Writing requires some preparatory research work and a certain amount of time for concentration in order to create a plot and write down the idea. Businessmen are too busy to do this, but Shigeo did it. Very respectable, I would say.

He read many business books, perhaps partly for his writing. He read the same book many times if he was impressed by it. He read my books many times also, including "Quo Vadis, Fashion Industry", "Returned Goods" and "Renovation of Department Stores," for which I feel a big honor.

Due to his extensive reading, he was one of the most intelligent and persuasive opinion leaders in the hat industry. His sharpness must have become from all the books that he had read and the resultant knowledge that he organized into a logical system of his ideology expressed in terse and persuasive writings.

Goethe said that those who make an effort would be rewarded. Today there is a trend to despise such effort but I am against this trend. Without effort man cannot be trained and grow. In this sense, Shigeo was a living paradigm.

This is what I know about Shigeo, with whom I was a friend for a quarter of a century. I tell myself that my efforts here are not enough.

Memory in a Shinkansen  
by Yoko Ohara  
Chairperson, IFI Business School

#### A Sudden Call

“I would like to meet you” said the man on the other end of the wire, and it was Shigeo, whom I had never met before. It was in 1972. This form of approach, as I look back on it, was typically Shigeo.

I was participating in Asahi Kasei’s FIT Seminar project as a planner, which received some media coverage, and Shigeo had seen these articles. Shigeo appeared with his son, Kenji, the current president of Chuo, at the Imperial Hotel where we held the seminar. We decided that Kenji would come to New York to attend FIT.

The FIT program was a seminar about the fashion business sponsored by Asahi Kasei. Originally this was a curriculum of the Fashion Institute of Technology in New York. I studied at this seminar in the 1960’s, having been sent by Asahi Kasei, my employer. There was a book titled “The World of Fashion Business” by professors of this institute, which I translated and published in commemoration of the 10<sup>th</sup> anniversary of

Asahi Kasei's introduction of Cashmilon. This book had public appeal, and resulted in an ongoing seminar in Tokyo with lectures by professors invited from FIT New York. This book, by **xxxxxxx xxxxxxxx**, published by *Toyo Keizai Shimpo*, introduced the concept of the fashion business to a Japanese audience for the first time, and received praise from many readers, who were eager to have the seminar in Japan, having been impressed by the advanced business system in the U.S. fashion industry. This resulted in the implementation of the seminar from 1970. This seminar was held annually until 1997, when IFI Business School assumed responsibility, and contributed much to the education and training of the people in fashion-related industries of this country. Most of the people at the management level in the industry have been trained through this seminar. Shigeo was the first to find the value of this seminar, and sent many Chuo staff, including Shigeo himself who, after finishing the seminar in Japan, went to FIT New York twice to attend the seminar in its home country.

#### In a Shinkansen Train

When I first met Shigeo, I was living in Himeji where my husband was working, and I commuted between there and Tokyo. My time in Tokyo was therefore rather limited, so Shigeo and I could not meet other than on a Saturday evening or at some other awkward timing. We could not keep our promise to "See you soon" because of these schedule conflicts we each had. Shigeo proposed meetings aboard the train knowing that I was commuting and because he also commuted between Tokyo and his hometown Osaka. So we took the same train and talked on board between Tokyo and Osaka. He had a broad perspective and many interesting topics. I was writing some trade papers and he made comments on my articles, writing to me quite often with sharp and terse sentences and with a very good penmanship. It was in the mid '70's aboard the train when we talked about young entrepreneurs. It was the time when many young men were at the steering wheel of his company. When I praised this younger generation and said that young people were more adequate for management during this new age, he protested, saying that it would not be necessarily so. It was a very brisk and terse comment, which was left indelibly in my memory. Soon many of those companies went bankrupt, which supported Shigeo's opinion. He later wrote to me that there are many dimensions in the business and the pursuit of new things is not always a good road to success.

## Quick Decision and Dynamism in Action

At any rate, it was a rare case of a well-established, older businessman, coming to see a very young woman, even for riding the same train. Shigeo was born in Korea and stayed in China during the war, and there was something that made his character broader than ordinary Japanese. His generation had many people like that, being born abroad.

Their style of living is straightforward and in a sense they resemble Americans. In America you can meet VIP's without introduction. In Japan, you can never reach the top because of many "guarding" levels beneath the top man. Shigeo had that sort of mentality. A real entrepreneur. One day I received a parcel containing a smoked salmon. I did not understand why this came to me but I recalled that I had told him a long time before this that I was very fond of smoked salmon with cream cheese on a bagel. He was such a man that remembers all the minute conversations with his friends, so that he could easily make a friend. He was a gourmet and very fastidious about what he ate. He took me to many restaurants that he discovered.

He was the man that was concerned about the wellness of the industry in which he conducts his business, and he was a director of the hat business association when he was younger. He was extremely busy but a man of determination.

He was a devoted researcher for anything new and he was the first man to introduce the sales representative system, in which he succeeded being helped by his power of devotion and willfulness for action.

He was, in essence, the man of ideas, study and deed.

