Takashi Masuda

Resolute Determination on the Strength of Meticulous Care

Kunio SUZUKI
Saitama University

Takashi Masuda (1848–1938) can be counted among the most representative of Japanese salaried managers in modern times. He worked for most of his life within the Mitsui zaibatsu (the largest of the zaibatsu groups). He entered the Mitsui organization when he was recruited to be the president of a new trading company, Mitsui Bussan Kaisha (Mitsui & Co.) founded in July 1876. This trading company not only traded in domestic goods on the domestic market but also was active in exporting domestic goods overseas and importing overseas products; by the time of the Sino-Japanese War (1894–1895) it had grown into the biggest Japanese trading company. In the process, Masuda, who was given much credit for improving Mitsui Bussan’s business achievements, was appointed to a position of control over the whole group of diversified enterprises that made up the Mitsui zaibatsu, from which position he governed the zaibatsu.

In addition, along with Eiichi Shibusawa the father of Japanese capitalism, he played a part in founding, or else in cooperating in the management of, several other important enterprises (in the
marine transport, nonlife insurance, spinning and weaving, and chemical fertilizer industries). He also contributed in important ways to Japanese society at large. He was an active supporter, or patron, of Noh and the tea ceremony, working hard for the restoration to popularity of these two treasures of Japanese culture that had thrived under the daimyos during the Edo period but then had fallen into decline after the Meiji Restoration. In contemporary Japan Takashi Masuda is known as an eminent master of the tea ceremony under the name of “Masuda Donnō.”¹

Now, the tea ceremony, or the tea cult, is not just a matter of drinking tea. It is a more comprehensive art of skilfully arranging anywhere from ten to thirty types of crafted works of art—a hanging scroll, a tea caddy, a tea bowl, incense, a kettle, a water jar, etc. etc.—in such a way as to blend them harmoniously and create the right atmosphere for drinking that cup of tea. The crafted works of art that Masuda used were almost exclusively expensive antiques. In order to hold frequent tea parties and take on a leading role in the world of the tea ceremony, he became one of the leading collectors of art works in modern Japan.

In studies on the Mitsui zaibatsu Takashi Masuda has always come out as second best in comparisons with Hikojirō Nakamigawa, and his performance as a manager is rated low. The accepted view is that Nakamigawa devoted his energies to fostering industries, whereas Masuda considered the less risky field of commerce as of greater importance, so he showed little interest in fostering industries.² But is this understanding of Masuda accurate? This paper will present an image of Takashi Masuda the manager that is very different from the widely accepted image of him.

EARLY YEARS

First of all I would like to give Masuda’s background up to the time he entered Mitsui Bussan. He was born in October 1848, the eldest


² The first to propound this view was the journalist Shūko Shirayanagi. The main work presenting this image of Masuda is Shirayanagi’s Nakamigawa Hikojirō den [The biography of Hikojirō Nakamigawa] (Tokyo: Iwanami Shoten, 1940).
son of Takanosuke Masuda, a member of the samurai class in the employ of the Sado Magistrate’s Office. His father’s ancestors had for generations been low-ranking officials in the employ of the same magistrate’s office. But his father’s capabilities had been rated highly by one of the Sado magistrates, and when this magistrate was assigned back to Edo, he arranged for Takashi’s father to be recruited as an official in the central government. In July 1854 his father was ordered to work in the Hakodate Magistrate’s Office (a regional government) as an official of the central government. The Tokugawa Bakufu was at the time beginning to make preparations for abandoning the country’s seclusion policy, and it had set up a local agency of the central government in the town of Hakodate as part of preparations leading up to the opening of the ports in June 1859. The whole Masuda family, Takashi included, moved to Hakodate. There Takashi began to learn English from an interpreter named Gohachirō Namura.

In 1859 Takashi’s father was ordered to work back in Edo; again the family moved. In July of that year Takashi was employed by the Edo central government as an interpreter for the Foreign Magistrate’s Office. He was ten years old at the time. Soon after, he was ordered to work in the U.S. Legation. When, in December 1863, the Edo Bakufu sent a mission to Europe, one of the members of the mission was Takashi’s father, and Takashi was taken along in his father’s retinue. He was fifteen at the time.3

Since Japan had long been continuing a policy of seclusion, very few Japanese of this time had been able to see with their own eyes what was happening in the West. The information that Takashi, one of the chosen few, gained from this visit to Europe had a huge impact on his later life and bore much fruit. This fruit was not limited to the area of business, either; it also blossomed in the area of culture (one example of what I mean is that Takashi had a high regard for Japanese traditional works of art and was keen on collecting them, despite the fashion in Japan to make much of Western things).

