Nissan's Business Strategies in the 1960s – The Process of the Nissan-Prince Merger –

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I INTRODUCTION

THE PURPOSE of this article is to analyze the process and outcome of Nissan's merger with Prince in the 1960s. Through this analysis, the following three questions will be answered: 1) What were the perspectives and awareness of the top executives of Nissan and Prince concerning the business climate surrounding the two companies at that time, and how did they respond to it? 2) What was the outcome of this merger, and in particular what did it bring to Nissan, which took over Prince? and 3) What was the historical significance of the Nissan-Prince merger, the only case of a takeover of one automobile company merger by another in Japan after World War II?

In the 1960s, Japan was in the age of motorization, when the domestic market experienced unprecedented, rapid growth. With the liberalization of trade and capital being just around the corner, automobile manufacturers and parts suppliers were doing their utmost to cut costs and improve the quality of their products in order to strengthen their structure of the industry and of their corporations. It was also a time when industrial reorganization was also moving forward.

In the mid 1960s, the proportion of passenger cars in total new car registrations in Japan started to increase and there was a shift in their

use, from commercial to private. Whereas until that time the users had predominantly been corporations, private users now appeared and gradually increased in numbers. This kind of quantitative expansion and qualitative change in the market represented a good business opportunity for the automobile industry. The Toyota Motor Corporation and the Nissan Motor Company the first movers in this market, were not able to increase their production capacity to keep up with the growth of the market, nor did they try to produce mini-cars (light vehicles) whose quality and price would meet the needs of the general public. This fact was fortunate for other manufacturers which had produced aircraft, motorcycles and/or three-wheeled vehicles during the war and turned to four-wheeled vehicle manufacture after the war, in that it helped them to gain a firm foothold in the automobile industry. In addition, the fact that price competition was strongly discouraged so that funds could be applied to investment in preparation for the impending liberalization, also benefited newcomers to the industry.

Toyota and Nissan, the two leading manufacturers, with their superior overall strength, played major roles in competition among the automobile manufacturers. All the companies sought measures to strengthen their competitiveness in preparation for the forthcoming liberalization of capital in the 1970s. As a result, they formed reciprocal, complementary alliances such as the Toyota Group (Hino, Toyota and Daihatsu) and the Nissan Group (Nissan Diesel, Nissan and Fuji Heavy Industries). This type of alliance enables a company to complement the its shortage of business resources with those of its allied companies and to enjoy the merits of membership of a corporate group. The Japanese Ministry of International Trade and Industry, (the predecessor of today's Ministry of Economy, Trade and Industry) advocated reduction of the number of automobile manufacturers throughout the 1960s, but only one merger actually took place – the merger of the Nissan Motor Company with the Prince Motor Company in 1966.

In this article, therefore, the significance of this unique case will be carefully examined. The two companies' failure can be considered as a major reason for the realization of the Nissan-Prince merger. The major concern of this article is therefore to examine Nissan's structure and the factors which caused its failure, through observations of both companies' paths to the merger.

II NISSAN AND TOYOTA IN THE POSTWAR PERIOD

In the postwar reconstruction period Nissan and Toyota assumed a sharply contrasting character. The conditions that determined Toyota's postwar development were the concentration of the location of its plants and the existence of a labor union that came to be virtually a management committee after the settlement of a major labor dispute in 1950. On the other hand, Nissan lagged behind Toyota because of such factors as the collapse of the Nissan combine, the resulting perpetual changes in its top management and unstable business policies, as well as the dispersed location of its plants. Confusion in Nissan's management increased the organizational strength of the Nissan chapter of the Japan Confederation of Automobile Workers' Unions. The labor dispute in 1953 triggered the establishment of a new Nissan new labor union, and as that new union had played a leading role in the settlement of the dispute, it had a louder voice and management became weaker.

When we look at Toyota's successive chief executives up until the early 1980s, if we include Taizō Ishida, cousin by marriage to Risaburō Toyoda, four of the five were members of the Toyoda family. Even under the fourth president, Fukio Nakagawa, leadership in the field of technology was taken by Eiji Toyoda, Kiichirō's cousin, an engineer who had endured hardship with Kiichirō in the early days of the company.¹ On the other hand, speaking of Nissan's counterparts, as many as eleven top executives in total came and went one after another in quite a short period of time. Before the war, as the Nissan concern grew dramatically, it suffered from a shortage of human resources who could serve as executives. Nissan Motors suffered in the same way, and a scratch top management team was organized from people from the automobile division and other divisions of the former Tobata Imono Company, of Tobata, as well as outsiders invited by Yoshisuke Aikawa, the founder of Nissan. As a result, it became difficult to adjust executives' differing opinions concerning the entry of the Nihon Sangyō Company (the former controlling company of Nissan) into the automobile business, and there was no end to internal conflicts².

1. Toyoda, Eiji. *Ketsudan [Decisions]*, Tokyo, Nihon keizai shinbunsha, 1985, pp.180~181.

2. Udagawa, M.. "Nissan jidōsha ni okeru toppu manējimento to ishi kettei katei [Top

In 1951, Nissan prepared the ground for its business reconstruction; its balance sheet moved into the black thanks to the special procurement boom caused by the Korean War, and Genshichi Asahara returned to its presidency, taking over from Taichi Minoura who had come from the NOF Corporation (Nihon Yushi). It was not until then that Nissan shifted its structure to one directed toward postwar reconstruction. Meanwhile, in response to a request from Minoura, the Industrial Bank of Japan, Nissan's main bank, sent Katsuji Kawamata to Nissan, which was suffering from a slump in its business. Kawamata shouldered the management of Nissan during the period of rapid economic growth. As the person in charge of accounting he played an active part in negotiations with the labor union when labor disputes occurred, and in 1957 was appointed to the post of President – the fifth holder of this post since the war, and the ninth in the history of the company, including the founder. He was the first President not to have come from any of the member companies of the Nissan combine (Table 1).

In settling the labor dispute which dragged on for three months in 1953, Kawamata was helped by Masaru Miyake and Ichirō Shioji who were to become leaders of the second labor union, the Nissan Motor Company Labor Union (now the Federation of All Nissan and General Workers Unions). This relationship was to have a long-lasting effect on later relations between the company and its labor union. The second labor union grew out of an independently-organized group called the 'Business Workshop (*kigyō kenkyūkai*)' composed of college graduates. When it decided to form a second union, the management supported its organization, and the management and the new union, rejecting the radical, strongly ideology-driven dispute tactics of the Nissan chapter of the Confederation of Japan Automobile Workers' Unions led by Tetsuo Masuda. Together they broke the old union's hold on the workforce and brought the dispute to a settlement. The fact that the company had not been able to take the leadership in the formation the new labor union, allowed the union in the years that followed to take a position superior to the management³.

management and the decision-making process in the Nissan Motor Company]", *Keio Management Journal*, 15. 2, p.40.