## Under the Cherry Blossoms in Full Blossom

Hiruyoshi Tokunaga  
Member of Diet  
Osaka Municipal Government

-----How long did you know Mr. Nishii?

It has been 30 years since I first met Susumu Nishii at the local businessmen meeting held at his factory. He no longer comes to these meetings because of his age, but it is a long time since we met. I met Shigeo, his brother, about 20 years ago. Shigeo was of a different character from his brother and was a very interesting man.

He always attended the general assembly, telling me that it was his pleasure to listen to the lecture. The speakers were either a doctor from a hospital or public health attorneys, and since the attendants were all very much concerned about health, they were arduous listeners.

Shigeo was a man of knowledge and he knew everything. The politics, economy, and so forth. He had a good sense about the change of society and steered the business with a very quick response to such a change. He was a man of foresight.

#### A Man Reading the Change and Preempting Others

Shigeo was a very talkative man. He always asked me to speak but in the end he was the man that talked and I was a listener.

He talked about his business, too, and he always had many plans in his mind, about which he talked to me very much.

He once opened a branch factory at Kagoshima (at the southern end of Japan), and it showed good foresight on his part, although no one else would have thought about such a plan. He always devoted all his intelligence and attention to his business and had thought ahead of time. He was very aggressive man, a preemptor.

He opened up a condominium for elderly people. When this was opened there were no other facilities like that and it was ahead of its time. There was some technical troubles and the completion of the building was somewhat delayed, which was regrettable. But, anyway, it was ahead of its time. He had a room for himself and another for his brother on the 9<sup>th</sup> floor and he has even prepared nameplates for both. Susumu could not come so he was living alone in his apartment. The building had a very large projection room and a big screen. Many advanced facilities. He was not merely a lover of something new but was really a preemptive thinker. At one time he installed a fitness room at his factory, with aerobics and machine

training courses. There were none like this in the world at the time. He called me on the phone and asked me to come and see it. I went there and there was an aerobics course going with a professional instructor. I received a blood pressure check. This kind of thing was quite new and we had never seen something like this before,

### Watching Flowers Alone

He was a frank and unassuming man. I saw him then, about ten years ago, very often at a small shabby eating place close to his factory. It was no place for the president of a big company. I had curry noodles there often and he had a sweet tooth and was eating big pastries.

I think men of his status are always surrounded by people, but he was a man that loved solitude. I saw him often alone at many places like department stores and hotel lobbies. The last time I saw him was at Osaka Castle in cherry blossom season. He was alone. There is one sector in the park where there were many cherry trees in full bloom, and I was walking with my wife and saw Shigeo, who was alone. He was sitting on a vinyl sheet on the lawn and was eating something with beer. It was already dusk but he looked to be very cheerful. When I got his attention he was much pleased and invited us to sit together. I had come by car so I did not comply with his invitation that we drink together, but he insisted to sit there so we sat there and talked with him for some ten minutes and left, saying that he should enjoy himself.

In retrospect I must have been there longer, maybe half an hour, because this was the last time I saw him. The place he was sitting was really a nice place with good vista. Even an APEC meeting took place nearby. He enjoyed seeing the blossoms alone. He was saying that cherries were good. He was somewhat different from us, who are fond of getting together. An impressive memory.

### Mrs. Tokunaga

He was a poetical man. He said he liked to be alone, although other people joined groups. He sipped wine and watched flowers often. He had pansies planted around the factory building. He was really fond of flowers.

Having said this, I do not mean he disliked people. He was a talkative man

and enjoyed companions. I had no deep contact with him but he was a man of good heart and a man of humor. I have no business relationship with him so it may have been the reason why I could see this kind of dimension of his personality.

I still often remember him.

### Persistent Dream and Creed

When I think of Shigeo, I always remember that way he used his employees. He was such a big entrepreneur with so many companies he had to direct, but he never emerged on the surface. He was a man of delegation. He did not go down to the “front.” He listened to his subordinates and gave directions. He afterward listened to their reports and then gave direction as to next steps. He was like a control tower. He himself sits and thinks.

We know that this way of doing things is good but we cannot imitate him. I admire him for having been able to manage like that. This method I think he picked up when he was in the military. He was not apparent from the outside yet he was at the core of everything. Because he was successful this way, he could manage such big companies like Chuo Boshi or a taxi company.

He was a square man but with heart. He used men of talent but he did not ignore those who had lesser talent. Once he picked up a guy he never laid him off. This method needs a very good advisory staff close to him. In later days of his reign he had his own problems, but he did not change his method.

### Good Location

Reizo Nakase  
Tax Counsel

One of the factors that contributed to his success was location. He had his factory at the middle of Osaka with a space of 54,000 square feet. This must have played a big role. At the bubble period many companies made factories in countryside but having a factory at the center of a big city will always mean a good supply of quality labor. Young people are leaving the

countryside so factories in countryside have only older people as employees. This contributed to making his company the largest in Japan in the hat sector. His taxi company, too, is privileged because they have a company-owned gas station center at Tennoji (the southern central part of the city), which other companies cannot imitate. Isamu, his brother, was delegated the taxi job but he was a clever man, too. He initiated using propane gas in taxis tanks in Japan. He must have applied for a patent. He was enthusiastic about the diffusion of this system so that he did not apply for the patent. Nowadays it is commonplace that a taxicab is driven by propane gas, but this is what was invented by Susumu. When he passed away the Director of the Internal Revenue Office sent a funeral telegram, because there was a tremendous amount of tax levied on this new fuel.

