

Chapter 3

Expansion of
Wartime Military Demand,
and Postwar Hardships
(1937-1948)

1. *Expansion of Wartime Military Demand*

Second Sino-Japanese War, and expansion of military demand

On July 7, 1937, fighting erupted between Japanese and Chinese military forces in the outskirts of Beijing in the Marco Polo Bridge Incident, which led to the outbreak of the Second Sino-Japanese War. At home, the government tightened existing economic controls and imposed new ones, with a priority on supplies to the military. In September 1937, for example, the Factory and Office Control Ordinance was promulgated. In 1938, based on that ordinance, the government placed Oki Electric's Shibaura and Takahama plants under the control of the military, even though the Takahama Plant, later renamed the Shinagawa Plant, was still under construction. Army and Navy supervisors were stationed at both plants, and production came under military control. The first goods mobilization plan was also announced in 1938, under which the government began coordinating the supply and demand of designated goods. Based on that plan, the supply of goods was estimated according to the volume of essential goods and materials the economy was capable of importing. Demand was divided into that for the military and that for the civilian sector, and by reducing demand in the civilian sector the volume of essential goods for military consumption was increased. Later, as the nation's import capabilities decreased, influenced by reduced transport capacity and reduced availability of foreign exchange, Japan's economy began to contract.

The trend toward meeting the military demand for goods had a major influence on Oki Electric's business. Until then, the company's output had mainly gone to the Ministry of Communications. In line with requests from the military following the outbreak of war with China, however, it became necessary to expand production in order to meet the military demand. This shift is obvious when looking at a breakdown of the company's sales. Sales to the military had leveled off in the mid-1930s but increased rapidly after war broke out with China. The Navy accounted for 28 percent and the Army for 24.9

percent of total sales in the fiscal year ending in March 1941. Sales of telephones and exchanges, on the other hand, decreased to 37.6 percent. In 1943, deep into the war, the Navy accounted for 63.2 percent and the Army for 24.8 percent while telephones and exchanges accounted for only 8 percent of total sales. With the outbreak of war, controls were placed on raw materials. In 1942, the Electrical Machinery Control Association was established, and a system was introduced for tightly controlling the distribution of raw materials, not including those for military demand. For meeting military needs, raw materials became available on a preferred basis as soon as the Army or Navy issued a production order. As the war became protracted, however, and as shortages of raw materials developed, even the distribution of priority materials was delayed, seriously hampering production.

Around this time, Oki Electric opened new sales offices and built production facilities overseas and expanded existing ones to enter new foreign markets, such as in northeastern China (Manchuria). Branch offices in China included those opened in Beijing and Jinan in 1938, and in Tianjin in 1940. Also, Oki Electric did not renew its sales agency contract with Okura Trading Co. when it expired in April 1940 and instead established Oki Communications Equipment Co., Ltd. (OCE), as a wholly owned subsidiary. Capitalized at 2 million yuan, OCE had its head office in Shinkyō (today's Changchun). The company was not a manufacturing operation: it managed the branch offices in Manchuria and other parts of China.

As the demand for communications equipment in northeastern China increased, it became necessary to produce certain products locally. Oki Electric considered building a plant in Manchuria but a rule of "one industry, one company" existed at the time, and in the communications equipment industry NEC had already established Manchuria Communications Devices Co., Ltd., in 1937. Oki Electric thus looked elsewhere for an appropriate site. It secured a site of approximately 65,000 square meters in a suburb of Dalian in Guangdong Province and built the Dalian Works there. Completed in 1942, this was Oki Electric's first overseas production plant. Although the plant was scheduled to produce telephones and exchanges

for the Manchurian market, its full-scale operations were delayed until 1944 and the plant's output was then allocated exclusively to the military.

At home as well, increased military demand led to Oki Electric building new production plants and expanding existing ones. In 1938, a site about 30,000 square meters in size was purchased in the Shiba Takahama section of Tokyo for building the Takahama Plant. Construction extended over three reporting terms, and was completed in 1941. The plant eventually produced wireless telegraph equipment, sonar, ammunition, and fuses for the Navy. An overall production plan the Navy presented to Oki Electric in January 1941 called for output almost double the company's existing capacity, and the Shibaura, Takahama, and Nakahara plants had to be substantially expanded. Merely expanding existing plants, however, proved to be insufficient as the war wore on. Oki Electric thus made a series of purchases of paper mills, textile plants, idle factories, and even department stores, in order to use the buildings for expanding its production capacity. The Army and Navy, meanwhile, rather than cooperating with each other during this period vied to have their own production orders given first priority. A need thus emerged to designate separate production plants for each branch of service, although doing so led to redundancy and waste. The Takahama Plant, for example, produced special water tanks for sonar equipment for the Navy. Although the Army was also interested in sonar, it disliked the idea of



Takahama Plant

conducting R&D jointly with the Navy. Oki Electric thus had to purchase an idle paper mill in Takasaki, Gunma Prefecture, where it prepared facilities for producing sonar equipment for the Army.