3. Yamamoto, K., *Jidōsha sangyō no rōshi kankei* [Labor relations in the automobile industry], Tokyo, Tokyo U. P., 1981, p.142.

Table 1 Top Executives

Nissan			
Term	President	Term	Chairman
1933 ~ 39	Aikawa Yoshisuke	1939 ~ 41	Aikawa Yoshisuke
1939 ~ 42	Murakami Masasuke		
1942 ~ 44	Asahara Genshichi		
1944 ~ 45	Kudoh Haruto		
1945	Murayama Takeshi		
1945 ~ 47	Yamamoto Souji	1944 ~ 45	Aikawa Yoshisuke
1947 ~ 51	Minoura Taichi		
1951 ~ 57	Asahara Genshichi	1957 ~ 62	Asahara Genshichi
1957 ~ 73	Kawamata Katsuji		
1973 ~ 77	Iwakoshi Tadahiro		
1977 ~ 85	Ishihara Takashi	1973 ~ 85	Kawamata Katsuji
Toyota			
Term	President	Term	Chairman
Toyota Motor			
1937 ~ 41	Toyoda Risaburo	1941 ~ 45	Toyoda Risaburo
1941 ~ 50	Toyoda Kiichiro		
1950 ~ 61	Ishida Taizo	1961 ~ 71	Ishida Taizo
1961 ~ 67	Nakagawa Fukio		
1967 ~ 82	Toyoda Eiji		
		1972 ~ 78	Saito Naoichi
		1978 ~ 82	Hanai Masaya
Toyota Motor Sales			
1950 ~ 75	Kamiya Shotaro	1975 ~ 79	Kamiya Shotaro
1975 ~ 79	Kato Seishi		
1979 ~ 81	Yamamoto Sadazo	1979 ~ 82	Kato Seishi
1981 ~ 82	Toyoda Shoichiro		

Sources: Nissan jidōsha, *Nijū-iseiki e no michi* [The 50-year history of the Nissan Motor Co.] 1983.

Toyota jidosha, *Sozo Kagirinaku* [The 50-year history of the Toyota Motor Corporation] 1987.

In 1955, President Asahara schemed to transfer Executive Director Kawamata, who had a strong lust for power to the post of President of Minsei Diesel, one of Nissan's affiliated companies. Miyake, the leader of the new labor union ordered a strike in support of Kawamata's remaining in Nissan. This triggered the emergence of two clearly opposed factions within the Nissan management, the Kawamata faction and the Asahara faction. The former had close ties with the Industrial

Bank of Japan and the second labor union, while the latter's support consisted of senior employees of the company, including many engineers who had joined Nissan in the 1930s. In 1957, when Asahara nominated Kyoichi Harashina as the candidate to take his place as President, the labor union strongly supported Kawamata. The result was that Kawamata assumed the presidency in Asahara's place, owing a heavy obligation to the labor union⁴. At the time of the Nissan-Prince merger in 1966, Kawamata relied on Shioji, Miyake's successor as union leader, to unify the Nissan Motor Company Labor Union and the Prince chapter of the Japan Federation of Metal Industry Workers' Unions. In this way, the management and the labor union had close, inseparable ties with each other.

The cozy relationship between the personnel management division of the company and the labor union, that had its origins in the settlement of the postwar labor-management dispute, penetrated from the top management down to the supervisory organization on the shop floor, and had a malignant influence on Nissan's management of its business. The staff of Nissan's personnel department consisted of former labor union leaders, and former staff of the personnel department held the key positions in the labor union. The administration of Nissan's labor union deviated from the principle of union democracy and even elections for union leaders remained cozy, characterized by cronyism. As a result, Nissan's labor union turned into little more than a staff organization composed mainly of white-collar workers whose actions vis-à-vis management were always moderate. It was no longer a labor union in reality but had taken on more and more the character of a pressure group that intruded eagerly into the company's personnel affairs. In a sense, it can be said that Nissan's labor union became an organization whose sole role was to support the power of the union leaders.⁵

III NISSAN'S BUSINESS STRATEGIES AND CHANGES IN MARKET STRUCTURE

Nissan was ahead of Toyota in auto output before the World War and maintained its scale of production for a while after the war, despite the

4. M.A.Cusumano, *The Japanese Automobile Industry : Technology and Management at Nissan and Toyota*, Cambridge, Mass., Harvard U. P., 1985, p.173.

5. Yamamoto, *op.cit.*

circumstances mentioned above. Since around the time of the 1953 labor dispute, however, Nissan had fallen behind Toyota (Table 2). This was the case in terms of in both share of production and share of new passenger car registration, and this and there was no sign that this situation was likely to change (Table 3). Nissan's top management, therefore, felt it extremely significant for them to reverse this situation and to surpass Toyota in auto output.

Nissan and Toyota followed different paths in their foundation and went through different processes of postwar recovery, which made the two companies different in character. These differences greatly affected Nissan's corporate behavior after the war. Technology transfers to Nissan through affiliations with Western companies before and after the war made Nissan oriented to large lot production and Nissan tolerated a large stock to lubricate mass production. The nature of Nissan's management is also attributable to its long history of labor disputes. Nissan's management became unwilling to deal with any matters that could lead to labor intensification for on-site workers so that it could avoid confusion in labor-management relations. Instead, the management drove for improvements in productivity through the increased sophistication of facilities and equipment and the introduction of automation. Management decided to develop Nissan's products with this orientation. In other words, management intended to recoup the investment in a short period of time by giving priority to high value-added products and the core segment of the market. In this sense, Nissan was in contrast with Toyota, which in 1955 had started developing inexpensive popular cars responding to the concept of 'cars for the General Public'⁶. Nissan's strategies were appropriate in that it introduced the 1,000cc.-class Bluebird in 1959 to the hired car and taxi markets which were growing in the late 1950s, and the 1,500cc.-class Cedric in 1960 to the corporate-owned passenger car market, which was growing around 1960. As a result, Nissan successfully surpassed Toyota in share of new passenger car registration from 1960 to 1962. With passenger cars playing a more important role in production, Nissan's overtaking Toyota encouraged Nissan greatly.

6. Shimokawa, K., "Jidosha", in Yonekawa, S., Shimokawa, K., and Yamazaki, H., eds., *Sengo Nihon keieishi 2* [A history of management in postwar Japan], Tokyo, Tōyō keizai shinpōsha, 1990, p.104.