He was a very square man and many times received citations from the Internal Revenue Office. On any surprise tax audit his books were so rigid and correct that this startled the auditors.

The business practice was rigid, too.

Yes, of course. When I became a counsel to him I was asked how much I must be paid. He said that cheaper would be better.

(Yamashita, Manager General Affairs. He was a demanding man, I was told to do a job within a day that nobody could do in 24 hours. I came back to him next day but I could finish only two out of many tasks that I had been asked to complete. He told me “You could do it because you tried hard” He was a man of understanding When he gave an order he was stern, but in the end he was soft.)

### Envisioning New Facilities

I talked about the good location but Shigeo was a man that had interest in real estate, too, and had many premises and real estate assets.

Chuo had an office building at Aoyama, Tokyo, which I did not know. One day I found a signboard saying Chuo Boshi Strategic Planning Room and was startled. “Strategic” was the word that was actually used. A military influence? I do not know (laughter).

In the later years he was planning a condominium for elderly people. He

was asking a small construction company, saying that big general contractors would be expensive. In the end it turned out to be his mistake and he was in big trouble. But it was his dream for a long time. A domicile for the elderly with good care staff and a restaurant where good meals are served. Especially, good food is what he liked very much. He never ate his supper at home and always dined out. He was a gourmet and in the end he installed a restaurant in the company with a chef he had hunted from the New Otani. This restaurant probably lost two million yen every year. A meticulously planned and gorgeously built restaurant with a very big teppanyaki facility. I went there one evening with some 20 staff from my office, but there were no other guests besides us.

A French restaurant was his dream and he opened it up. The location was bad but he did not pay much attention to this point. A French restaurant, as you know, must be in a good, fashionable location. He thought that if the food is good guests will come no matter what the location might be. It was a mistake, but he did not know any other way of doing things. Like his hats, he thought good things should sell themselves.

Reading was the Source

He was a tremendous reader. Everyday he bought a book. He read several books a day, which not many people can imitate. I think his ideas for his business were born from this reading habit.

Then he issued his fiats. He never sat in his office but came out to a big room where everyone's desks were and gave his order in a loud voice, with his belt and (I don't know why) his suspenders, too.

I heard he was born at Daikyu, Korea, and he told me that he would go to Korea on a vacation for a week just to spend time there. He loved and respected his brother Susumu, so he was obedient to whatever Susumu said.

Susumu knew this so he steered Shigeo well, to make a good tandem to run the company. My two sisters died of stomach cancer and Shigeo was always saying that I should go and visit his brother's clinic. This was another brother who was a doctor at Osaka University as an assistant professor. This doctor later passed away from cancer but Shigeo took good care of me.

I think it was a good, great life for Shigeo, although he had turmoil in his later years, because he made his company grow and become Japan's largest hat company. Shigeo was the man who wanted to be in the top position. He kept saying that his son, Kenji, was weak, and it might be too heavy a burden for Kenji to run both of the hat and taxi businesses, so it might be better if he would divest the Taxi company. But now Kenji is running both companies very well and making them grow. I hope they will continue their growth and Kenji will strive.

Daikyu, Where his Heart Belonged

Atsuzane Hanagaki  
Legal Counsel

Shigeo and I wined and dined together very often. We were a good match. He was much senior to me so that it was not on a buddy basis. We discussed his business and his private affairs from time to time, but I was always the listener and he was the talker. He was a very talkative man and talked about many things in his reminisces.

Shigeo was born at Daikyu. His father was running a department store at Daikyu and he graduated from Daikyu Commercial School, a well-known institute. For two years after school he worked at his father's department store and then joined the army, where he remained for a good 8 years. From the battalion in Osaka he moved to Manchuria, where he was promoted quickly. He was a man of action and I think he was fit for the military career. He became a cadet and was assigned to a motorized troop, moved southward eventually to South China, where he served as a captain. When the war ended he was in China and he returned to Japan in 1946 by navy boat from Shanghai. The reason for his promotion was, he surmised, his accentless Japanese. When one grows up in colonies like Korea, one tends to speak standard Japanese. He believes his superiors liked this. He was strong in mechanics, too. Since he joined the motorized troop, he once came back to Japan to join the army driving school. He was promoted to captain but he always regretted that he lost some 30 soldiers worked for him during many battles.

## Two Brothers Started the Business after the War

One of their relatives was in the hat making business before the war and this man had ten sewing machines which he moved to the countryside during the war to avoid air raids. After the war he brought these sewing machines back to Osaka and Susumu joined this man as an apprentice. Later he became independent, with two sewing machines, and then Shigeo joined Susumu to run the business together. Susumu ran production and Shigeo was in charge of sales and procurement. He had a cart bound to the rear of a bicycle and everyday went out. There was a pastry vendor along the way he was commuting everyday and he wanted to buy two cakes but did not have enough money, so he was content by buying just one. Until the business was on track they had to fight to raise funds for operations, and they even borrowed at the rate of 60% per year. Shigeo was saying he was thankful despite this high rate of interest so he returned the money without delay at every installment. Their business grew and they repaid all the debt.

