

Sony Co-founder Morita Dies

Japan lost one of its most celebrated businessmen with the passing of Morita Akio, the co-founder and honorary chairman of Sony Corporation. Morita died of pneumonia at a Tokyo hospital on October 3 aged 78. He had withdrawn from business activities after suffering a debilitating stroke in 1993.

Morita established Tokyo Telecommunications Engineering Corp. (*Totsuko*) in 1946 jointly with the late Ibuka Masaru with initial capital of 190,000 yen and several employees. *Totsuko*, which changed its name to Sony 12 years later, began producing household electrical equipment, mainly audio products such as transistor radios, at a small downtown factory on its way to becoming a global enterprise. Morita was one of the pioneer venture businesses in Japan, together with Matsushita Konosuke, the founder of Matsushita Electric Industrial Co., and Honda Soichiro, the founder of Honda Motor Co.

Sony led the audio electronics markets of the world with superb miniaturization technology and

marketed various high-quality hit products such as tape recorders, television sets and videotape recorders. Sony's many innovations



The company-sponsored funeral of Morita Akio, the former chairman of Sony Corporation

to the physics department of Osaka University. Since Japan was at war at that time, he joined the Navy as an engineering officer upon graduation from university. It was at a technological research group of the Navy that he met his business partner Ibuka, who was 13 years his senior.

When they launched *Totsuko*, Ibuka was 38 and Morita was 25. The two partners maintained a neat division of responsibility, with Ibuka taking charge of technological development and Morita overseeing marketing, finance, global expansion and matters related to corporate management.

It was Morita's business genius that developed Sony into a global corporation. Morita had eyed overseas markets from the beginning. His global perspective was reflected in his decision to change *Totsuko's* name to Sony in 1958. It was rather unusual for a Japanese company to have a Western-sounding name at that time. But he insisted on having a short, easy-to-pronounce name in order for the company to expand overseas.

His dream of expanding globally came true in 1960 when he established Sony Corp. of America. He stationed himself and his family in New York to personally lead the building of Sony's marketing network. A year later, he succeeded in listing Sony on the New York Stock Exchange, making it the first Japanese company to do so. In the financial area, he directly raised capital from overseas sources, quite a departure from the traditional Japanese practice of relying on banks belonging to the same business group.

His business approach varied from that of other Japanese corporate leaders in various ways. For example, he dismissed academic backgrounds as useless in business activities and removed all mention of school records from Sony employees' personnel files. It was an unusual

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include Trinitron technology for TVs and the Walkman, which became a virtual synonym for a high-quality portable cassette player.

Morita was born in 1921 in Nagoya, the eldest son of a family that had engaged in brewing *sake* for 300 years. Under the watchful eyes of his father, Morita was groomed to become the heir to the family business. As a student, he often sat in on company meetings with his father and would help with the family business even on holidays. The Morita family owned automobiles, phonographic record players and other state-of-the-art devices, which were quite rare in Japan at that time, and Morita in his boyhood was fond of tinkering with record players and other electrical devices.

Having excelled at mathematics and physics in high school, he advanced

Photo:Kyodo News

move in the Japanese corporate world, where academic backgrounds had considerable weight.

At Sony's helm, Morita's interest expanded beyond electronics. He established CBS Sony, a joint venture with Columbia Broadcasting System, to enter the music software business. Sony also moved into the financial sector by establishing Sony Prudential Life Insurance Co. in a tie-up with Prudential Life Insurance Co. of the U.S. Morita pushed for Sony's purchase of the major record label CBS and Hollywood movie studio Columbia Pictures in pursuit of his dream to build an entertainment empire producing both software and hardware.

His career was not limited to the management of Sony. He was engaged in extensive activities for enhancing Japan's economic position in the world and promoting international business cooperation in his capacity as vice chairman of the Japan Federation of Economic Organizations (*Keidanren*) and as chairman of the Japan-U.S. Business Council. He was particularly anxious to remove trade friction between Japan and the U.S. and wrote a book, "Made in Japan," to explain the Japanese business approach.

In 1989 he stirred international controversy by co-authoring "The Japan That Can Say No" with Ishihara Shintaro, then a member of the Diet and currently governor of Tokyo, who is known for his strong nationalist stance. The best-selling book criticized the U.S. and other Western countries that complained about rising Japanese exports for being near-sighted in their business strategy but at the same time called on Japanese businesses to reconsider their practice of hastily expanding their world market share. He was regarded as one of the best-known Japanese in the U.S.

His global activities earned him many honors. In 1982 he became the first Japanese to receive the Albert Medal from the British Royal Academy of Science and Technology. He was also the recipient of the

Legion of Honor, the highest French order, and prestigious medals from Germany, Austria, Brazil, Spain, the Netherlands and Belgium. The Japanese government granted him the Grand Cordon of the Order of the Sacred Treasure in 1991.

Morita was a sociable and affable person who cultivated a wide circle of friends both at home and abroad, including former U.S. secretary of state Henry Kissinger and the late world-famous conductor Herbert von Karajan. Even in his later years, Morita's curiosity and enthusiasm never waned, as was shown by his taking up skiing and scuba diving after the age of 50.