Table 2 Automobile Production: Nissan and Toyota

Year	Nissan			Toyota		
	Car	Truck/Bus	Total	Car	Truck/Bus	Total
1934	650	290	940			
1935	2,631	1,169	3,800	0	20	20
1936	2,562	3,601	6,163	100	1,042	1,142
1937	4,068	6,159	10,227	577	3,436	4,013
1938	4,151	12,440	16,591	539	4,076	4,615
1939	1,370	16,411	17,781	107	11,874	11,981
1940	1,162	14,763	15,925	268	14,519	14,787
1941	1,587	18,101	19,688	208	14,403	14,611
1942	871	16,563	17,434	41	16,261	16,302
1943	566	10,187	10,753	53	9,774	9,827
1944	9	7,074	7,083	19	12,701	12,720
1945	0	2,001	2,001	0	3,275	3,275
1946	0	6,406	6,406	0	5,821	5,821
1947	55	4,366	4,421	54	3,868	3,922
1948	246	8,221	8,467	21	6,682	6,703
1949	647	11,083	11,730	235	10,589	10,824
1950	865	11,593	12,458	463	11,243	11,706
1951	1,705	12,676	14,381	1,470	12,758	14,228
1952	2,376	11,586	13,962	1,857	12,249	14,106
1953	3,049	11,544	14,593	3,572	12,924	16,496
1954	4,650	15,173	19,823	4,235	18,478	22,713
1955	6,597	15,170	21,767	7,403	15,383	22,786
1956	12,965	20,547	33,512	12,001	34,416	46,417
1957	18,786	40,154	58,940	19,885	59,642	79,527
1958	16,878	37,962	54,840	21,224	57,632	78,856
1959	26,753	51,069	77,822	30,235	70,959	101,194
1960	55,049	60,416	115,465	42,118	112,652	154,770
1961	76,667	89,070	165,737	73,830	137,107	210,937
1962	89,003	123,255	212,258	74,515	155,835	230,350
1963	118,558	149,757	268,315	128,843	189,652	318,495
1964	168,674	179,563	348,237	181,738	244,026	425,764
1965	169,815	175,350	345,165	236,151	241,492	477,643
1966	231,508	240,090	471,598	316,189	271,350	587,539
1967	352,045	374,022	726,067	476,807	355,323	832,130
1968	571,614	408,220	979,834	659,189	438,216	1,097,405
1969	697,691	451,024	1,148,715	964,088	507,123	1,471,211

Sources: Nissan [1983], Toyota [1987].

Table 3 Share

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Nissan	38.4	37.3	35.8	29.3	28.3	31.6	30.2	32.4	29.1	29.6	24.0	20.4	21.4	20.9	20.5	18.4	22.6	23.1	24.0	24.6
	28.8	43.6	48.0	15.9	24.3	30.8	37.9	39.1	33.6	33.9	33.0	29.8	30.2	27.2	25.0	21.3	27.2	24.1	25.2	24.8
Toyota	36.0	36.9	36.2	33.1	32.4	33.1	41.8	43.7	41.9	38.5	32.1	25.9	23.3	24.8	25.0	25.5	25.7	26.4	26.9	31.5
	17.3	45.4	39.9	23.9	23.5	35.2	38.4	42.2	42.0	41.0	26.8	28.6	29.2	32.0	32.1	33.8	33.1	31.4	29.0	31.4
Prince			1.1	4.1	5.2	8.0	6.8	5.8	7.3	7.5	6.4	4.8	4.2	4.2	5.0	4.9				
					3.9	6.0	3.9	4.0	8.8	9.3	6.4	5.1	5.1	6.3	8.2	6.7				

Notes: (1) Shown in the upper stand is production share and in the lower stand, new-passenger-car-registration share.

(2) The values listed on this table as those of Prince up until 1960 are actually those of Fuji Precision Machine Company.

Source: Toyota Jidosha hanbai, *Mōtarizēshon to tomo ni* [The 20-year history of Toyota Motor Sales Company] 1970.

Market conditions, however, were changing dramatically during the 1960s. In the 1960s, the domestic market expanded rapidly and changed in nature. Although almost all the limited number of automobiles had been for commercial use and almost all the users had been companies and other institutions before that period, in the mid 1960s the ratio of passenger cars to total new car registration in Japan started to increase, and a certain number of non-commercial vehicles and private automobile users appeared and were gradually increasing in proportion. Around 1960, stimulated by the concept of 'cars for the general public', each newcomer released mini passenger cars one after another. Those mini passenger cars were leading Japan's motorization and causing a rapid growth of the passenger car market. This kind of market transition offered new business opportunities to the automobile industry. Moreover, the step-by-step transition to liberalization of trade and capital from the 1960s into 1970s impelled all the manufacturers to avoid price wars as much as possible, to let their profits accumulate and to strengthen their international competitiveness through competition in capital investment. This means that the climate above gave newcomers and minor manufacturers some opportunities to survive. As a result, competition in the automobile industry became severe.⁷

In the 1960s, as the national income remarkably increased dramatically, a popular car market was being formed. Cars in the 700cc. to 800cc. class were core products in this market. They were, for example, the Toyota Publica in 1961, the Mazda Carol 600 in 1962, the Daihatsu Compa 800, the Honda S 500 and the Mitsubishi Colt 1,000 in 1963, and the Mazda Familia 800 in 1964. The popular car market marked a year-on-year increase of 150 to 160% every year from 1961 onward. The Publica that Toyota introduced to the market had a 74% share of the popular car market in 1962. Nissan, however, was not interested in popular cars. Katsuji Kawamata, president of Nissan, continued to take a negative attitude toward popular cars and repeatedly argued that lower income groups can drive second-hand Bluebirds. His

7. Itoh, Motoshige. "Onshitsu no naka de no seichō kyōsō: sangyō seisaku no motarashita mono [Growth competition in a hothouse environment: the outcomes of industrial policy]", in Itami, H., *et al.*, eds., *Kyōsō to kakushin: jidōsha sangyō no kigyō seichō* [Competition and innovation: corporate growth in the automobile industry], Tokyo, Tōyō keizai shimpōsha, 1988, p.182-187.

policy was that popular cars with low profit rates that could lower the sales of Bluebird, Nissan's core product, had no attraction for to Nissan. Tadashi Igarashi, executive director and supervisor of the technology division, who was afraid that Nissan would be left behind in the motorization boom, successfully convinced Kawamata to allow him and his staff to develop popular cars. Kawamata, however, determined to avoid any risk, attached a condition to his approval that the only popular cars to be developed should be commercial vehicles (station wagons). Thereafter, even though he saw popular cars of other manufacturers increasing their market share, Kawamata continued to attach various conditions to Nissan's popular passenger car development. He gave detailed instructions to the development team such as to avoid capital investment as much as possible, and exercise strict control over the prime cost of vehicles. Kawamata had not yet woken up to the quiet progress of motorization. Igarashi and his staff had to advance the development of their popular cars, always sensitive to Kawamata's moods.⁸

The strategy necessary for the first movers, Toyota and Nissan, to take a further leap forward was not to supply the demand of corporate users as they had in the past, but to tap the popular car market. Toyota, which had been making an effort to expand the base of market since the 1950s, got to market fast with the 700cc. Publica as its entry-level car in 1961, which had an ex-store price in Tokyo of ¥389,000. By contrast, the perception of Katsuji Kawamata, president of Nissan, that 'in view of the income gap between Japan and the West, the age of popular cars in Japan is far in the future' delayed Nissan's development of popular cars which, would have led to the stimulation of individual users' needs.⁹ While Toyota's popular car scheme was going ahead in 1959, Kawamata firmly said, 'I hear people talking about producing so-called popular cars here and there but my company is not¹⁰.' As a result, Nissan was reduced to giving up its top position in passenger car share

8. Katsuragi, Y., *Nihon ni okeru jidōsha no seiki: Toyota to Nissan wo chūshin ni* [Japan's automobile century: particular reference to Toyota and Nissan], Tokyo, Grand Prix Press, 1999, pp.402-403.