They went into the taxi business at a later date. This was because one of his subordinates in the army came back from the war and opened up a taxi business, and this man had difficulty in running the business due to a shortage of funds. Shigeo was asked by this man for help and he eventually bought the company from this man. Shigeo assigned the management of this taxi company to Isamu, another of his brothers. This Isamu also served in the army in the Intelligence Department. So Shigeo and Susumu ran the hat business, while Isamu managed taxis, and Shigeo was a locomotive for the three brothers' team. Shigeo was a man with a good heart and he loved his brothers. So when his brothers had trouble he was the man to come first with help. Sometimes they quarreled but they helped each other very well. They had a sister to whom they all were very obedient. Once I met Shigeo with his sister and he was so naïve like a different man, so that my image with Shigeo was drastically changed. That was another side of his personality. They were very proud of another of their brothers, Hiroshi, who became a doctor. He graduated from a medical college in Manchuria, then studied at universities in Nagoya and Osaka, and eventually became the head of the medical department at Osaka National Hospital. Hiroshi unfortunately passed away, which was very regrettable for his brothers.

## Unlimited Dream for the Business

Shigeo was the kind of man for whom business was his hobby. I never heard from him about anything other than business. He was, however, very fastidious about anything he ate or drank, being a gourmand and gourmet. He ate very fast. When we dined together he kept saying that I was slow, and my eating speed was not fit for a businessman. His style of eating, I assume, came from military habit. When you serve in the army you must eat fast and move. When you are slow you are apt to be shot by the enemy's bullet. When they had success in their hat business, they entered the restaurant business. It was his dream and he elaborated on every detail. He asked me to test a cook whom he was trying to hire, and we together went down to a remote hotel where this cook was working. He eventually hired this cook. Another cook was head-hunted by him from the New Otani. He was a businessman and he must have calculated the profitability of such an attempt, but since this was his dream; his calculation could not follow the speed of his dream. This restaurant eventually was closed down because it was losing money, but he never gave up pursuing his dream of finding a new one after that.

In recent years he was dreaming about a condominium for elderly people. While he was planning this he told me about many ideas he had in mind. I could not make out how this could be a profitable proposition, but undoubtedly this would be a business which would be appropriate for the future aged society. This was one of his "foresight businesses." The upper floors of the building would be residential. The second floor would have a restaurant where western and Japanese meals would be served. There will be tea ceremony and flower arrangement rooms, and the ground floor would have a huge television monitor where the residents could spend time. They could play chess or "go" as they wished in this big salon. Dreams, one after another, which he wanted to realize. The taxi business was enjoying good growth, as well as the real estate business that he entered later. In later years he did too much. The condominium for the elderly was not going smooth, largely due to some architectural trouble. The economy entered a stagnant period, so he could not manage things as he wished.

Until the end, he did not bend, though.

So when his son, the current president Kenji, advised Shigeo to go slower, he did not listen to this advice. Even after his retirement he was saying that

he had so many dreams to realize and he hated the free time that was given to him after retirement. He was enthusiastically talking about rebuilding the department store channel. He wanted to demolish the current channel and build a new one.

Pursuing dreams was his eternal motif.

He studied very hard, too. When I once traveled with him, he bought newspapers at a kiosk and using his fingers clipped out articles that drew his interest. I was impressed by his ardent attitude to learn everything. I thought he was thus keeping abreast of the time.

### Cordiality and Friendliness

He was a born businessman and he was severe and stern with his subordinates as well as to his business partners. Sometimes he was angry and shouting, but in the next moment, he was another man. He washed out his anger and was very kindly. Once he had trust in somebody, he continued to trust him. When his staffs were criticizing this man, he defended him. He helped everyone in trouble. He was a guardian angel for the aged and the sick.

(Yamashita, a manager of Chuo: There were many episodes demonstrating this. When some business partner came to collect money earlier than the predetermined date, the accounting department refused to pay because it was before the promised date. The man was explaining one of his parents had fallen ill, and then Shigeo overheard this and gave an order to accounting staff to pay instantly regardless of the promised date)

He was indeed a man of warm heart. So he was a man of two standards, one for the business and the other for social relations. He was a severe man of business and at the same time a benign person. Being severe was a requisite for the business but I was very much impressed by his being so benign. On the other hand he was never arrogant, though he was tough. Because of his personality as such, his employees followed him. Otherwise a laborers' union would have been established and there would have been a very tense atmosphere in the company.