As Oki Electric thus expanded and bolstered its production plants, it also increased its capital. The first increase was from 10 million yen to 20 million yen in 1938, then to 30 million yen in 1942; finally, in 1944, it increased its capital to 60 million yen, reaching six times the 1938 level. Although the company's sales also expanded steadily, gross assets swelled at a faster pace than the capital increases, mainly due to the expansion of production plants between April 1936 and March 1945. With the fiscal year ending in March 1937 as the peak year, the return on total assets fell steadily afterward until the fiscal year ending in March 1943. It recovered slightly between then and the following year, but again fell sharply in the fiscal year ending in March 1946, the company's first postwar reporting period.

Oki Electric also increased the number of its affiliates during this period. In September 1937, for example, Oki Electric Securities Co., Ltd. (OES), was established as a wholly owned subsidiary with capital of 3 million yen. At the time, other large manufacturers in the communications business owned a substantial number of Oki Electric's shares, and Oki Electric had heard that they were moving to acquire additional shares. OES was thus set up as a holding company to purchase and hold the company's floating shares and secure a group of stable shareholders.

The move in Oki Electric to stabilize the group of shareholders was led by Managing Director Monjiro Suzuki. OES achieved its objective as a holding company, but as the war progressed the content of its work operations changed. In order to meet the demand from the military, Oki Electric was forced to obtain the cooperation of various vendor companies for a supply of materials, and for subcontracting parts and arms production. In the process, Oki Electric purchased shares in those companies. At the start of the Pacific War, in December 1941, Oki Electric's total investments in such cooperating companies were about 1.4 million yen. The company increased its investments in affiliates as military demand increased, and by the end of the war in August 1945 the investments had reached over 12

million yen, including loans. At the end of March 1944, OES owned all the shares of nine companies—Oki Electric Cable Co., Ltd., Showa Electric, Tokyo Ota Electric, Nishikawa Copper Works, Japan Vacuum Industries, Oki Telegraph Equipment, Daido Electric Co., Ltd., Shinhan Copper Works, and Mikuni Industries—and part of the shares of 32 other companies.

From designation as munitions company to end of war

On December 8, 1941 (Japan time), Japanese Imperial forces launched a surprise attack on Pearl Harbor, Hawaii, and the Japanese government declared a state of war with the U.S. and the U.K. This marked the start of the Pacific War—as well as intensified government controls on the everyday lives of civilians and on the business activities of corporations. Based on the Key Industries Association Ordinance promulgated on September 1, 1941, for example, a total of 22 national industry-wide control associations were gradually formed. Communications equipment manufacturers came under the Electrical Machinery Control Association, which controlled the allocation of all materials. Also, the Enterprise Readjustment Ordinance was promulgated in May 1942 to bring about the merger or consolidation of medium-sized and smaller enterprises.

Although Oki Electric decreased its output of telephones and exchanges for the civilian sector, it was hard-pressed to meet the military demand for communications equipment, such as sonar and radios. The company also produced items for the military unrelated to any of its past work, such as fuses and ammunition. Its expanded domestic production plants were all aimed at meeting this military demand. In addition, the company was also ordered in 1942 to operate an electrical machinery plant in Army-occupied Kuala Lumpur, Malaysia, and had to send experienced personnel to manage that operation. Also, in line with the Enterprise Readjustment Ordinance, all battery production at Oki Electric's Osaka Plant was transferred to Tokai Battery Co., Ltd.