9. Kawamata Katsuji tsuitōroku hensan iinkai, ed., *Kawamata Katsuji jidōsha to tomo ni* [Katsuji Kawata – a life with automobiles], Nissan Motor Company, 1988, p.86.

10. Ozaki, Masahisa. *Datsun*, Tokyo, Jikensha, 1959, p.59.

to Toyota only in three years.

Nissan's strategy for playing the major role in the market was different in nature from Toyota's, which was to organize a comprehensive merchandise lineup to supply the consumer demand in each segment of the market. The Publica, Toyota's entry-level car, could cover new licensees and mini-car owners with their potential needs to replace their mini-cars with bigger ones, and Toyota's full lineup could continuously take care of consumers with their further needs for upgrading to compact cars and then to midsize cars. Toyota learned sales techniques for popular cars, acquired consumer information, observed consumers' attitudes toward popular cars, etc. through sales of the Publica, which helped the company with the later development of the Corolla. In concert with the release of the Publica, Toyota made a great effort to stimulate the popular car market by establishing its popular car dealer network, the Publica Dealers (renamed the Corolla Dealers in 1969) and built up its mass sales system of popular cars by opening the Toyota Auto Dealers as its second popular car sales channel in 1967. Compared to other automobile manufacturers Toyota was extremely wary of injecting capital injection into its dealers, and the company did community-based marketing by utilizing local capital. Stimulation of the popular car market and active dealer development in the early stages, and utilization of local capital were Toyota's two features which enabled the company to hold a dominant position in marketing.¹¹

IV THE COMPETITION STRATEGIES OF PRINCE

Nissan, which still adhered to the market perspective it had when it overtook Toyota in share of new passenger car registration and misjudged with the market climate, fell behind Toyota in market share, including passenger car share, in 1963. The Nissan-Prince merger had the clear character of a formula hammered out by Nissan hammered out in order to break out of a situation. In what follows, therefore, the foundation process of the Prince Motor Company will be surveyed first.

11. Shinomiya, M., *Nihon no jidōsha sangyo: kigyōsha katsudō to kyōsōryoku 1918~70* [*The Japanese automobile industry: entrepreneurial activity and competitive strength 1918~70*], Tokyo, Nihon keizai hyōronsha, 1998, pp.176~185.

Prince's business conditions in the 1960s will then be analyzed and its motives for the merger discussed.

1. The foundation process of the Prince Motor Company

The Prince Motor Company traces its origins back to two aircraft manufacturers before World War II, the Nakajima Aircraft Company, established in 1917, and the Tachikawa Aircraft Company. The latter was first established as the Ishikawajima Aircraft Company in 1925 and changed its name to Tachikawa Aircraft Company in 1934. Nakajima manufactured engines and Tachikawa mainly fuselages. Nakajima's engines were supplied to Tachikawa and many excellent aircraft were produced. Both companies grew dramatically by producing military aircraft during the war but aircraft manufacture was forbidden after the war under the occupation policy of the Allied Forces. As the Tachikawa Aircraft Company had been involved with its affiliated company, Kōsoku Kikan Kōgyō in the development of an automobile named the Ōta, the company decided to embark upon the automobile business. The first automobile that the company manufactured was an electric car. Later, its automobile division successfully became independent and the Tokyo Electric Car Company was established in Fuchu in June of 1947. The electric car named the Tama which the company released, enjoyed a very good reputation when the supply of gasoline was regulated and Japan was suffering from a tight gasoline supply situation. It was Shōjirō Ishibashi of the Bridgestone Tire Corporation that the company asked for support in order to improve its balance sheet.

Shōjirō Ishibashi, who raved over the excellent performance of the Tama, assumed the chairmanship of the Tokyo Electric Car Company in January 1949. The company moved its factory to Mitaka in November that year and changed its name to the Tama Electric Car Company. However, when the Korean War broke out in 1950 the U.S. military, however, bought up the lead, indispensable to electric vehicles, and the price of lead soared. Meanwhile, a gasoline supplies became plentiful and its price fell. The Tama Electric Car Company hurriedly pushed forward with R&D into petrol cars instead of electric cars, and commissioned the Fuji Precision Machine Company (derived from the former Nakajima Aircraft Company) to manufacture petrol engines.

The Tama Electric Car Company was to manufacture bodies and Fuji Precision Machine Company, engines. In April of 1951, Shōjirō Ishibashi bought stock to the value of ¥55 million in the Fuji Precision Machine Company from the Industrial Bank of Japan, and acquired a voice in the company's business. He assumed the chairmanship of the Fuji Precision Machine Company, and Ino Dan, executive director of the Bridgestone Tire Corporation, assumed its presidency. In this way, the Tama Electric Car Company and the Fuji Precision Machine Company, both now members of the Ishibashi Group, collaborated under the leadership of Ishibashi, and their production of petrol-car working models got on track. In November 1951, the two companies produced a petrol-powered truck carrying a 1,500cc. engine and named it Prince. In February 1952 they completed a petrol passenger car. The Tama Electric Car Company took this opportunity to change its name to the Tama Motors Company and decided to go into full-scale production of petrol-powered cars. In November 1952, the Tama Motors Company changed its name to the Prince Motor Company, the same name as its car.

Under the leadership of Ishibashi, who concurrently held the post Chairman in both the Prince Motor Company and the Fuji Precision Machine Company chairman, the two companies merged on April 10, 1954. The name of the new company was the Fuji Precision Machine Company. Before the merger, in order to strengthen the new company's sales, the two companies established a jointly-funded company, the Prince Auto Sales Company, with a capital of ¥100 million. In April 1957, the Fuji Precision Machine Company released a new model 1,500cc. passenger car, the Skyline, and proved its high level of technology. In January 1959, the company released a passenger car named the Prince Gloria carrying a 1,900cc. engine. In those days, the sales ratio of its automobile division in its total sales continued to increase – from 72.6% in the first half of 1957 to 86.3% in the latter half of 1959¹². The company drew up a five-year plan for the period from January 1960 to December 1964 focusing on the following three points: 1) building plants for the exclusive use of passenger car manufacture; 2) achieving a monthly output of 10,000 cars; and 3) placing a special

12. Nissan jidōsha, *Nissan jidōsha shashi shiryō* [Materials for the compilation of the Nissan Motor Co. company history].

emphasis on passenger car production. In February 1961, the Fuji Precision Machine Company changed its name to the Prince Motor Company. Its Murayama Plant for the exclusive use of passenger car manufacture, the most important part of its five-year plan, was completed in October of 1962.