Sumitomo, Sakura agree to merge by April 2002

Sumitomo Bank and Sakura Bank have agreed to merge by April, 2002, to create the second largest banking group in the world after the one to be formed by the merger of Dai-ichi Kangyo Bank, Fuji Bank and the Industrial Bank of Japan, scheduled for 2000. The two banks' combined assets would total 99 trillion yen, compared with the DKB-Fuji-IBJ group's 140 trillion yen.



The merger of two banks, Sakura (left) and Sumitomo (right), is milestone

The new bank's deposits will total 65.9 trillion yen, ranking second after the DKB-Fuji-IBJ group's 95.3 trillion yen and surpassing Tokyo Mitsubishi Bank's 48.1 trillion yen.

The two banks are influential members of the two business groups (*keiretsu*) based on the prewar conglomerates called *zaibatsu*, with Sumitomo Bank representing the Sumitomo Group and Sakura Bank serving as the core of the Mitsui Group. The two banks will now cross the boundaries of their respective *keiretsu* and their merger will weaken *keiretsu*-based affiliations and other business practices that have stood since prewar days in Japan. The Mitsubishi Group, another former *zaibatsu* group, will hardly remain unaffected by the Sumitomo-Sakura alliance. Trading houses, chemical companies, steelmakers, ship-builders, realtors, contractors and other companies affiliated with the three groups will now form alliances and raise funds beyond the *keiretsu* barrier and dilute old *zaibatsu* lines.

As a first step, the two banks plan to cut their joint work force of 31,325 by 9,300 in five years. They will also shut down 151 of their 808 domestic outlets and close 23 overseas branches. They are committed to the disposal of bad loans and intend to bring their annual credit costs down to 200 billion yen after the merger and reduce their shareholdings in *keiretsu* companies.

Sumitomo and Sakura will also take various measures in preparation for the merger, such as the exchange of executives, the use of each other's automatic telling machines, joint studies on the installation of automated teller machines at convenience stores, Internet banking, consolidation of overseas operations, integration of in-house standards to evaluate assets and to decide which bad loans should be written off, and joint personnel management.

Announcing the merger at a press conference, Sumitomo Bank President Nishikawa Yoshifumi said that *zaibatsu*-based groupings no longer worked since the period of high

growth was over and companies are now raising funds on their own outside *keiretsu* boundaries. Sakura Bank President Okada Akishige said that the building of the best structure is a prerequisite for offering the best service. "We found it essential to form an alliance with the best corporation beyond the *keiretsu* barrier. This is (an example of the) "Big Bang" (reform in operation), Okada said.

Japan's worst nuclear accident occurs at uranium-processing plant

Japan experienced its worst nuclear accident on the morning of September 30 when a nuclear-fission chain reaction occurred during the processing of uranium fuel at a commercial uranium-processing plant in Tokai village, Ibaraki Prefecture, east of Tokyo. The accident was attributed to workers' mishandling of uranium fuel and was the first nuclear accident in Japan to reach criticality.

The accident took place around 10:30 a.m. at a testing facility at the uranium-processing plant of JCO Co., a subsidiary of Sumitomo Metal Mining Co. An out-of-control nuclear chain reaction occurred when an unusually large amount of uranium solution was put into a precipitation tank. The processing work involved the dissolution of uranium oxide by nitric acid for purification. The reaction went on until around 6:30 a.m. the next day (October 1), when it finally stopped after cooling water around the tank was drained.

Three plant workers were exposed to powerful radiation and were hospitalized. Two were badly burned and are reported to be in a serious condition. Radiation levels in the plant were 20,000 times higher than normal at one point. Some 310,000 residents within a radius of 10 kilometers of the plant were forced to stay indoors to avoid radiation hazards.

The Science and Technology Agency rated the seriousness of the accident as "stage 4" on the

international scale of 0 to 7, that is, a small amount of radiation was released outside the facility involved and workers were exposed to radiation. The 1986 disaster at the Chernobyl nuclear plant in Ukraine, the world's worst ever nuclear accident, was stage 7 and the mishap at the 1979 Three Mile Island nuclear plant in the U.S. was stage 5.

The previous worst nuclear accident in Japan was a fire and explosion at a

workers' failure to follow work manuals.

Responsibility for regulating and managing nuclear facilities in Japan is currently divided between the Ministry of International Trade and Industry and the Science and Technology Agency, with the former responsible for nuclear power stations and the latter for research institutions and fuel plants.



Local government workers entering nuclear facilities

Photo: Kyodo News

processing plant in Tokai village of the now disbanded Power Reactor & Nuclear Fuel Development Corp. in March 1997, which was rated as stage 3.

Critical accidents had occasionally taken place at nuclear facilities in foreign countries up to the mid-1960s, but technological development and stringent safety measures had practically eliminated such accidents. Nuclear specialists had claimed that critical accidents were no longer conceivable.

Police have launched an investigation into the cause of the accident. They are searching the plant as well as JCO's head office and are questioning JCO executives and plant officials. Police are reportedly considering filing criminal charges against them for negligence since the accident resulted from the

Nuclear power plants are safely managed with advanced technology and are in the hands of reliable major electric power companies. But nuclear fuel processing is undertaken mostly by small companies and is not considered to be as safe as nuclear power generation. The accident has prompted the two agencies to establish a joint working group which would consider measures to enhance the safety of nuclear power and the prevention and handling of nuclear accidents. The group is studying stricter inspections of nuclear fuel processing facilities as well as the upgrading of legal measures related to nuclear power, including the enactment of a new law on the prevention and safer handling of nuclear accidents.