In May 1944, Oki Electric was officially designated a “muni-

tions company” under the recently enacted Munitions Company Act. In the following June, as a reflection of that designation, the company’s Shibaura and Takahama plants were renamed the Shibaura Works and the Takahama Works. Then, in July, the company reorganized its Head Office into four departments—the General Affairs, Administration, Engineering, and Materials departments. Actually, the Administration Department resulted from merely renaming the Sales Department, because the company no longer had any need for sales activities. In 1945, incidentally, after U.S. air raids on mainland Japan intensified, codenames were assigned to the munitions companies to keep their names secret. From July 1945, the head office of Oki Electric was known by the codename “Imperial Plant No. 6551.”

The Munitions Company Act of 1944 not only allowed the military to directly control the factories of companies designated as munitions companies but also allowed the government to intervene in personnel matters, such as who was appointed in charge of production. In October 1943, before Oki Electric was designated a munitions company, it had assigned Senior Managing Director Saburo Oshida to negotiate with the military so that its production activities could proceed smoothly. But after Oki Electric was designated a munitions company, the Navy Technical Bureau insisted that Chairman Asano begin working full time. Up to then, Oki Electric had not used the president system, and the chairman had been the chief executive officer. The company decided, though, that this might be the time to appoint a president and place him responsible for production matters. Chairman Asano sounded out the true intentions of the military, and apparently held preliminary discussions with high-ranking Navy officials. At any rate, he met at the Navy Ministry in February 1944 with Senkichi Ozawa, chief of the Navy Fleet Commander Headquarters and director of the Maizuru Naval Arsenal, and invited Ozawa to join Oki Electric as president. An agreement was reached, and Ozawa joined Oki Electric in April as president. Ozawa was a 1912 graduate of the Naval Engineering College. He studied electrical engineering at Kyoto Imperial University (today’s University of Kyoto), and afterward served in the Navy as a vice admiral and as head of the Naval Technical Bureau.



Senkichi Ozawa

Although Japan's military was victorious in the first stages of the Pacific War, the Allied Forces gradually regrouped and took the offensive. Domestically, the government eventually ordered the total mobilization of personnel and material. At the time, communications equipment manufacturers were considered lower in importance than companies in the aircraft and general weaponry industry. As such, Oki Electric had great trouble securing the labor force it needed. Thus, although the military ordered the company to increase its production the company could not respond properly because of insufficient labor. Eventually, under the National Conscript Ordinance, conscripts began manning the production lines at Oki Electric's plants. Women from the Women's Labor Service Corps also worked there, as did student workers. From that point on, production operations proceeded at full capacity. At the time, incidentally, over 100 different restaurants and other establishments that had been forced out of business, centered mainly in the Shinbashi, Akasaka, and Tsukiji sections of Tokyo, served as living accommodations for these workers.

From the summer of 1944, B-29 bombers began staging air raids on mainland Japan. Oki Electric employees, unfortunately, were caught up in one particularly tragic incident. On March 10, 1945, during an air raid on Tokyo, about 50 young student workers and women from the Women's Labor Service Corps lodged in a former restaurant in Hamacho were killed in an air raid shelter in the basement of the Meijiza Theatre. Regular firebomb attacks on cities throughout Japan continued from around this time. Some of Oki Electric's plants were destroyed in bombings, including the Maebashi Plant in April and the Otsuka Plant in May 1945. In late May, Building C of the

Shibaura Works was completely razed and part of Building D was burnt to the ground. Fortunately, however, no one was killed. Production and research facilities in Osaka, Numazu, Ebara, and Tsurumi were also destroyed during air raids.

As a protective countermeasure against the air raids, employees from some production plants were evacuated to safe areas in the provinces and some plants were moved to underground locations. One plant was even being built on the side of a hill in Date-gun, Fukushima Prefecture, but the war ended before operations could begin there. After the U.S. dropped atom bombs on Hiroshima and Nagasaki in August 1945, Japan surrendered unconditionally. The date was August 15, 1945. Employees at Oki Electric's Head Office in Tokyo gathered at noon on that day on the rooftop of Building D of the Shibaura Works and listened to the Emperor's radio broadcast proclaiming an end to the war.

2. Corporate Restructuring during Postwar Period

Defeat, and resumption of production

Immediately after the war ended, the Japanese people were in a state of bewilderment, with mixed feelings of rejection and liberation. For companies, however, this was not a time to hesitate.