Upon his return to Japan Takashi became a deputy commanding

3 The mission arrived in Paris. For more details, see Minoru Nagai, *Fijo Masuda Takashi o den* [The autobiography of the venerable Takashi Masuda] (Kamakura: Minoru Nagai, 1939), pp. 7–66.
officer in a Bakufu cavalry squadron, but in 1868 the Bakufu government fell, so he went to Yokohama and began life as a merchant. Close to Tokyo, Yokohama was a thriving port town where he could put his English ability to good use. For one thing, hardly any of the Japanese merchants doing business in Yokohama were able to speak English. At the beginning of 1869 he was taken on ("for one year only") by an American trading company named Walsh, Hall & Co., where he learned the basics of doing trade.4

The Japanese merchants of that time did not know how to go about exporting Japanese products on their own, or how to import foreign products. All they did was sell to foreign merchants dwelling in Yokohama, Kōbe, or other foreign settlements Japanese products like raw silk or tea, and buy from them foreign goods. It was in these circumstances that Masuda picked up the basics of doing trade, but this is not to say that he was able to begin trade as soon as he left the employ of Walsh, Hall & Co.

When he left that company after his one year of service, Masuda opened in early 1870 a wholesaler business in Yokohama that specialized in selling miscellaneous goods to overseas trading companies, and in the next year he opened a private school to teach English to Japanese. In March 1872, Kaoru Inoue, Vice-Minister of Finance, who had heard about his ability to speak English and his general capabilities, sounded him out as a possible official in the new Meiji government's Ministry of Finance. In April, at age 23, Masuda was appointed the Japanese commissioner of the mint in Osaka, where, in consultation with the Englishman director, Thomas William Kinder, he was to mint Western-type coins.

But then in May 1873 Kaoru Inoue, who had opposed the new government's free-spending economic policies, resigned his post in the government. Eiichi Shibusawa, director general of the bank note printery, and Takashi Masuda resigned with Inoue. Now a private citizen, Inoue, Masuda, Heizō Okada and others got together and in January 1874 established a trading company called Senshū Kaisha. Under the senior president, Inoue, and the president, Okada, Masuda took on the position of director of the Tokyo head office, but it was Masuda who in fact ran the Tokyo head office. Sen-

Senshū Kaisha carried on only domestic transactions; it left all importing and exporting deals to Edward Fisher & Co., a foreign trading company located in the Yokohama foreign settlement. Senshū Kaisha financed Edward Fisher & Co., bought from it overseas goods like woolen blankets and woolen fabrics (which it sold to the Army Ministry and so on), and had Edward Fisher & Co. export things like rice and tea, which Senshū Kaisha had bought for such export transactions.5

The one who really ran Edward Fisher & Co. was Robert Walker Irwin, a former employee of Walsh, Hall & Co. whom both Inoue and Masuda had known fairly well even before Senshū Kaisha was founded, and whom they both trusted.

Senshū Kaisha’s business went along smoothly. Its most important customer was the Army Ministry in the Meiji government. But then Inoue returned to government service as a high-ranking official, and it became impossible for him to keep a company going when its principal base of operations was transactions with government agencies, so in June 1876 Senshū Kaisha was dissolved.6

THE FOUNDING OF MITSUI BUSSAN, A VENTURE ENTERPRISE

"Mitsui Bussan was established in 1876 in order to carry on overseas trade. It went on to grow rapidly, and now there is nothing like it in the whole world. This is something that brings great joy to the House of Mitsui."7 These are the words of the guest speaker at the July 1931 meeting of Mitsui Bussan branch managers—who was none other than Takashi Masuda. By that time Mitsui Bussan had turned into a gargantuan trading company that was dealing in immense volumes of goods.8

In the beginning, however, Mitsui Bussan had been a very small

6 *Under the Eye of Masuda Donnō*, p. 165.
8 This gigantic trading company was dissolved in 1947 by order of the General Headquarters for the Allied Powers (GHQ). The present Mitsui & Co. was formed in 1959 after a series of mergers of many small companies that had been created by employees of the dissolved Mitsui & Co.
company. To find out why it was so small, one has to go back to the process by which it came into being. The head of the Mitsui Headquarters, Rizaemon Minomura, had heard about the imminent demise of Senshū Kaisha, and he set about persuading Masuda to take on the responsibilities of a new company that would be founded under the name of Mitsui Bussan, in return for which he promised that Masuda would be paid a magnanimous bonus of ten percent of the net profits.9

At that time the Mitsui organization had a division called Kokusankata, which carried on transactions inside the country. What Minomura envisaged was the founding of a new company that would merge with this Kokusankata and then proceed to go into the trading business anew. There was nobody in the Mitsui organization who was proficient in English or who had a knowledge of the trading business. This was why Mitsui was interested in recruiting somebody like Takashi Masuda, who was proficient in English and had experience in the trading business, from outside the Mitsui organization.

As far as Mitsui and other Japanese merchants were concerned, the trading business was an uncharted field. If they were going to break into trading, they would have to get away from dealing with the foreign trading companies in the foreign settlements and either deal with foreign trading companies outside Japan or set up their own branch offices and deal through them. Thus, for the Japanese merchants a trading company was an extremely risky venture, with the odds on failure high, but a venture that could also possibly grow very rapidly.