One of his few hobbies was reading. He was a great reader. He read so many

books it is beyond my imagination. His favorite theme was history. When he started to talk about Nara (the ancient capital of Japan), nobody could stop him. He knew almost everything about that period. I was invited quite often to visit the ancient sites. When holiday season came he called me up on the phone and we traveled together to the excavation sites. He explained about the place with an abundant knowledge so I was impressed by the amount of reading behind such a profound understanding. His knowledge was not confined to history alone. He knew almost everything regardless of the genres. Especially his botanical knowledge was supreme. He knew everything about flowers. He was cultivating many flowers around the office and factory buildings. Camellias, among others, were his favorite. He hired a professional gardener to take care of the camellia and other flowers he loved. We also went together to view the cherry blossoms almost every year. I think his love for flowers was the expression of his cordiality.

(Yamamashita: The company seal is butterfly, which is close to flowers. His image about his business was flower gardens with butterflies)

Superimposed on this image is that of his childhood at Daikyu, Korea. When he was talking about Daikyu he always expressed his longing toward that time and that place. Daikyu was where he grew up and where he lost his mother. He lost his father, too, in Korea in early days of his childhood, so every memory about his parents is somehow connected with Daikyu. When I met Shigeo, I thought he was a Korean. Later I learned it was not so, and his father had gone to Korea and built up a business which eventually grew into a department store. There were some 100 employees, all of which were Korean. So, in Shigeo's mind, there was no discrimination between Japanese and Koreans. When he grew up he joined the army and fought in China, starting from the north and then down to the south. In his younger days he was always in Korea and China. He always was glad to talk about Daikyu Commercial School in reminiscence. The pursuit of dreams was the motto of this school. I do not know what precisely the motto was in words, but anyway it was associated with his attitude to pursue dreams one after the other. I think this school motto was his starting point.

An impressive man was he indeed.  
I can never forget him.

The Boss Wants to See You

Haruhisa Yamashita  
Manager General Affairs  
Director  
Chuo Boshi Co., Ltd.

“The boss wants to see you.”

When I heard this from his secretary on the phone, I always walked the hall with a heavy sigh. Since I joined Chuo I have been working in a valley between two mountains, Susumu, the chairman, a generous man, and Shigeo, the former president, a man with a strong charisma.

## 1. Pork Bun

The giveaway at many ceremonies is usually a bean jam bun or a ball point pen. At Chuo's welcoming ceremony for new recruits, it was pork bun. That pork bun of Osaka that every Osakan knows. When there is a pork bun everyone is happy. This tradition was started by Shigeo when he was told by someone that a pork bun would be better than a bean jam bun. In the beginning it was given only to the new recruits, but as time went by, it was also given to their parents, and then to every member of the company, so in the end we had to prepare over one thousand pork buns. The owner of the pork bun shop asked me why I needed such a big quantity, and his conjecture was a baseball match. I explained to the man the reason why. The venue for the party for the new recruits was full of heat of pork buns and young people. Pork buns were more substantial than ball point pens, in that at least it was edible and would serve to fill your hunger. Substance First was the motto of the company.

## 2. Recruiting Plan

“Hey, Yamashita-san, we will hire 50 next year for the factory.” So I was told by Shigeo in 1995, when the bubble period was over. There were some 120 people working in our factory, but 15 more would be most appropriate, including the replenishment of staff who were retiring. “50? Why so?” “Yes, 50 or 80 rather, or even 100.” He explained that the fixed overhead would not change by increasing the number of factory workers, and having more people in production would put pressure on the sales people. “We used to have 300.” He was right and we had had such a number of people, and I could understand his intention to reenergize the factory, but 50 were just too much. Shigeo seemed not to be concerned about the increased salary and wages. In the end we had 15 new recruits. At the welcoming ceremony, I gathered part-timers and the retired men just to keep the number to 50. I am sorry, Shigeo, to have cheated you.

## 3. Company Excursion

“Boss, this is the plan”

“Well, let me take a look”

Then he smiled. “Very good, Hokkaido! Go ahead!”

The next moment he shouted.

“No, no, never use an airplane. If there would be accident we would lose employees. Use buses or trains.”

Shigeo never approved of air or sea transportation. Always it had to be a land route”

His policy about company excursions was to let the employees eat, bathe and sleep in the same hotel, and he would never join.

As a result of the current president Kenji’s decision, we are now going to Disney Land, and split the group into three.

In Shigeo’s mind there was a circuit of thought. Excursion=play=expenses=Yamashita=the man who always thinks about nothing other than play. We are now lucky with ski tours or Universal Studio Park, and enjoy these new styles of company trips. Shigeo’s policy, as everybody remembers, “To enjoy the same course of events throughout,” is now gone. Whether it was right or not, nobody knows now.

#### 4. Service Industry

From 1995 to 1996 I was assigned to investigate about karaoke. The karaoke industry was at its peak in 1988 to 1991, so it was already in decline when I started the study. Under Shigeo's orders I visited many karaoke shops with a camera and reported him on the location, charges and number of guests of karaoke shops. Shigeo was talking about karaoke shops with big queues but those shops were no longer doing good business, and except those at extremely busy locations, almost all the other shops were losing business.

"Karaoke is no good any more, Boss. Every shop is vacant. They are all eaten by giant karaoke shops." "Can't be. Karaoke is so good. Study more closely!"