At the end of the war, Oki Electric had 28 production plants, beginning with those in Shibaura and Shinagawa in Tokyo and spreading into rural areas where evacuation work sites were set up to avoid damage from wartime air raids. Including volunteers, the company had roughly 22,700 employees. In order to revert to peacetime operations, Oki Electric had not a day to lose in reorganizing its plants and workforce. One of the first steps was decided at a meeting of the company's plant managers shortly after the war ended: Halt all production operations until September 2. Because production plants had

*Yuzo Yanai*

been expanded greatly during the war, a plan was studied in late August to integrate all production operations into four plants. The same plan called for reducing the workforce to about 4,000 persons, and for reconverting to peacetime production.

Full-scale restructuring did not begin at Oki Electric until after the extraordinary shareholders meeting held on November 6, 1945. At that meeting, all members of the board resigned except Director Ryoji Inoue and Auditor Hikoshiro Yasuda. Then Yuzo Yanai was elected president and Ryoji Inoue senior managing director. Suteji Kanbe and three others became directors, and two auditors were selected. President Yanai had joined Oki Electric in 1940 as a managing director, coming over from Yasuda Hozensha, the holding company of the Yasuda zaibatsu. He had resigned his position in February 1944 but returned to Oki Electric after the war ended to assume the heavy responsibility of leading the company through its reconstruction and reorganization.

As of August 1946, Yasuda Hozensha and the Yasuda Bank (renamed the Fuji Bank in October 1948) held 31 percent of Oki Electric's outstanding shares. Also, all of Oki Electric's short-term loans payable as of the end of April 1946—201.5 million yen—were from the Yasuda Bank.

After assuming office, the members of the new board quickly turned their attention to the company's reconstruction. One of its first decisions was to relocate the Head Office from the Shibaura Plant. Because of war damages, the Shibaura section of Tokyo had become an inconvenient location for conducting the company's business, so in December 1945 the Head Office was moved to the

Shinagawa Plant. Next was consolidation of the company's 28 production plants, including seven evacuation work sites. At the end of 1947, the plants in Fukagawa, Maebashi, Nerima, Numazu, Osaka, Otsuka, Takasaki, and Tsurumi, plus the seven evacuation work sites, were shut down, and rights to the overseas plants in Dalian and Kyeongsung were surrendered. Of the 11 remaining plants, those in Ebara, Kiryu, Meguro, Nakahara, Omori, and the No. 2 Plant in Shibaura were closed in line with the company's final reconstruction plan completed in July 1948, and all production operations became concentrated in the five plants in Fukushima, Shibaura, Shinagawa, Tomioka, and Warabi. These moves succeeded in greatly streamlining the production facilities. The workforce was also reduced from 22,700 to 4,500 employees, mainly by releasing the volunteer workers and conscripts. After reorganization of its production facilities, the company once again began producing telephones and exchanges. In order to survive, moreover, it also began manufacturing and selling household electric appliances.

Japan's telephone facilities were almost totally destroyed during the war. The worst damage was in Hiroshima, with 100 percent of subscriber telephones out of service. Next came Yokohama and Kagoshima at 99 percent, Kobe at 98 percent, Nagoya at 91 percent, Osaka at 89 percent, Kawasaki at 88 percent, and Tokyo at 87 percent. In short, most telephones in Japan's largest cities were out of service at the end of the war. The Post and Communications Authority (renamed from the Ministry of Communications, to the Communications Agency, then to the Post and Communications Agency during the war) began its restoration work on the telephone system from late September 1945, a little over a month after the war ended. One of its first orders for equipment went to Oki Electric for magneto-type telephones and exchanges. The company quickly collected parts stored in the Shibaura Plant, set up a production line, and was able to assemble and deliver 500 telephone sets in January 1946. Production began soon after on Type-3 automatic telephones and common-battery telephones. Including magneto-type telephones for PBXs, production at the Shibaura Plant reached 100,000 units before the reorganized Oki Electric was established in November 1949.

In June 1946, General Headquarters (GHQ) of the Allied Forces designated machinery in the Warabi Plant to be used as part of Japan's war reparations. Oki Electric was thus ordered to prepare 480 machines in the plant for shipment overseas at any time. Because the company had made plans to use the Warabi Plant for producing automatic exchanges, company officials visited the Civil Communications Section (CCS) of GHQ to discuss having the order rescinded. The discussions did not progress smoothly, and instead Oki Electric requested CCS's assistance in obtaining loans from the Reconstruction Finance Bank to purchase replacement machinery. Early in 1948, though, the reparations order was rescinded, and as a result the company's capacity for producing automatic exchanges suddenly doubled. The old machines were actually useful later for increasing production.