Behind Minomura’s interest in such a venture enterprise there lay some special circumstances in the Mitsui organization. At that time Mitsui’s principal businesses were: a) the sale of dry goods and other textiles; and b) financing (banking). Now, textile sales were in a recession. And the financing business had fallen into even more dire straits, for the business results of Mitsui Gumi, the forerunner of Mitsui Bank (which would be established on 1 July 1876), had drastically deteriorated because the loans it had made with such lib-

erality from the government funds it had at its disposal had turned into bad debts. To cover itself it had borrowed a large sum of money from the Yokohama branch of the Oriental Bank Corporation. In this way it escaped going bankrupt, but it still remained in a terribly perilous situation. The Mitsui Organization, their backs to the wall, were being forced to do something to overcome this danger and at the same time to nurture some new profitable venture.10

Because Mitsui Gumi was in a perilous situation and it had no funds to spare, the amount of money that Mitsui Headquarters put up to finance Mitsui Bussan when it was founded (on the same day as Mitsui Bank) was exactly zero. In other words, Mitsui Bussan was established without Mitsui Headquarters providing a yen—not even a sen—of financial backing; it was established as a company outside the Mitsui organization, with Yonosuke Mitsui and Takenosuke Mitsui contributing their services to the company. Also, an agreement was made that Mitsui Headquarters would incur no responsibilities if the company went bankrupt. Mitsui Headquarters would permit the use of the Mitsui name, but the new company would have no legal connections with Mitsui Headquarters. The only concession was that the new company could borrow 50 thousand yen from Mitsui Bank, and that it could conclude an overdraft contract with Dai-Ichi National Bank (whose president was Eiichi Shibusawa) for ten thousand yen.11

There was another reason why Mitsui Bussan could be capitalized at zero yen. This was the decision taken to adopt a fundamental business policy of, as far as possible, excluding all anticipative transactions and only handling goods in consignment transactions. It had been decided, in other words, to carry on a commission business, in which profits were assured even though profit margins were lower. The theory is that, when you deal in consignment transactions in which you sell merchandise on the basis of the seller’s entrusting the selling to you, there is absolutely no need for funds to buy that merchandise; and when you deal in consignment transactions in which you buy merchandise on the basis of the buyer’s entrusting the buying to you, you need no money whatever, or

maybe just enough to make a temporary purchase. So the reason why Mitsui Bussan did not need any capital to buy merchandise was that, as long as it concentrated solely on commission business, it did not require a large amount of money for purchasing goods, and Minomura and Masuda had judged that, as long as the new company could borrow some money for a short period from the bank, it could carry on its business with zero capitalization.\(^\text{12}\)

We might then ask why it was decided to adopt consignment transactions as the fundamental business policy of Mitsui Bussan. Well, this decision was connected with the instalment and diffusion of a worldwide telegraph network that began with the laying of a submarine cable across the Atlantic Ocean in 1866, the establishment of branch offices of foreign exchange banks in various parts of the world, and the establishment of regular steamship services.

If we look specifically at communications, we see that in 1871 Nagasaki was linked by telegraph with Europe, and via Europe it could contact North America by telegraph as well. Then in 1873 Yokohama and Tokyo were also linked with Europe and North America. By means of telegraphic communication, information about prices, about the state of a harvest, or about the amount of supply available could be sent very quickly from Yokohama to London, or from London to Yokohama. The old method, in which trading companies purchased large quantities of goods with abundant funds of their own, conveyed all those goods in their own (or leased) vessels for a long period of time to where the consumers were located, and then sold them—in other words, anticipative transactions—had now become extremely risky. For now it would be easy for the merchants in the consuming place to find out what prices were like in the place where the merchandise was bought, and they could judge whether the price being asked for the merchandise was a fair price or not.

For this reason the mainstream international merchandise transactions had changed from risky anticipative transactions to fairly risk-free consignment transactions. The main profits of traders were now no longer the result of differences between buying and selling prices but the result of the commissions they received from the party entrusting the goods to them or from the party ordering the

\(^{12}\) Ibid., pp. 244–45.
goods from them. So the reason it was decided that Mitsui Bussan would carry on consignment transactions was that the consignment transaction method had become the principal method of doing international transactions.13

EXPORTS OF MIIKE COAL AND THE SPREAD OF A NETWORK OF OVERSEAS BRANCHES

From the time of its founding in September 1876 until the 1880s, the main items Mitsui Bussan dealt with were the domestic items of coal from the Miike mine, rice, silkworm eggs, and tea, and overseas items such as woolen cloth and woolen piece goods for the Army Ministry. The supply of these last two items had been taken over, of course, from Senshū Kaisha, and, as before, almost all of them were procured from Edward Fisher & Co. in the Yokohama foreign settlement. As yet Mitsui Bussan was unable to import them itself.14

If the company was going to carry on the businesses of importing and exporting, it had to establish branch offices overseas. Let us therefore see how the company went about setting up its two most important branches, the one in Shanghai and the one in London.