2. Differentiation strategies of Prince

The Fuji Precision Machine Company, which had carved out a large share of the hired car and taxi markets, focusing on 1,500cc.-class cars playing the core role in the automobile market in the late 1950s, developed and brought 1,900cc.-class cars to the market around 1960 in order to meet newly born needs for company-owned non-commercial vehicles. Thanks to these strategies, the company successfully established a respectable position in the automobile industry in a short period of time. The company had accumulated technology through aircraft manufacture by that time, and made a choice to manufacture technology-centered products in order to make up for its weak sales force as well as its disadvantage as a latecomer to the automobile industry¹³.

The Prince Motor Company focused on luxury cars and upgraded the Skyline and the Gloria with its superior technology and planning ability. In June 1963 the company released a high-performance luxury car, the Gloria Super 6, carrying a 2,000cc. OHC six-cylinder engine, which peaked at 155 km/h, and the Skyline 1,500 as the second generation of Skyline in November of that year. The latter was 'the car Prince planned based upon its estimation that 1,500cc.-class passenger cars had a great potential to be a favorites of family cars, when it considered the future demand prospects for passenger cars in Japan'¹⁴. According to Prince's five-year plan, the target market share of each vehicle family in 1964, the last year of its plan, was as follows: for the Gloria 32.5% of the midsize car market (1,501-2,000cc. displacement); and for the

13. Katsuragi, Y., *Sukairain densetsu no tanjō* [The birth of the Skyline legend], Tokyo, Grand Prix Press, 1995, p.44.

14. Nissan Prince jidōsha hanbai, ed. and publ., *Ai no kuruma to hanbaimō wo sodateta kiroku: Nissan Prince jihan sanjū-nen no ayumi* [The record of building a sales network for the car we love: 30 years of Nissan Prince sales], 1984, p.143.

Skyline 25% of the 1,001-1,500cc. compact car market¹⁵. The situation, however, did not progress as Prince expected. As far as the share of production by engine displacement, cars in the 1,001-1,500cc. class were at the core of demand from the mid 1960s onward (Table 4).

Table 4 Transition of Passenger Car Production Share by Engine Displacement

(%)

	over 2000cc	2000 ~ 1501	1500 ~ 1001	1000 ~ 361	360 and under
1960		0.7	44.2	33.2	21.9
1961		19.5	42.1	16.9	21.5
1962		25.6	39.0	13.8	21.6
1963		32.4	33.1	15.4	19.1
1964		24.8	43.2	17.8	14.2
1965	0.5	17.6	49.5	18.9	13.5
1966	0.6	17.1	48.6	20.1	13.6
1967	0.9	14.5	46.1	17.9	20.6
1968	1.1	19.3	39.3	16.9	23.4
1969	1.0	22.6	40.9	14.1	21.4
1970	1.6	30.0	39.6	5.2	23.6

Source: Japan Automobile Manufacturer's Association, Jidosha Tokei Nenpo.

The company's forecast hit the mark in that 1,500cc.-class cars became favorites among family cars, but the share of midsize cars dependent on corporate demand remained stagnant from 1963 onward, reflecting the depression, and sales of the Gloria sharply dropped. Moreover, the competing cars of Toyota and Nissan gained huge leads on their Prince counterparts in both car classes. As of 1964, the Prince Auto Sales Company and Prince Dealers carried a large inventory of 24,000 cars in total¹⁶.

Prince, like Nissan, was inclined toward technology-centered merchandise development. Prince paid attention only to offering technical advantages, based upon its belief that among the contemporary

15. Nissan jidōsha, *Nissan jidōsha shashi shiryō* [Materials for the compilation of the Nissan Motor Co. company history].

16. Nissan jidōsha, *Nissan jidōsha shashi 1964~73* [History of the Nissan Motor Co., 1964~73], 1975, p.499.

competing cars, 'superior ones must sell well', but paid little attention to the shifts in user needs or to reinforcement of its sales force¹⁷. Prince's perspective on the development of motorization was not widely wrong but undervalued the presence of mini-cars and popular cars as entry-level cars. The policy of producing only 1,500cc.-class cars (in the market core) and over-1,500cc.-class cars did not stand up well in the competition against Toyota's strategy to try to sell its 361cc.-1,000cc.-class cars to mini-car users with potential upgrading needs, and then have them become users of its over-1,500cc.-class luxury cars. Especially in Japan where door-to-door sales played the major part in sales activities, quite emotional factors had a serious effect on consumer behavior; i.e., once users purchased Toyota's popular cars, they formed a close relationship with Toyota's salespersons and were not easily able to shift into a relationships with other manufacturers' salespersons. Moreover, the Toyota manufacturing system was about to reach the phase of completion, and Toyota was about to achieve both high quality and low price in the 1960s, which sharpened its edge.

Throughout the 1960s when motorization was progressing, 'when we consider the dealer activities to accompany the spread and the increase in numbers of owner drivers, it became an indispensable condition to set up local sales bases because it had already become necessary to collect a wide range of segmentalized market information and make door-to-door contacts with consumers'¹⁸. In that sense, too, Toyota's sales force was competitive in both quality and quantity. In what follows, from the viewpoints of sales and marketing, what Toyota, Nissan and Prince were like in those days will be briefly illustrated, and compared and contrasted. Toyota had many sales bases run by its dealers with local capital who had a vigorous entrepreneurial spirit even in smaller cities. Nissan's sales bases, managed by its dealers, were smaller than Toyota's in number. The ratio of Nissan's capital contribution to its dealers was higher. Nissan was also inferior to Toyota in entrepreneurship. Prince fell short of even the latecomers to the industry, and was behind heavy commercial vehicle manufacturers which had traditionally been

17. Nissan Prince *jidōsha hanbai*, *op.cit.*, p.74.

18. Hattori, K., "Seichō mokuhyō no kakuritsu to tekiseikibo [The setting of growth targets and appropriate scale]", Japan Automobile Dealers Association, *Jidōsha hanbai*, 1966, p.5.

dependent upon route sales. Prince had an independent auto sales company in its group as did Toyota, but it was very difficult to find merit in any phase of Prince's marketing.