Despite the increased production capacity, orders from the government to produce telephones and exchanges at the Warabi Plant were sluggish. Partly to ensure the livelihood of the employees, therefore, the company made and sold whatever it could with the facilities and materials available. Although the plants were prepared to respond immediately to product orders from the government—the Shibaura Plant would produce telephones, the Warabi Plant automatic exchanges, and the Tomioka Plant manual exchanges and telegraph-related products—the Shinagawa Plant was producing radios, irons, and electric heaters, the Shibaura Plant was also producing alarm clocks, and the Fukushima Plant was producing 4-tube heterodyne all-wave radios. At one point, in fact, the Warabi Plant even acted as a subcontractor in producing bicycle frames and charcoal tongs for other companies.

In order to sell these various products, the company opened a consumer service station in the Ginza section of Tokyo and also tried its hand at advertising. The results, however, were not very effective. The Oki Electric name was unfamiliar to the general consumer, and the company had no sales or distribution channels. Its amateurish approach to selling consumer goods made it difficult for it to compete with the well-known manufacturers of such goods and household electric appliances.

Change of president, and formation of labor union

One of the first GHQ policies introduced under General Douglas MacArthur was dissolution of the zaibatsu business conglomerates. The Yasuda zaibatsu, which had strengthened its influence on the management of Oki Electric during the war years, announced its dissolution plans in October 1945, including the withdrawal of all members of the Yasuda family from management positions, dissolution of Yasuda Hozensha, the holding company, and disposal of all its securities. The Sumitomo, Mitsui, and Mitsubishi zaibatsu soon followed with similar plans. In December 1946, the headquarters of the Asano zaibatsu was also specified as a holding company and was ordered to dispose of its securities and dissolve itself.

Oki Electric was viewed as a lesser zaibatsu and in November 1946 was designated a “restricted concern.” As such, the company’s business was limited to routine operations, and the company could not dispose of any assets or dissolve itself without GHQ approval. Then, in December, Oki Electric and Oki Electric Securities were both designated holding companies and had to dispose of all shares they held. Although the shares that Oki Electric held were the lowest in total value among the other manufacturers designated as holding companies, its relationship with Oki Electric Securities seems to have led to it being designated a holding company. In February 1948, moreover, Oki Electric was included in a list of companies designated as excessive economic concentrations, and at one point was scheduled to be reorganized into separate independent companies. This designation, however, was lifted in January 1949.

Besides the company itself being terribly shaken by postwar occupation policy, President Yanai was purged from office in June 1947, less than two years after assuming his duties. He passed the baton of office to Senior Managing Director Ryoji Inoue in August and returned to Yasuda Hozensha to assist in dissolving the Yasuda zaibatsu.

President Inoue, asked suddenly to head Oki Electric, had joined the company in 1918. He held key positions as manager of the Fukuoka and Dalian branch offices, and was appointed director just before the war ended. He thus worked in Oki Electric his entire pro-



Ryoji Inoue

professional career, and the employees placed great trust in him. Very unfortunately, however, after barely one year in office he died very suddenly while on a business trip.

Nominating a successor to President Inoue in the unexpected situation was a difficult task. The strongest wish by the board members was to have Yuzo Yanai return to the company. That wish, though, was considered to be next to impossible given the circumstances. After discussions with GHQ, however, Yanai was allowed to return to Oki Electric as president on the condition that he serve just one year. It is thought that GHQ allowed this exception because of the confidence and trust they had in Yanai's ability and his personal character. They knew he had already contributed substantially to the quick recovery of postwar communications, and that he had devoted prodigious energy toward dissolution of the Yasuda zaibatsu. At any rate, in January 1949 Yuzo Yanai took office once more as Oki Electric's president. Despite the limitation of looking forward to only one year in office, he headed the drive to reorganize and readjust the company, and helped to find his successor. Shackled by the military during the war, and by occupation policies in the immediate postwar years, and then shaken by the bewildering change of presidents every one or two years, management at Oki Electric experienced various hardships. The employees, meanwhile, lived anxiously from day to day as they struggled to maintain their livelihood.

Daily essentials were in extremely short supply during the immediate postwar period. Sweet potatoes and soybean cakes, for instance, were distributed in place of rice, the staple food of the Japanese, but even those items were sometimes insufficient to satisfy the need for

food. Inflation, moreover, emerged during the war and continued afterward at an abnormally high pace, fanned by the enormous size of war reparations. With figures for 1934-1936 as a base, the average retail price index in Tokyo in 1946 was 18.9. In 1947 this climbed to 51.0, and in 1948 it skyrocketed to 149.6.