In September 1876 the company obtained from the Ministry of Engineering the exclusive right to sell coal from the government-managed Miike Coal Mine to overseas destinations. Its commission on these sales was set at 2.5% of the total sales price. The government’s objective in making this contract was that of acquiring specie (gold) through exports. Mitsui Bussan’s first step (in February 1877) was to consign the sale of Miike coal to a Swiss businessman in Shanghai named Julius Bryner. Bryner had been a colleague of Takashi Masuda when he worked for Walsh, Hall & Co. Next, in December, the company sent one of its own employees, Yasusaburō Ueda, to set up a Shanghai branch office and be its manager. From that point on the company started selling the Miike coal directly.

The company was shipping the coal to Shanghai from the port of Kuchinotsu not far from Miike Coal Mine. Because it was forced to

rely on foreign vessels, the amount of coal it could transport was unpredictable. So the company made a request to the national government, and in February 1878 the Ministry of Engineering lent it, free of charge, a sailing vessel (the Chihaya Maru, 640 tons). A month later, with money lent it by the national government, the company purchased a steamer (the Hideyoshi Maru, 729 tons). These two vessels were used for transporting coal to Shanghai. With its transportation capacity thus strengthened, the company’s sales of Miike coal shot up rapidly, growing from 7,512 tons in 1878 to 89,038 tons in 1882.

Miike coal was not exclusively for fueling boilers; it was also used for boat bunkers. In order to sell more Miike coal, in January 1886 the company reopened the Hong Kong branch office that it had first opened in August 1878 to deal in old copper coinage and silver coinage, but had closed down in April 1881. Later the company went on to open branches in Singapore (May 1891) and Manila (November 1900). In East Asia, the strongest rival among the coals for boat bunkers was Cardiff coal from Wales, but Miike coal outstripped its strongest rival and went on expanding its share of the market. On the back of this strong export item, Mitsui Bussan had expanded its network of branch offices in East Asia, and each branch dealt in a number of different items of merchandise in addition to Miike coal.  

Let us now turn to the London branch office and see how it was established. In 1877 the company made a contract with Robert W. Irwin, by which Irwin was commissioned to act as an agent handling the company’s exports of rice to London and imports from London of woolen cloth and woolen piece goods. The rice that was being exported was rice that the national government had bought from merchants in order to regulate the rice price. On the other hand, the main purchaser of the woolen cloth and piece goods was the Army Ministry in that same government. In 1877 Irwin sailed to England, opened an agency in London, and carried on agency business for Mitsui Bussan. The company used Irwin’s personal connec-

tions in order to get a foothold in the conservative circles known as the City and to build a foundation for its own activities. In September 1879 the company canceled its contract with Irwin's agency, set up a branch office in London, and carried on import-export business on its own; at the same time it honed its skills in handling the shipping and marine insurances businesses.\textsuperscript{16} Irwin was retained as a Mitsui Bussan adviser and given a high bonus in November 1879, and he was deeply involved in export-import business at the Tokyo headquarters of the company until 1883, when he began important work at a transportation company.

The company had already established branches in Paris in January 1878 and in New York in May 1879, but as far as Mitsui Bussan was concerned the most important of the branches it had established in the West prior to the 1880s was the branch in London, the center of the world's commercial, financial, marine transport, and marine insurance operations.

The principal business carried on in the 1880s by the Shanghai and London branches, which, as we have seen, were established so that the company could import and export on its own, was Japanese government business. By doing business for the government in this way, Mitsui Bussan was able to get a foothold in the exporting and importing activities in Japan over which the Western trading companies had been carrying on such fierce competition.

THE VENTURE INTO ANTICIPATIVE TRANSACTIONS AND CHANGE TO A GENERAL TRADING COMPANY

Unlike a specialized trading company that deals in goods in a certain area, a general trading company is one that deals in goods from a variety of fields. As they say in Japan, it "sells anything from ramen to missiles." In the second half of the 1890s Mitsui Bussan was transformed into a general trading company, the first for a Japanese trading firm.