V SLUMP IN THE BUSINESS OF NISSAN AND PRINCE

Nissan, not aware of the trend of motorization progressing in the 1960s, failed to stimulate the demand for popular cars in a timely fashion, and Price tried to make its technology its selling point by sticking to its policy of focusing on luxury cars. The two companies reached a great turning point. In particular, the decrease in the growth rate of automobile sales, caused by the depression in the early and mid 1960s, made them start to look for a merger opportunity. The year-on-year growth rates of automobile registration were 133.8% in 1963, 131.2% in 1964 and 112.7% in 1965, and those of passenger car registration alone were 146.2%, 140.1% and 119.0%, respectively. The growth rate saw a sharp drop in those three years. In what follows, discussion will be carried out with reference to the business indices of Toyota, Nissan and Prince (Table 5).

Nissan's net profit ratio to total capital continued to fall from 1964 onward and that of Prince was on a sharp downward trend from 1962 onward. If we look at the trends of the two companies' ratios of net profits to sales and turnover ratios of total assets in order to find the factors behind the above situation, we can see that the ratios of net profits to sales in both sharply dropped. If we look at the trends in their gross income ratios on sales and operating profit ratios on sales in order to examine the falls of their ratios of net profits to sales in detail, we can see that Nissan's profit rate decreased due to high operating costs from 1964 onward and that Prince showed a similar trend from 1962 onward. If we compare their marketing costs by looking at their annual financial statements, we can clearly see that advertising expenses and sales promotion costs greatly increased in case of Prince, and that Nissan showed a similar trend. The situation was that it was difficult to manage dealers without large commissions.

Next, if we look into the reasons why the turnover ratios of total assets in Nissan and Prince were low compared to that of Toyota, we can see that a major factor here was that the turnover ratios of their

Table 5 Business Analysis on Toyota, Nissan and Prince (%. day)

	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Toyota Motor														
Net Profit Ratio of Total Capital	13.58	13.73	12.41	17.47	15.21	12.32	11.72	14.25	12.51	9.95	13.57	16.22	14.35	15.40
Ratios of Net Profits to Sales	6.06	5.95	6.78	8.01	7.81	7.40	8.01	9.26	8.53	6.82	8.14	8.26	7.08	6.91
Turnover Ratios of total Assets	2.24	2.30	1.83	2.18	1.95	1.66	1.46	1.53	1.47	1.46	1.67	1.96	2.03	2.23
Gross Income Ratios on Sales		14.4	15.47	16.09	12.15	14.58	15.26	18.78	16.07	16.15	18.79	18.78	15.85	16.38
Operating Profit Ratios on Sales		11.3	10.32	12.63	10.46	11.02	11.40	13.14	11.50	8.99	11.18	11.61	9.21	9.60
Receivable turnover period(days)	54.6	28.8	51.9	43.3	31.6	44.6	47.4	56.0	62.0	61.0	57.4	49.5	51.1	53.0
Inventory turnover period(days)	27.2	38.6	32.4	24.5	25.6	19.4	16.5	12.0	9.5	8.9	6.3	6.9	6.6	5.2
Working Capital Ratios					164	172	161	203	188	166	146	120	113	118
Liquid Ratios					108	131	130	180	170	150	134	108	101	108
Rate of Net Worth to Fixed Assets					86	90	97	84	92	103	106	114	124	120
Long-term Fixed Relevance Ratios					73	73	76	61	63	70	75	85	91	86
Owned Capital Ratios					60	59	56	52	48	47	46	43	43	41
Nissan														
Net Profit Ratio of Total Capital	4.10	2.26	5.22	6.48	9.16	7.81	8.42	8.92	4.92	4.89	5.22	5.70	6.37	6.23
Ratios of Net Profits to Sales	4.99	3.58	5.49	5.82	7.96	6.83	8.28	8.54	5.65	6.10	5.07	4.96	5.52	5.57
Turnover Ratios of total Assets	0.82	0.63	0.95	1.11	1.15	1.14	1.02	1.04	0.87	0.80	1.03	1.15	1.15	1.12
Gross Income Ratios on Sales		11.67	17.58	15.90	17.81	19.35	20.31	21.38	28.53	27.91	26.01	24.98	18.89	24.95
Operating Profit Ratios on Sales		5.77	8.08	10.33	12.52	12.87	12.80	12.89	9.49	9.14	8.13	8.82	7.65	7.46
Receivable turnover period(days)		20.1	157.0	148.0	138.0	157.0	171.0	154.0	175.3	174.0	124.1	114.2	121.9	126.1
Inventory turnover period(days)	44.9	75.4	45.2	32.7	33.6	25.9	22.3	21.0	26.1	27.8	26.2	26.1	24.6	24.8
Working Capital Ratios					135	127	136	145	122	127	120	113	109	109
Liquid Ratios					114	111	123	130	108	112	101	92	89	87
Rate of Net Worth to Fixed Assets					83	96	86	88	131	129	130	151	172	187
Long-term Fixed Relevance Ratios					58	65	56	54	74	70	76	84	88	89
Owned Capital Ratios					31	30	29	30	26	26	27	25	22	21
Prince Motor														
Net Profit Ratio of Total Capital	5.16	2.95	5.79	10.38	7.69	6.65	3.57	5.21	4.65	3.13				
Ratios of Net Profits to Sales	3.88	2.59	5.22	7.54	5.62	6.24	4.13	4.77	4.01	3.75				
Turnover Ratios of total Assets	1.33	1.14	1.11	1.38	1.37	1.07	0.86	1.09	1.16	0.83				
Gross Income Ratios on Sales		11.26	12.61	15.04	12.57	13.76	11.17	11.42	9.16	10.83				
Operating Profit Ratios on Sales		7.57	8.91	11.50	8.68	9.35	5.57	7.14	4.40	5.36				
Receivable turnover period(days)	55.2	62.2	61.8	73.1	71.9	96.3	88.2	91.0	89.3	97.5				
Inventory turnover period(days)	68.5	96.6	73.4	46.4	41.6	35.6	45.8	33.0	28.7	31.9				
Working Capital Ratios					118	131	98	111	122	146				
Liquid Ratios					88	108	75	73	75	102				
Rate of Net Worth to Fixed Assets					110	98	148	145	122	139				
Long-term Fixed Relevance Ratios					78	72	101	87	76	69				
Owned Capital Ratios					32	38	33	29	30	30				

Note: Each value is that of the latter half of the fiscal year.

Source: Mitsubishi Keizai Kenkyusyo, Honpo Zigyo Seiseki Bunseki.

inventory assets and receivables were lower than those of Toyota. It is especially characteristic of Toyota that its inventory turnover period showed a sharp downward trend from the early 1960s onward, when the Toyota manufacturing system started to function effectively. On the contrary, the inventory turnover ratios of Nissan and Prince showed a downward trend in and after 1963 and 1964, respectively. We can also point out that the receivables turnover ratio was markedly low, especially in the case of Nissan. Since both the Toyota group and the Prince group had their independent auto sales companies, Nissan's receivables turnover ratio was greatly different from those of Toyota and Prince. In Nissan and Prince, the receivables turnover ratios and inventory turnover ratios decreased in the mid 1960s, evidence of the vulnerability of their merchandising power and sales forces.