The profit & loss statements of karaoke shops that he had were all from the shops at superior locations. Their results cannot be a reference to the district where we were located. "Don't you want to be the chief of a karaoke shop?" "Who, me?" "Yeah, you. I cannot pay you in the beginning but as the business gets good, I'll pay you." This was his favorite cliché.

For about one year I had this dialog with Shigeo, and one day he said: "Give it up. No more karaoke. Don't make any more studies. Karaoke is gone." I saw one newspaper clip on his desk reporting the decline of the karaoke business.

#### 5. Cherry Blossoms

We have many cherry trees around our building which come into full bloom in April. Our neighbors tell us "Beautiful, are you showing them for free?" "Yes of course," I reply. "But I wouldn't look at them because it smells that you would charge me later." Osakans' jokes are very sharp. Shigeo's last instruction to me was to plant three more cherry trees. I ignored this for a while and he scolded me on the phone that I did not understand the goodness of cherry. I planted two beside the parking lot two months before he passed away. On his memorial day on March 23 these two trees were in full bloom. I felt that he forgave me. This instruction seemed as if it were calculated.

## 6. Eat

“Do you eat beef in these days, Boss?” I, a big beef eater, asked him frequently. “Yes, at least half a pound a week” “Really? What kind of meal do you like most” “Well, raw egg on freshly cooked rice is the best.” This was an unexpected reply because I thought he favored expensive dishes. Whether he was serious or this was a sort of “prepared” answer, I don’t know. He continued, “Don’t take in too much salt believing that you are still young. The permissible dose of salt per day is equivalent to one bowl of Ramen (a Chinese soup with noodles).” When I later saw Shigeo coming out of a ramen shop, I thought his daily dose of salt was finished. He had a sweet tooth, too, At the canteen there were many snacks sold which were welcomed by employees. Shigeo’s favorites were all savory and salty items. This seems something funny when I remember his caution about salt intake.

## 7. Labor Management

When I joined the company I began my career in labor management in the production area. The major issues then were to reduce the labor turnover ratio and the reduction of absenteeism. The records then showed that within 5 years from 1988, some 144 employees had left the company among 148 on the payroll. The attendance ratio was also very poor, as little as 90% per annum, and there was a clear-cut division into two groups among employees, that is, those very punctual and diligent and the other very lazy and frequently absent. The labor market was a “sellers’ market” at the time, and employees were reading job-hunting magazines during their lunch break. Now there is a good improvement and we no longer try to convince departing employees at pubs not to leave, and have an attendance ratio as high as 98%. In my mind there is a fresh memory of receiving applications for resignation and attending meetings to brace up the moral of the remaining staff.

## 8. Chuo Boshi

Frankly speaking, Chuo was to me a world where there was freedom and degradation; comedy and tragedy. It is like the night sky full of hopes and dreams, as well as a sticky box with insecticides, so all in all it is a dichotomy to me. At least it is something noteworthy that I could be with the company as it celebrates its 50<sup>th</sup> anniversary. I think it is my treasure to

have worked for the former Chairman Susumu and former President Shigeo. It seems to me strange that all of these things are just memories of the old days to the new recruits. It was a long and important time for me. I still dream about Shigeo now and this is a good or bad omen for me for the following day. I will be happy if someday we can retrospect today together with those who knew the Chuo in the past and those who did not. Then I will be as happy as there would be pork buns for us all.

#### My Life Path that I Traveled

(From an article for the alumni magazine of Daikyu Commercial School, dated November 1999)

Shigeo Nishii

Former Chairman of Chuo Boshi Co., Ltd.

#### About Myself in Prewar Days

I am Shigeo Nishii, the second son of Tomekichi, who ran the Nishii Mart for footwear and haberdashery in Motomomachi, Daikyu, and the former Ibishiya (later renamed Shiragiya) Department Store at Tojocho, Daikyu.

I had seven brothers and sisters (there were eight but one died in infancy). My brother Susumu was the chairman of the alumni society of Daikyu Commercial School, and my brother Isamu was also chairman of the society until he died last year. There were two more brothers junior to me, who both went to Daikyu Middle School. One, who became a physician, and is now dead, was at Hoten Medical School when the war ended. He came back to study at Nagoya University and then at Osaka University, and eventually was promoted to the chief physician position at Osaka State Hospital, and then opened a clinic at the site of our factory, and was busy. He died about 10 years ago, and his two sons took over the clinic. Another younger brother is now in Kyoto.

Three sisters are still alive, at Toyonaka, Nishinomiya and Nara-Gakuen. I was born in Daikyu Motomachi. The house still stands today after 80 years without changing its appearance, though it is now divided into three buildings. The balcony of the second floor is unchanged since the days when

I attended the commercial school. Ibishiya, later Shiragiya, still exists as a department store in Daikyu,, a big city with a population of 2.5 Million. The store building was built by my father at a cost of ¥45,000 then. I lived in that building for about two years after graduating the commercial school.

From the time I was born until I joined the army, I always lived in Daikyu, which is my home town. My two brothers were chairman of the alumni society, but I am not. This is because I tried to avoid being presumptuous.