What had a close bearing on the transformation was a shift by the company to taking on anticipative transactions. In the first half of

the 1890s, for the purpose of breaking free from its dependence on
government business, the company put a great deal of effort into
purely private-sector transactions such as exporting raw silk and
importing raw cotton. The basis for such transactions was the con-
signment transaction, in which the company would receive a com-
mission. Now, the problem with a consignment transaction was that,
unless one first had a request from a seller or a request from a
buyer, one could not deal in any goods. After the Sino-Japanese War
of 1894–95, the company decided to add to its business practices the
method of anticipative transactions. This decision meant that the
company could deal in some goods prior to a request coming in, or
even if there was no request at all, and it also meant the company
could increase the varieties of goods it handled. By deciding to
carry on anticipative transactions as well, the company gained a
competitive edge over its rivals.17

Imported raw cotton was the most typical of the goods in which
the company made anticipative transactions. Takashi Masuda, exec-
utive director of Mitsui Bussan, had the following to say at the 1898
meeting of the Commercial Affairs Advisory Committee:

> Because competition is fierce in the raw cotton trade, we can-
> not carry on profitable deals with our ordinary system of con-
> signment transactions. For this reason we have changed our
> procedures as follows. Every day we lump together the orders
> that come in from prospective buyers and then the manager in
> charge of the Raw Cotton Division sends out buy orders to our
> branches in Bombay, New York, and Shanghai. Because the
> head office has given the Raw Cotton Division latitude to go
> into an overbought or an oversold position on raw cotton for
> one or two days, we are able to trade at an advantage over our
> competitors. The head office has granted the same latitude in
> regard to other merchandise as well. These new experiments
> have proved to be a big improvement from a practical business
> administration point of view. Nevertheless, though this gives us
> room to carry on activities that respond quickly to circum-
> stances, the company's basic policy remains that of soundness

17 Kunio Suzuki, “Mikomi shōbai ni tsuite no oboegaki” [Memorandum concerning
anticipative transactions], *Mitsui Bunko ronshō* [Journal of Mitsui Research Institute for
first, and in conformity with this policy I want everyone to bring to bear all their expertise in the execution of their tasks so that they do not get carried away into risky ventures as they expand our commercial affairs.\textsuperscript{18}

An oversold position on an article of merchandise refers to a situation in which the amount of goods on hand plus the amount of buying promises together come to less than the amount of selling promises. An overbought position is one in which goods on hand and the amount of buying promises together exceed the amount of selling promises. These two positions are principally brought about by selling operations and buying operations. A selling operation refers to making a selling promise under one's own risk-bearing, and afterwards one makes the purchase. A buying operation, on the other hand, refers to making a buying promise under one's own risk-bearing, and afterwards making the sale. In the course of these actions, for the periods during which sales and purchases are not linked up together one takes an oversold or an overbought position. Thus the selling operations and buying operations are operations taken at one's own risk, and if one makes mistakes in them one can suffer large losses and even, in some cases, lead one's company into bankruptcy.

In order to ensure against large losses, Mitsui Bussan's head office set limits on the quantity of goods that could be bought (or sold), or on the amount of money that could be involved in the purchase (or sale) of those goods, in respect to every item for which it allowed overbought or oversold positions. By adroitly changing or abolishing these limits, it controlled the risk involved. Between 1895 and 1899 limits were set for approximately 30 items. The most typical overseas items were raw cotton, rice, wool, soybeans, and soybean meal, while the most typical domestic ones were coal, raw silk, matches, and fish oils. All of the company's anticipative transactions in the second half of the 1890s were carried out within very carefully restricted limitations. Sometimes refined methods were worked out to reduce risks, as, for example, in 1899 when the purchase of 10,000 bales of American raw cotton by the Osaka branch 

\textsuperscript{18} From "Shōmu Shimonkai sekijō, kaisha no eigyō hōshin ni kansuru Masuda senmu riji enzetsu" [Speech by executive director Masuda regarding the company's business policy, made at the Commercial Affairs Advisory Committee meeting], 1898.
was permitted on condition that a hedge sale was made to the Liverpool or New York exchange.

Next the company introduced the system of having a division for each separate item of merchandise; this was done to unify its overbuying and overselling activities and to control risks better. Thus in 1911 the company set up a raw cotton division, a coal division, a lumber division, a sugar division, and a machinery division. Except for the machinery division, all the four remaining divisions could concentrate on anticipative transactions dealing with just the one product they were in charge of; this led to greater uniformity and opened the way to greater development in each area. This major reform in the company's organization seems to have been based on the strong views of Takashi Masuda (who had already resigned his position as executive director in December 1903). The headquarters for each of these 4 divisions sent out selling instructions and buying instructions to the subdivisions set up in several of the company's branch offices, thus effecting unified overbuying and overselling. Later, new divisions were added: a metals division in 1918, and a raw silk division and a grain and fertilizer division in 1920. For any items that were not covered by a separate division, branch offices could carry out overbuying and overselling within the limits set down by the head office.

Once into the 1910s (including the period of World War I), the company expanded the permissible limits and increased the number of items that could be the objects of anticipative transactions. These transactions were effective for the company, especially when it dealt with international primary products (such as raw cotton, soybeans, rubber, or tin), whose prices tended to fluctuate wildly. By skillful trading in anticipative transactions, the company was able not only to export and import goods between Japan and overseas countries but also to conduct transactions between one foreign country and another on a large scale; in this way the amount of the company's merchandise transactions increased dramatically, with the result that the company turned into a colossal trading company on the international scene.20

19 Mitsui Bussan, “Dai-hachikai shitenchô-kaigi gijiroku” [Minutes of the eighth meeting of branch managers], 1921, pp. 446–47.