In addition to the above analyses of the three companies' profit-earning capacity and fund-utilization, the indices related to fluidity and safety will be examined below. If we look at the movements in working capital ratios, we can see that those ratios for Nissan and Prince were far lower than 150%. When the trends in liquidity ratios are compared and contrasted, Prince's low ratio is outstanding. As for the owned capital ratios, neither Nissan nor Prince had reached 40%, but their ratios were even suggesting a downward trend. From 1964 onward, Nissan's rate of net worth to fixed assets showed a sharp upward trend, and from 1962 onward, that of Prince continued at a level higher than its equity capital. When it comes to the transitions of their long-term fixed relevance factors, however, they invested within their long-term capital schemes, which reflected the mood of the times, which aimed at growth rather than the stability of their companies.

In summary, the above analyses suggest that the profit-earning capacity of both Nissan and Prince both fell in the mid 1960s and that they had concerns about their financial strength suffering from their weaker fund-utilization capacity, compared with that of Toyota with its just-in-time production system that was able 'to produce just what is necessary, in just the necessary quantity, just when it is necessary'. In particular, Prince's low liquidity ratio means that Prince had too many inventory assets. The price-cutting wars caused by mass production, which had continued since the 1950s, entered their next stage when Toyota's Motomachi Plant and Nissan's Oppama Plant started their

operations, the former in 1959 and the latter in 1962. This, coupled with the increase of sales costs due to sales competition, became a factor which lowered profits, especially in case of Prince¹⁹. The market strategies of Nissan and Prince in which they turned their backs to the popular car market were now showing up as crises in the area of finance as well.

VI THE NISSAN-PRINCE MERGER

The management of Nissan, far behind Toyota in any business index, was being driven by a sense of emergency when the idea of a merger with Prince was brought to Nissan. It seemed to Kawamata that such merger offered a miraculous formula for catching up with Toyota in a single stroke.

On the other hand, Prince was descended from the two aircraft companies, Nakajima and Tachikawa, as mentioned in IV.1, which background had formed its corporate culture which gave priority to technology and paid no regard to the needs of the market. In other words, their wartime business model was that the two aircraft companies invested in technology generously and the military authorities purchased their products. The management was running Prince as if it were still following that model. Even though the company had taken the trouble to start the development of popular cars, it had then abandoned it. This shows that it was not sufficiently aware of the progress of motorization. Through its experience of seizing an opportunity of growth in the market climate in the 1950s when hired cars and taxis were in high demand, and that around 1960, when corporate non-commercial vehicles were in high demand, Prince became more and more strongly inclined toward luxury cars. The investment in its Murayama Plant, newly built in 1962, imposed a heavy burden on the company and Prince continued to follow its path of focussing on high-value-added luxury cars. Ishibashi, calling Prince a 'Japanese Mercedes-Benz', tried to differentiate Prince from Toyota and

19. Maruyama, Y., and Fujii, M., *Toyota Nissan gurōbaru senryaku ni kakeru ikinokori kyōsō* [Competition for survival: the global strategies of Toyota and Nissan], Tokyo, Ōtsuki shoten, 1991, p.145.

Nissan. At that time, 1,500cc.-class cars were the core of the market and he tried to argue for the significance of Prince's presence with its focus on luxury cars – supplying only 1,500cc.-or-over class cars to the market. This idea itself seems to have been ahead of its time in its view of the trend of motorization. Prince's business judgment, with its lack of attention to consumers, brought about the slump in its business, which, therefore, seems to be the reason why Shōjirō Ishibashi had to give up Prince's reconstruction. The company should have made an effort to adjust the balance between the superiority of its technology and consumer needs, but focusing on the field of luxury cars, it did not allocate its resources or reconstruct its organization to improve its cost competitiveness and achieve differentiation from the other manufacturers. The Prince Group was not even able to make a role-sharing arrangement between the manufacturer (Prince Motor Company) and the sales company (Prince Auto Sales Company) or establish an organic partnership between them. It was easy to imagine that Ishibashi, over 70 years of age, was not able to start out reconstruction of Prince himself and that if the slump in Prince's business dragged on, it would disturb Bridgestone's business operations. An 'honorable retreat' at an early stage was the only way left open to Shōjirō Ishibashi. It was very difficult even for Ishibashi to reform and renew the corporate culture which had come down from the prewar aircraft manufacturers. In those circumstances, Ishibashi and the Sumitomo Bank, Prince's main bank, started several schemes to try to sell Prince off.

First, Ishibashi, through the Sumitomo Bank, approached Tōyō Kōgyō Co., Ltd. (the Mazda Motor Corporation of today), whose main bank was also the Sumitomo Bank, about the merger, but Toyo Kogyo did not make a favorable reply. Next, he made a merger to Toyota, whose main bank was not the Sumitomo Bank. He inquired if Toyota 'could buy out Prince'. Toyota declined this offer on the grounds that the merger in question was against the Anti-Monopoly Law²⁰. In fact, it seemed to Toyota that the merger of Prince with competing cars and a different corporate culture would have had no merit for it. Toyota also suspected that Prince's business had many problems. Later, Ishibashi

20. Toyoda, *op.cit.*, p.189.

asked the then Minister of International Trade and Industry, Yoshio Sakurauchi, to serve as a mediator in order to conduct smoothly the negotiations with Nissan, whose main bank was the Industrial Bank of Japan. Sakurauchi had talks with Kawamata, and in March 1965 the merger was finally offered to Nissan. The official story concerning negotiations for the merger is that they were conducted as the result of a request from Sakurauchi that the Japanese automobile industry cooperate with the government policy to strengthen the industry's international competitiveness under the open economy, since Japan was one of the countries stipulated by Article 8 of the IMF Provisions, and had acceded to OECD in April of 1964, and that Kawamata offered his cooperation in response to Sakurauchi's request. In reality, however, Takahashi, executive director of Sumitomo Bank, and Kajiura, managing director of the Industrial Bank of Japan, conducted the merger negotiations behind the scenes. Finally, on May 31, 1965, Nissan and Prince agreed to merge by the end of 1966 and signed the agreement. The agreement emphasized the enhancement of competitiveness under the open economy system and provided that the merger ratio should be set at approximately one Nissan share for two Prince shares, that Nissan should take over Prince's business and that Hidehiko Ogawa, president of Prince, should be appointed as vice-president of Nissan.