In the situation where workers were concerned mainly about their everyday existence, a strong union movement emerged at many companies. At Oki Electric, the first labor union was formed in December 1945 at the Shinagawa Plant in Tokyo. It was called the Oki Electric Takahama Employees Labor Union. The members at the inaugural general assembly of the union voted for the right to collective bargaining and for establishment of a minimum wage. Union representatives then demanded wage increases, and Oki Electric's first labor-management discussions were held. Management's initial response stiffened the union's attitude, and workers surrounded the management representatives and refused to allow them to leave the room until negotiations reached a satisfactory conclusion. Management appreciated the difficult circumstances of the workers' daily lives, and Senior Managing Director Ryoji Inoue finally accepted the union's demands. His words at that time struck an emotional chord among the union negotiators. "Look," he said, "we're all in this together for the good of the company, so let's do it!" Unions were formed afterward at Oki Electric's other plants, and in March 1946 all the unions amalgamated into the Oki Electric Workers' Union. Risaburo Mihara took office as the union's first president. In May 1946, the company and the union signed their first labor agreement.

In response to union demands, Oki Electric increased wages in the spring and again in the summer of 1947. That same fall, however, the union demanded yet another increase almost triple the previous increase. In the background of these frequent demands for wage increases was the strong labor movement, but a more obvious fact was the economic basis for their demands: wage increases were simply not keeping up with inflation. The demand for additional wage increases was thus inevitable in terms of supporting the everyday lives of the workers.

Circumstances, however, did not allow Oki Electric to meet the

demand for such large wage increases in the fall of 1947. The large-scale reduction of the workforce immediately after the war, for example, had required a huge layout of funds. In addition, the government cancelled all war indemnities, and Oki Electric thus lost all its rights to wartime military-related credits. Despite those difficult circumstances, the company had responded as best it could to repeated union demands for wage increases. But in the fall of 1947 the economic environment made it difficult to raise product prices enough to cover the wage increases demanded. In that difficult situation, the company proposed wage increases linked to an incentive system for increased production. This system was based on a type of productivity theory, whereby wage incentives would be paid for higher output than the fixed production levels already agreed upon by management and labor. The result would be increased wages.

The union rejected management's incentive proposal, and in March 1948, in the midst of wage negotiations, announced the first labor strike at the company. The union employed various tactics, including a simultaneous 24-hour strike at all plants, walkouts, and all union members simultaneously taking official vacation time off. Negotiations stretched over two-and-a-half months until in early July a compromise was reached. Management agreed, premised on the union accepting the incentive plan, to meet the union's demand for an increase in basic wages. That compromise ended the labor crisis and the union members returned to their worksites.

At the end of September, however, two months after reaching that agreement, the union demanded another increase in wages "to protect the livelihood of our members from deteriorating due to inflation." In bargaining with management, opinions were divided among union members on the size of the wage increase being demanded, and in November the members of the Shibaura Plant chapter of the union unilaterally went on an unlimited strike. Negotiations dragged on because the union presented no unified wage demand and management insisted on a low-level wage increase. Other chapters of the union then also went on unlimited strikes, and to earn money to support themselves during the strikes the union members began peddling candy and other confectionaries. Labor and manage-

ment finally reached a compromise wage agreement in mid-December, including a loan from the company as a strike settlement fund, and the 78-day strike ended.

Reconstruction, reorganization, and establishment of new Oki Electric

During the four years from the end of the war to the fall of 1949, Oki Electric endured great difficulties as it moved toward rebuilding itself. In August 1946, for example, the government, through the War Indemnity Special Measures Law, levied a tax equal to the wartime claims corporations had against the government. In effect, this law cancelled the rightful claims of Oki Electric and other companies to huge indemnity payments from the government for supplies they provided to the military during the war. The government placed corporations seriously affected by this tax in a special category, requiring them to reorganize and to use a special accounting system to facilitate their financial readjustment. After closing their books on August 11, the companies separated their assets and liabilities into old and new accounts. Afterward the companies were to be reorganized, bringing over into their new organizations the new accounts with the funds needed for future business activities, while credits and liabilities in the old accounts were frozen for later disposal.