Now, companies that went into merchandise transactions, including trade, during World War I, gained huge profits by carrying out large buying operations in the course of the sudden jump in prices. But in the wake of the financial panic that occurred in Japan in 1920 once the war was over, the prices of overbought items dropped suddenly, and many of Japan’s leading trading companies (not Mitsui Bussan, however) suffered huge losses; some went bankrupt, others fell into serious financial trouble. In their cases, their engagement in anticipative transactions had ended in failure. Later Masuda would comment that “during World War I a lot of companies copied what we were doing, but many of them failed.” In his recollections he explained why the company was so successful: “It was because we were able to train people who acquired the skills related to overselling and overbuying. Training such people is not an easy matter.” Even though other companies copied Mitsui Bussan and carried on anticipative transactions, it was not that simple, and it was difficult to train people who could foresee a drop in prices and the emergence of a recession and financial panic and promptly cancel overselling of merchandise. It was not easy for other companies to catch up with Mitsui Bussan in either volume of business or profits achieved. If we look at results in 1929, we see that the second largest trading company in Japan, Mitsubishi Trading Company, had a turnover of 471,000,000 yen, with a net profit of 2,000,000 yen. In that same year Mitsui Bussan’s turnover was 1,324,000,000 yen, with a net profit of 18,000,000 yen.

REORGANIZATION AND DIVERSIFICATION OF THE MITSUI ZAIBATSU’S BUSINESS OPERATIONS

In 1888 the government decided to sell the government-managed Miike Coal Mine to private business. Now, Mitsui Bussan had been able to run branch offices in Shanghai, Hong Kong, and Singapore

21 “Masuda Danshaku danwa sokkiroku” [Stenographic notes of conversations with Baron Masuda], conversation of 27 March 1926.
22 Ibid., conversation of 7 June 1926.
because it had had a monopolistic grip on Miike coal. If another company bought Miike Coal Mine, Mitsui Bussan would be forced to close its overseas branches in Shanghai and the other places.

The government had set the reserve price (minimum bid) at the amazingly high sum of 4,000,000 yen, with the condition that the winning bidder had to pay one-fourth of that sum to the government by December. Takashi Masuda talked Torashirō Nishimura, vice president of Mitsui Bank, into promising to loan the company that sum of 1,000,000 yen. Mitsui Bank was at this time in serious financial problems, and a loan of this order would represent the largest outlay of money for a loan on the bank’s books. When the tenders for the coalmine were opened, Mitsui’s bid of 4,555,000 yen was highest, with Mitsubishi’s bid of 4,552,700 yen second highest. Mitsui had won by a mere 2,300 yen! It paid the government the 1,000,000 yen due by December, and in January 1889 it started out in the coal mining business with the establishment of Miike Tankōsha [Miike Coal Mining Company]. Appointed as directors of the company were Takashi Masuda and Torashirō Nishimura, who were to oversee the business as a whole. They appointed Takuma Dan, a mining engineer who had worked till then as a government employee in the Miike Mining Bureau, to be the manager of the coal mine office, placing him in charge of all coal mining operations.24

In July 1889, just a few months after the new company was established, an earthquake caused the Katsudachi Pit to be flooded by water, but the company bought a powerful pump from England and managed to get out of this difficulty. Coal production increased steadily after that, and in April 1892 the company was reorganized into Mitsui Kōzan Gōshigaisha [Mitsui Mining (Limited) Partnership Company], then in June 1893 once again reorganized as part of Mitsui Kōzan Gōmeigaisha [Mitsui Mining (Unlimited) Partnership Company]. It was now part of the powerful Mitsui zaibatsu enterprise.25

As I mentioned earlier, Mitsui Bank was in a dangerous situation in the late 1880s. This was because loans that it had increased to Higashi Honganji Temple, the Thirty-Third National Bank, and

25 Ibid., pp. 589–93.
other institutions at the instigation of high government officials had turned into bad debts. Now, it was not Nishimura or other executives of Mitsui Bank who realized the seriousness of the bank’s situation and who urged the need for reform, but Takashi Masuda of Mitsui Bussan. In October 1889 Masuda made a request to Kaoru Inoue (then Minister of Agriculture and Commerce) that protection be afforded Mitsui Bank because he expected the connection with the Thirty-Third National Bank would drag Mitsui Bank down into a quagmire; meantime, Masuda unofficially also assisted with management of the bank. Then in February 1890 Masuda brought to Inoue’s attention some problems with Nishimura’s managerial responsibilities at the bank, at the same time pointing out to Inoue deficiencies in the executive organization at the bank, and telling Inoue that any basic reforms of the situation would require people who could carry them out. Inoue reacted by applying pressure on the House of Mitsui.