Kawamata reflected on this merger that 'Nissan helped prevent projects that Prince started from being wasted and contributed to promotion of the national policy to strengthen and enhance the Japanese automobile industry's international competitiveness in a positive way'. The merit for Nissan was that this merger enabled Nissan to enlarge its business scale and pursue economies of scale. The merit for the Sumitomo Bank was that a bad loan customer – the Prince Motor Company and Prince Auto Sales Company combined – which owed the Sumitomo Bank as much as ¥13 billion yen in total would disappear and the bank would instead have a good loan customer – Nissan. The Ministry of International Trade and Industry expected this merger to have a strong pump-priming effect for industrial restructuring. In particular, the Ishibashi family, which held 20% of the issued stock of Prince, benefited greatly from this merger. The merger enabled the family to sell off Prince while the company still had a high reputation and make 'an honorable retreat' without heavy damage, thanks to the

official story that the parties concerned cooperated with the government by accepting its request. To 76-year-old Shōjirō Ishibashi, this merger also meant removing a burden from Kan'ichirō, Shojiro's eldest son and the president of Bridgestone Tire. While the Industrial Bank of Japan, Nissan's main bank, felt uneasy about the widening gap between the management capacity (especially the sales force) of Nissan and that of Toyota and was apprehensive about Mitsubishi's entry into the market, it agreed to the merger partly because it was necessary to prepare a structure for the introduction of the Nissan Sunny to the market.

It was a very important business challenge to integrate the labor unions of Nissan and Prince, which took different positions on the merger. Prince's labor union was basically against liberalization and the merger, and declared a severe conditional labor dispute concerning the merger. Since Nissan's labor union, as mentioned previously, had a cozy relationship with the management and was in a position to affect management greatly, Kawamata asked for its cooperation with the merger. That meant that Nissan's labor union, a member of Sōdōmei (the Japan Confederation of Labor), would merge with the Prince chapter of the Japan Federation of Metal Industry Workers' Unions, a member of Sōhyō (the General Council of Trade Unions of Japan). Nissan's labor union, led by Ichirō Shioji requested Prince's labor union to drop out of the Japan Federation of Metal Industry Workers' Union and become a member of the Confederation of Japan Automobile Workers' Unions and to change its campaign policies. The leadership of Nissan's labor union strongly demanded that Prince Chapter of Japan Federation of Metal Industry Workers' Union should abandon its conditional strike against the merger (against worse working conditions, job transfers, displacement, plant shutdown and separation) and contribute to establishing cooperative labor-management relations, aimed at the reinforcement of the company's strong international competitiveness to cope with the forthcoming open economy. Nissan's labor union had Prince's labor union pass votes of non-confidence against Prince's central committee leadership at the Central Committee meeting of the Prince chapter in December 1965, and had Prince's labor union organize the new leadership in favor of Nissan in March 1966. After that, Nissan's labor union had Prince's labor union drop out of the Japan Federation of Metal Industry Workers' Union and become a

member of the Confederation of Japan Automobile Workers' Unions, and integrated Prince's labor union under itself in June 1967. In this way, Nissan's labor union helped the management, resulting in, the labor union and Kawamata becoming trapped in inseparable relations²¹.

Under the command of Kawamata, Nissan forced through the merger of Prince in order to catch up with Toyota in management capacity. In reality, however, Nissan failed to achieve a peaceful integration of the two unions with quite different characteristics, which had been considered as the biggest challenge in the process of merger, although the post-integration harmony may have appeared satisfactory on the surface. The above can be said in the sense that new conflicts and struggles in human relations were created in the process whereby Nissan's labor union forced the Prince chapter of the Japan Federation of Metal Industry Workers' Union to give in as requested by Kawamata. As the management had actively asked the labor union for cooperation in the merger, the labor union became strong enough to threaten management authority in Nissan. The merger of Prince, which aimed at the enhancement of management capacity, created a new factor of crisis in human relations, the most important part of the company. The Skyline, a brand Nissan took over from Prince, overlapped with the Bluebird in both price and engine size. Even after later model changes and price adjustments, the Skyline was hardly in harmony with the other Nissan brand cars, and it was pointed out that the Skyline did not fit comfortably in Nissan's product lineup and that it was out of place. From the viewpoint of 'total product strategy', the Skyline was a negative factor. In other words, Skyline's separation from Nissan's basal line and its possession of its own distinctive character provided great satisfaction to its users, but it was not a product which was able to serve as an intermediary between a mass-production car and a luxury car, and gave the impression that Nissan's lineup was not well organized²².

Prince Motor Company booked its sales by shipping its products to Prince Auto Sales Company but it is difficult to figure out accurately the operational status of the latter. The real nature of this unlisted company was uncertain. After a survey by Nissan after Nissan and Prince had

21. Prince shien Kyōto kaigi, 'Gappei [Merger]', 1966.

22. Sakakibara, K., "Seihin senryaku no zentaisei [the overall structure of product strategy]', in Itami *et al.*, eds., *op.cit.*, pp.131~137.

signed the merger memorandum, the merger ratio was changed to one Nissan share for 2.5 shares of Prince, which meant that the operating conditions of the Prince group (the Prince Motor Company and the Prince Auto Sales Company combined) was not good. It is said that it took a great deal of energy to wind up the Prince Auto Sales Company after the Nissan-Prince merger.

VII CONCLUSION

Before, during, and after the war, Toyota's top management clung closely to Kiichirō's foundation philosophy of 'self-sufficient domestic production of popular cars'. Many employees who had shared hardships with Kiichirō in the early days of the company supported Toyota's postwar development. Toyota's business strategies were, therefore, fairly stable.

By contrast, in the case of Nissan, top executives came and went one after another in a short period of time. Yoshisuke Aikawa, the founder 'who had eagerly worked until the foundation of his company but who had no intention to foster it after that'²³, saw the Nissan Motor Corporation as merely one of the members of the Nissan combine. Unlike Kiichirō Toyoda, he never struggled on the shop floor of automobile development with his employees. Aikawa's foundation philosophy was not handed down to the succeeding Presidents and Nissan's management tended to be haphazard. Kawamata was only able to announce quite an abstract management policy of "more of better cars", which was in contrast with Toyota which pioneered the popular car age at its own risk²⁴. The development of the Publica proved its pioneering spirit. Nissan's merger with Prince in order to pursue Toyota was based only on its intention to rapidly surpass Toyota in the quantitative phase, including car output, by acquiring Prince-owned plants and dealers and on Kawamata's ambition to strengthen his own political position by supporting the national policy to restructure the automobile industry. Nissan's merger with Prince was not particularly

23. Nakagawa, K., and Yui, T., eds., *Zaikaijin shisō zenshū 2: keiei tetsugaku keiei rinen Showa hen* [Businessmen's ideology 2: management philosophy and management principles], Tokyo, Dayamondo sha, 1970, p.190.

24. Kawamata Katsuji Tuitouroku Hensen linkai, ed., *op.cit.*, p.86.

meaningful in that the cars of the latter were comparable with those of the former and the latter, like the former, placed too much emphasis on technology. Moreover, Nissan forced Prince's labor union to collapse, which seriously damaged Nissan's human relations later.

Nissan misread the trends in the market climate and fell behind in responding to them. As a result, the company tried to prevent the deterioration of its business indices by merging with Prince. The labor union and the main bank took part in such a scheme, and Nissan started to follow another path to decline.