In my day, it was common for a son of a merchant to go to commercial school if he did not plan on attending university. It was the romantic age of the Taisho era, and I was fond of lying on the clover at the commercial school gate and chasing my dreams. This was the time of the Manchurian war. Sometimes we students paraded on the broad street and I happened to be the leader of the troop each time. This was because I had a loud voice. Our teacher was Mr. Sadamori. On the army festival day we went to the 80<sup>th</sup> Regiment and bought ice candy with small coins from my poor pocket. I went by bicycle also to the drill ground and laid myself down on the ground, memorizing a German lyrical poem, looking at the colorful sky at dusk. I enjoyed this place even on days when there was a typhoon, though we called it *Nowake* (grass divider) and did not use the term typhoon.

I graduated from Daikyu Commercial School in 1934, and was helping in the family business for three years until I joined the army. I worked primarily in the department store. There were some 100 employees, all Korean. There was no racial discrimination and we ate in the same dining hall. For breakfast there was miso soup and pickles only. For dinner, fish and another dish. That's all. Rice was always mixed with wheat. I should have been fed somewhat a little more de luxe since I was the heir to the big businessman, but I was treated equally with other employees. I saw sausages and hams but never had the opportunity to eat them. This was the standard diet that the average Japanese was fed.

At the age of 20 I was drafted into the 4<sup>th</sup> Battalion of Logistics at Osaka, albeit there was the 80<sup>th</sup> Regiment at Daikyu. In those days my father was ill, but he was pleased to see my draft paper. My duty was to lead a logistic troop of some 20 people. When I joined the Battalion I was ordered to take care of the horses because these were still the days of horses and we were not yet motorized. The 4<sup>th</sup> Battalion was the resident Battalion and the headquarters were in northern Manchuria. So we were all transported

there by ship.

Almost everyday we new recruits were beaten by our seniors with leather shoes. It was painful but I got accustomed to it. There were some 40 among several hundred cadets, which were divided into Class A and B, A being eventually promoted to officers and B to sergeants. Most of the cadets were university graduates and it was very hard to get selected into Class A or B. My luck was that I spoke standard Japanese while most of my colleagues spoke the Osakan dialect. In Korea we used standard Japanese. Before I was promoted and served as a senior soldier, I was praised by a General perhaps because of my pronunciation. I was thereafter selected into Class A and sent back to Japan to join the army driving school, and two years later I became an intern officer. Then I transferred to China and finally I became a captain. Eight years passed since I joined the army, and I was in Manchuria and in Northern, Middle and Southern China. The Battalion was already motorized by then and I usually drove a motorbike with a side-car. Though I was in logistics, I also participated in battle twice, leading two big units. I made assaults three times and lost the sheath of my saber, while I was young and hot-blooded, with hundreds of soldiers waiting for my order.

I was a kind of dreamer already at that time (and at present, still) and invented many things, such as charcoal driven cars, for which we made a lot of charcoal and created connecting pipes of bamboo, and when I was in the repair group, a small boat which could attack the enemy from the river. This was possible because my colleagues then were all technical men. Sometimes I was called the god of automobiles. When the commander in chief of Southern China came for an inspection he told me that he'd heard that I was a graduate of Tokyo Imperial University's Faculty of Engineering. I was hesitant to say that I came out of Daikyu Commercial School, but I still don't know who invented this false biography.

I was on a mountain in central China when I heard the Emperor's radio message in August 1945, and I determined to hold no funeral ceremony and make no grave for myself since I had caused some 30 soldiers to die without any funeral ceremony or graves. I landed at Kagoshima when I was repatriated, and then moved to Aichi Prefecture to a village called Okumachi. where my sister's husband lived. I did not know Japan, so my first impression was how remote this place was. There I learned that my mother had passed away at Daikyu. She stayed at Daikyu and waited my brother's return from medical school in Manchuria. Before she died there

were some Korean employees who took her to the hospital with a cart, and following her death her bones were sent to Okumachi. After all both my father and mother died in Daikyu. This is how I am connected to Daikyu.

### Post war Days Till the Present

I came to Osaka from Okumachi at the end of 1946. My sister's husband's brother was engaged in hatmaking in Osaka. He had moved some 10 sewing machines to Okumachi during the war, which we all carried back to Osaka to start a hat-making business. I found a house to rent in Osaka and this was used as the factory. My brother Susumu was from the retail business and had no skill making hats, so he went to a hat-maker to learn. He quit that factory a year later after some quarrel, and he now wanted to make hats. At the time, I was peddling saccharin which I procured from an island in Kyushu, and since Susumu wanted to start the hat business, I joined in. I had known nothing about hats. We started with two sewing machines. There were several thousand hat makers across Japan and we did not know whether we could make any business competing with them.

Now we have some 500 employees in the hat business, and about half of the hats sold at department stores and specialty shops are ours. I don't think I made any kind of effort, but I started the business with an initial capital of 15,000 yens and borrowed up to ¥20 Million from my friends at high interest rates over the 15 years until the business was on track. This borrowing was through the discount of my promissory note for two months maturity with an interest of 5% per month, namely 60% per annum. ¥20 Million then would be worth a billion today, and it is a frightening amount of money. In these 15 years I never had to delay the repayment of the debt. There are some 10 friends from whom I borrowed. They are still alive and so I cannot disclose who they were, but I remain thankful to them.