The results of Inoue’s pressure first showed up in November 1890, when it was decided that, whenever the president and vice president were going to make an important decision, they first had to consult with the three newly appointed advisers to the bank: Eiichi Shibusawa (president of the First National Bank), Takashi Masuda (president of Mitsui Bussan), and Risuke Minomura (director of the Bank of Japan). In other words, Mitsui Bank was put under the control of three advisers.26

Next, again under pressure from Inoue, Hikojirō Nakamigawa was appointed director of Mitsui Bank in August 1891. Nakamigawa had many years of association with Inoue—he was director of the Public Telegraph Bureau of the Ministry of Foreign Affairs, the president of the company that published Jiji Shinpō [Current news], and the president of San’yō Railway Co., Ltd.—but till that point he had had nothing to do with the House of Mitsui.27 Strongly supported by Inoue, Nakamigawa set about disposing of the bank’s bad debts, a task he completed in 1893. Then he shifted to aggressive disbursement of loans.28 He took an active role in nurturing the

growth of Shibaura Seisakusho (a company that manufactured electrical machinery), which was a part of the Mitsui Engineering Division (established in October 1894), and the growth of Tomioka Seishijo (a silk manufacturer). At the same time he took active part in the management of Ōji Seishi (a paper manufacturer), Kanegafuchi Böseki (a cotton-spinning company), and other companies.

When Nakamigawa was active within the Mitsui organization, Masuda took a back seat to him, but in 1900, the year before Nakamigawa died, Masuda once again showed leadership within the Mitsui zaibatsu. The reason for Nakamigawa’s decline was the deterioration of his health, on top of which the business fortunes of many of the industries in which he had been so active had started to wane, and he was being urged to dispose of these ventures.

In March 1900 Kaoru Inoue was appointed the supreme adviser of the House of Mitsui, thus taking up in name also the supervisory position he had been holding in reality. After Nakamigawa’s death in October 1901, Inoue saw to the appointment of Nakamigawa’s successor as managing director: Senkichirō Hayakawa, who at the time was the director of the Mitsui Families Association. Hayakawa had been another person who, thanks to the pressure exerted by Inoue, had been brought into the Mitsui organization from outside it. Unlike Nakamigawa, however, he adopted a more conservative approach to the management of Mitsui Bank.

Masuda was appointed the senior director of the Administrative Department within the Bureau of the Mitsui Families Association when that department was established in April 1902. This Administrative Department was a body set up to deliberate the business policies and funds management and similar matters as they concerned the four main businesses run by the House of Mitsui: Mitsui Bank, Mitsui Bussan, Mitsui Közan, and Mitsui Gofukuten [Mitsui Drapery Sales (Unlimited) Partnership Company]. The chairman of the Administrative Department was Saburōsuke Mitsui, but in reality the one who ran the department was Masuda. When the department’s authority was strengthened in January 1905, so that it became the key body in the control of the Mitsui zaibatsu empire, Masuda was appointed the assistant head of the department, and in April 1905 he was additionally appointed to the post of vice-adviser

28 M. Kasuya, Meiji, a Time of Wealthy Merchants, p. 74.
of the House of Mitsui.

Masuda saw to the disposal of the industrial and other unprofitable sectors. An example of this was the sale of Tomioka Seishijo and three other unprofitable silk manufacturers. They were sold in September 1902 by Mitsui Gofukuten to Hara Gōmeigaisha [Hara (Unlimited) Partnership Company], a silk wholesale merchant catering to foreign merchants. In December 1904 the drapery sales operation, which had been a part of the House of Mitsui’s business operations from the time of its founding, was sold off by the House of Mitsui. In this way Masuda disposed of parts of the Mitsui empire. But not everything he did was negative, for he also laid plans for going into new business ventures.29

Even before he was appointed senior director of the Administrative Department, he pushed for the establishment in 1900 of Taiwan Seitō Kaisha (Taiwan Sugar Refining Co., Ltd.). Nakamigawa was opposed to this venture on the grounds that it would not be profitable, but Masuda overcame the opposition by presenting an amendment that included a lower proportion of funding by Mitsui Bussan. Taiwan Sugar Refining was established in December of that year through funding from Mitsui Bussan and other sources, and Masuda was appointed a director. Mitsui Bussan concluded an exclusive sales contract with Taiwan Sugar Refining, and this enabled it to sell large volumes of sugar through consignments from the sugar company. The results of Taiwan Sugar Refining were extremely good, beginning in its second year of operations and going into the 1920s.30

Again, in 1903 Masuda argued for buying stock in Shanghai Cotton Spinning Co.; he had to overcome opposition from within the Mitsui Families Association, but he won over Kaoru Inoue to his views.31 Mitsui Bussan invested money in Shanghai Cotton Spinning Co. and participated closely in its management. This was the first time any investment in a spinning company in China had been

made from Japan, and its business operations progressed smoothly. Later, Japanese trading companies and spinning companies would, one after another, invest in spinning-related businesses in China.

