

# Japan's Last Electronics Tycoon

**Tetsuro Funai was early in moving his modest manufacturing overseas. Now he's the world's largest maker of VCRs and Lexmark printers.**

BY BENJAMIN FULFORD

**T**ETSURO FUNAI IS THE LAST OF Japan's postwar electronics tycoons. At 73 he is also something of a late bloomer. While most Japanese electronics makers grew quickly during the 1970s and 1980s, his company, Funai Electric, only took off in the 1990s, selling cheap videocassette recorders in the U.S.

Funai continues to defy convention. Big Japanese electronics firms like Toshiba and Mitsubishi are struggling to make money, even on high-priced items. But Funai can sell a VCR for \$60 retail and still make a profit—albeit a slim one. He's already selling DVD players for as low as \$200 and thinks he can bring that down to \$148 by Christmas—and still turn a profit. Half of the VCRs are sold under his Funai, Sylvania and Synphonic labels, the rest he produces for others. In the year through June 1999, despite a recession in Japan and a strong yen, Funai continued to charge ahead. Sales grew 17% to \$1.5 billion, and profits increased 21% to \$86 million.

What is his secret? He manufactures his goods at ultraefficient plants in China, where labor costs already are minimal. Other Japanese electronics firms, out of a combination of nationalism and loyalty to their employees, keep a large portion of their manufacturing in expensive Japan. "I have 10,000 employees in China and only 1,000 in Japan," boasts Funai, a

grumpy but likable sort, reminiscent of Felix in *The Odd Couple*.

Funai can thank a Communist labor union for his delayed success. From the 1960s employee unrest roiled many of Japan's electronics makers, including Funai. The demands, he contends, exceeded his ability to pay. By the time the union lost its ideological urge to battle, around 1990, he had whittled down his Japanese work force through attrition and shifted his manufacturing overseas.

Now, he couldn't be happier about the shift. "Over the next three to five years electronics makers who try to stay in Japan will suffer huge damage," he predicts, sitting in his sparsely furnished Osaka headquarters. High costs of land, electricity, labor and telecommunications make it extremely difficult to manufacture profitably in Japan, he explains.

Funai has manufacturing in his genes. The third of four sons of a sewing machine wholesaler in Kobe, he never got further than high school. At 18 he was sent to apprentice for a competitor; his eldest brother took over the family business. In 1951, after a four-year apprenticeship, Funai started selling sewing machines himself. Five years later he began making transistor radios. Ultimately he got around to eight-track stereos, and opened a new factory or office every year until 1970, "when the work force got infiltrated by the Communists," he recalls.

Only in the 1980s did Funai find his

ace: producing VCRs. Short of talent, he poached technicians from other electronics firms. That and cheap Chinese labor helped Funai nearly double sales during the 1990s.

Funai is now the world's largest producer of VCRs, churning out 1.25 million units each month. About 40% are sold by Philips Electronics under the Magnavox and Philips brands. His company has a 30% share of the U.S. market.

With that solid base Funai began a rapid expansion into other areas. The company makes three-quarters of the Lexmark printers sold in the world, about 4.6 million units. "They make the printer head, we make the rest," he says. It is also codeveloping a low-priced set-top box with U.S.-based Sarnoff, an offshoot of the old RCA, to allow analog TVs to receive digital signals. Looking to expand his operations, Funai took his company public in 1999. His 50% stake is worth a recent \$2.8 billion.

Funai predicts the value-added side of the digital format will be software for searching TV programs, compressing signals and the like. That hardly sounds like the kind of low-cost functionality that has distinguished Funai. "When that happens, I will have to turn the company over to engineers in their 30s," he says, acknowledging his technological limits.

Maybe he shouldn't underestimate himself. Not many have hit on such a winning formula so late in life. **F**





## Tetsuro Funai

Outwitted "Communists" to be a leader in basic electronics gear and, in his 70s, a new billionaire.

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