Bankers are bankers and they do not extend credit beyond half of what you have in asset value, so you must borrow from someone. I never had a guarantor. Those companies such as Nichiei or Shoko Loan are notorious on the TV news for asking for an eyeball or kidney when you cannot repay, but in my opinion the blame is not only on the creditors but on the debtors too. Now the upper limit of the interest is defined by law as 29% per annum but in my day it was 60%. When you do business using someone else's money, this level of interest is fair enough. From 1960, we no longer needed the high-interest money. Now I am running the hat business, three taxi

companies, six real estate companies and, in total, some 18 very small companies. As for the three taxi companies, it is because there were some 50 taxi drivers who were my subordinates in the army (because I was a logistics officer with motorized troops), whom I saw very often on the street, and some of them asked me to manage their companies. The funds I raised to do this was again at high interest. These taxi companies are not good paying propositions, but as long as they have almost no debt I can manage them somehow.

The latest development in the real estate business is the newly built “senior priority condominium” It is a facility for elderly people but without nursing service. This was ready this May but as I left the presidency the business no longer belongs to me. I had a building for the fashion business at Aoyama, Tokyo. I was planning to restore this building to use it for one of my programs related to department stores, but this was also removed from my hands. My only problem is that all the 18 businesses are gone from of my lap and I am bored like hell.

On the other hand there are all the new dreams born in my mind reflecting the tradition of Daikyu Commercial School. The senior priority condominium business and a gourmet business with six restaurants (now temporarily closed) have been handed over to my son who became the President, and my next dream is the revival of the department stores of Japan. There are some 200 department store chains in Japan, all in crisis now. The share of our hats at department stores is almost 50% and I cannot just sit and wait for the catastrophe. I was working for this goal together with Prof. Hiromu Ejiri (Pusan Middle School to Tokyo University) of the University of Distribution Economy, but the road to success is full of obstacles because of the lack of foresight and morale of Japanese people in general.

I hear that travel and hot spas are hobbies for the elderly people, but I think they are only good as momentary relief while you are working. After the retirement they are nothing more than boredom. So I am spending the whole day from 11 a.m. until 5 p.m. in the Chairman’s office for reading, with one middle-aged male staff and a secretary. There are 6 desks and a reception room and its very spacious, so you can drop in when you have time. This is located at Green Heights No.2 Building behind Mitsubishi Bank at Midoribashi, Osaka and close to the crossing. My home is on the 4<sup>th</sup> floor of the same building. The condominium for the seniors is only 40 meters from

where I live. I bought Apartment No. 401 (with only two rooms) in this condo, which will be ready in July next year. So this will be the place where I end. This is close to my Chairman's office, and I will use that as my second home.

After five I go for acupuncture close to my office, then for a small shot at a small bar. After supper I return home and there I read again. This is my life now. How much longer I will live, I really do not know.

Postscript

Akiko Yahachi

Managing Director

Eccletico Ltd.

In Retrospect of 50 Years of Chuo Boshi

There are more fine growth rings than coarse  
Being so due to many hard situations  
And we finally are here, for which I feel lucky

Some 20 years since I joined  
I came here because I loved hats  
And I thought I could make many hats

On the second day of my employment  
The former president called me into his office  
And said, the time is now for women  
We have never had a woman who could do sales planning  
You are gifted for that  
Five years later, the current president came back from Renown  
And he told me the same thing  
And I thought this might be a chance to test my ability

Taught by seniors and customers  
I studied hard among men  
I could persevere because there was praise  
That my hats sold well.

Three years ago Eccletico was born  
Which serves ladies proper  
Ranging from the young to the married  
And I would aim at more trendy items  
With the help of my young colleagues  
“Soft brain that can understand the opinion of others”  
“Serious but never grave”  
Are my mottos that will I maintain  
Towards a higher innovative stage that I dream

Legacies from the former president tangible and intangible  
Passion of the current president for the quality and his sincerity  
Those are the assets that we can capitalize on  
For the creation through teamwork with our clients

I think this is the second start line for us  
Where all of us with one mind and heart  
Fly and soar high in the hat business  
Of the 21<sup>st</sup> century with all our effort

I hope there will be the guidance and help  
From everyone as there were in the past.

October, 2002.

## Captions

Nishii Footwear Shop  
Daikyu, Korea

Ibishiya Department Store  
Daikyu, Korea

Nishii Family in prewar days  
Left end: Susumu Nishii  
Third from left: Shigeo Nishii  
Second from right: Mother  
At Daikyu

Susumu Nishii

New Company Building

1961

Around 1963 in the USA

I roamed around New York, San Francisco and Los Angeles with a part-time interpreter with the objective of finding new materials. All the materials I found were too expensive, but I made many contacts which gave me good a starting point for the export business later.

Many Trophies from Prime Minister, etc.

Hat factories in Korea right after their completion

1970

From Company Guide

1990

August 2002