Takashi Masuda thus was deeply involved in the reorganization and diversification of the Mitsui zaibatsu’s business empire. In 1907 he and Saburōsuke Mitsui, the head of the Administrative Department, went to the United States and Europe in order to prepare for organizational reform of the zaibatsu; while there, they made inquiries into such things as holding companies and controlling companies. Masuda’s greatest concern at all times was how best to maintain the House of Mitsui’s assets. In prosecuting that goal he had to be mindful of the following points.

For the sake of unified management of their capital, the House of Mitsui Constitution of July 1900 stipulated that the business assets held by the various Mitsui families all be held in common, and it was forbidden for any individual in the House of Mitsui to possess any business assets of his own. Under such a condition, it was therefore necessary to maintain the House of Mitsui’s assets by restricting the House’s liability in a given enterprise to a limited liability, not an unlimited one.

Masuda’s final solution was to turn the holding company with an overall control function that the eleven Mitsui families established with their own funds into one with the unlimited liability of a gōmeigaisha, and turn the four operating companies that this holding company funded into joint-stock companies with limited liability. To make the House of Mitsui’s liability stay within the limited framework by rights he should make the holding company into a joint-stock company as well; not to do so was strange. But if he did, then supposing any of the 11 families pressed for their own share of the property held in common, he might be forced to transfer stocks to them. In the worst possible scenario, those stocks would pass into the hands of an outsider or outsiders. It seems that, to forestall the possibility of such a thing happening, Masuda thought that the most appropriate organization for the holding company was that of a gōmeigaisha, in which invested holdings cannot easily be transferred over.

In October 1909 Mitsui Gōmeigaisha (Mitsui Partnership Company), a holding company, was established. At the same time, both
Mitsui Bank and Mitsui Bussan were reorganized, from gōmeigaisha to joint-stock companies; a new joint-stock company, Tōshin Sōko, was founded; and all three became subsidiaries of Mitsui Gōmeigaisha. In December 1911 the mining operation became Mitsui Kōzan [Mitsui Mining Co. Ltd.], and it, too, became a subsidiary of Mitsui Gōmeigaisha. In this way, a pyramid-like organization was formed, with the House of Mitsui at the top, a holding company under that, and under the holding company a plurality of companies. Later, the Mitsubishi zaibatsu, the Sumitomo zaibatsu, and other conglomerates copied from Mitsui and formed their own pyramidal structures.

In November 1909 Masuda was appointed adviser of Mitsui Gōmeigaisha. The holding company’s regulations stipulated that the views of the adviser had to be sought whenever any important decision was to be made. But since this position was not one in which Masuda could exercise leadership, in effect it meant that he had stepped back from front-line control of the enterprise. When the time came, Masuda recommended Takuma Dan (director of Mitsui Gōmeigaisha) as his own successor. In August 1914, on the occasion of yet another reform within Mitsui Gōmeigaisha, Dan was appointed executive director and thereby took over actual command of the Mitsui zaibatsu.32

Once he had stepped back from this front line, Masuda annually convened the Daishikai tea ceremony that he had first held at his own home in Tokyo in 1896, and he held other tea ceremonies more frequently, so much so that he was given the title of “Daicha-jin” (Great Tea-Person). He incorporated into the tea ceremony such things as Buddhist works of art and elegant old Japanese paintings, thus adding innovations to the ceremony.

CONCLUSION

At the end here, let us summarize what Takashi Masuda achieved as a business manager. It is true that Hikojirō Nakamigawa exercised strong leadership within the Mitsui zaibatsu and attempted to foster

a variety of industries, and for this reason he gives the impression of spectacular activity. Yet an objective observer would not have been able to say Nakamigawa tackled the fostering of those industries with full consideration of the seriousness of the risks and of their future prospects. This is why, eventually, many of the businesses that he enthusiastically backed did not succeed and teetered on the brink of extinction.

Masuda, on the other hand, gave very careful consideration to the seriousness of risks and to future prospects. When, after such consideration, he resolved to start up something new, he put the plan into execution only after first meticulously sounding out the opinions of Kaoru Inoue, the Mitsui families, or other salaried managers. Examples of this were the acquisition of Miike Coal Mine, the investment in Shanghai Cotton Spinning Co., and the founding of Taiwan Sugar Refining Co. If to these cases you add Mitsui Bussan, for which he was recruited as president, we can see that in each case he led a risky business to success within the space of a few years. In the past Masuda has been described as a safety-first businessman, but in fact he was not; whether it was commerce, or the nurturing of the mining industry or a manufacturing industry, he was a person who demonstrated leadership that was based on meticulous care. His skills were shown most clearly in the area of commerce, when, after the Sino-Japanese War in 1894–95, he adopted within Mitsui Bussan the new method of anticipative transactions in such a way as to lighten the burden of risk, and then took command and turned the company into an international trading company of gargantuan proportions.