At the time, Oki Electric's gross assets totaled 379.5 million yen. Of these assets, 117 million yen was transferred to the new account, and the remaining 262.5 million yen was left in the old account. Although a 7.6 million yen loss from the current term was transferred to the old account, the assets in the old account included indemnities for products supplied to the military, for government-ordered evacuations, for war-damage insurance, and for losses of overseas assets—all items cancelled by the special indemnity tax the government levied. After settling all these accounts, Oki Electric's extraordinary loss was expected to reach 178.5 billion yen, equal to 47 percent of the company's gross assets prior to reorganization.

To assist corporations in disposing of the extraordinary losses

they incurred, the government enacted the Enterprise Reconstruction and Reorganization Law in October 1946. According to this law, corporations had until June 1947 to calculate their extraordinary losses and until the end of August 1947 to submit their reorganization plans to the government for review and approval. The plans were to include items such as the method for disposing of the extraordinary losses, the company's new management structure, and future business plans.

Actually, the government delayed its decision on the standards for approving the reorganization plans and extended the deadline several times. The companies, meanwhile, faced with hyperinflation and the strong labor offensive, experienced difficulty in drawing up their plans. In December 1948, irritated by the slow pace of economic stabilization and enterprise reorganization, GHQ announced nine principles for economic stability, including a balanced budget, restrictions on government financing, and wage stability. Next, in February 1949, GHQ implemented extremely austere financial policies in the Dodge Line. Powerful anti-inflation measures eventually led to the economy reversing itself into a deflationary mode. Corporations that until then had taken advantage of the inflationary situation and barely managed to stay in business were finally forced to seriously tackle their reconstruction and reorganization.

Suteji Kanbe, serving under President Yuzo Yanai as senior managing director, spoke to the assembled employees of Oki Electric as follows at a meeting of the Central Administration Conference at the end of April 1949. "Since the end of the war," he said, "we successfully reverted from production for military demand to production for civilian demand. We also integrated our production operations into five plants and began producing communications equipment. The economic situation is changing rapidly, however ... our company had to borrow large amounts of money and has fallen into deficit operations. As well, the forced implementation of the nine principles for economic stability resulted in a reduced government budget, negatively influencing the volume of orders we received from the government. They also caused extreme financial difficulties. We have thus been forced into a situation in which it is impossible to continue in

business unless management takes appropriate measures.” Kanbe then announced a comprehensive consolidation plan premised on a drastic restructuring of the company.

The gist of the reorganization plan Oki Electric presented to the government included a downsizing of the company’s business, a workforce reduction, dissolution of the present company, and establishment of a new company. Some specific details were as follows.

1. The Warabi Plant would produce the key components for automatic exchanges.
2. The Tomioka and Fukushima plants would become independent profit centers, and would continue to produce radios and telegraph-related equipment. In the future, they would also develop and produce items that do not depend on orders from the public sector.
3. In order to raise overall production efficiency, operations at the Shibaura Plant would be transferred to the Shinagawa Plant.
4. The Shibaura Plant would be temporarily closed and then placed under the new company when it is established. When the company is able to procure funds in the future, the Shibaura Plant would become one of the main plants.
5. Because it is unprofitable, the vacuum tube division would be abolished.
6. The ceramics division would be integrated into the Fukushima Plant.
7. The wireless division would handle only potentially profitable wireless measuring apparatus and broadcasting equipment, and would be integrated into the Shinagawa Plant.

Reduction of the workforce was the most difficult item in the reorganization plan. The plan called for a large-scale reduction of 2,819 persons from the current 6,691 employees, a 42 percent reduction for a new workforce of 3,872 employees. As expected, the union protested vehemently, and organized rallies against the reorganization plan. But Senior Managing Director Kanbe insisted that the plan was the best the company could offer. Toward the end of May the

company published a list of the employees to be released, and protests from the union eventually ended.

About 150 million yen was needed to implement the reorganization plan and establish the new company. The Fuji Bank provided most of the funds; the balance came from joint financing by the Fuji Bank and five other banks—the Fukuoka, Kobe, Kyowa, Saitama, and Teikoku banks. Between taking over the new account in 1946 and setting up the new company in 1949, Oki Electric borrowed the enormous sum of 770 million yen, most of it from the Fuji Bank. Even while making tremendous sacrifices, Oki Electric, with support from its main bank, thus pushed through a program of restructuring and reorganization that opened the way for its new start as a new company.