Sōichirō Asano

The Man Who Worked All Day on Only Four Hours’ Sleep

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Sōichirō Asano, the subject of this paper, was the founder of a zaibatsu which at the end of the war ranked fifth in scale after Mitsui, Mitsubishi, Nissan and Sumitomo. From his birth at the end of the Tokugawa era, until his death in 1930, he was a man who devoted himself entirely to work. He was a truly a “king of entrepreneurs,” with a management and financial sense that set him apart from others; it is said that during his lifetime he was involved with over one hundred companies. In a word, he was a genuinely unique manager.

The following story is told about Sōichirō in his later years. At a board meeting of one of the companies with which he was connected, one of the directors was boasting about how they had managed to deposit in the bank. Asano’s reaction was to berate him for not setting the money to do some useful work.¹ This story is revealing, not so much about the director who thought of nothing but

building up bank deposits, but rather about Asano, who whenever he had money would go and spend it all on some new business venture. This attitude to money, and the vitality which underpinned it, on the one hand made him into an entrepreneur remembered by history, but also meant that he became the founder of a second-rank, rather than of a first-rank zaibatsu. His life was a story of successes, but also of failures brought about by expansion, which went beyond reasonable limits.

In this paper I shall trace the record of Asano's business activities. Section 2, "As the Twig is Bent, so Grows the Tree," deals with the period from his birth, through his business ventures in his home town, his failure and hurried overnight departure, to his resurgence in Tokyo and Yokohama. Section 3, "Training as an Entrepreneur," surveys the period from 1868 to 1912, relating how he met Eiichi Shibusawa "the father of Japanese business," and under him developed his business activities. In Section 4, "The Formation of the Asano Zaibatsu," I show how, having struck out independently from Shibusawa, his activities evolved into the formation of the Asano zaibatsu, against the background of the prosperity due to the First World War. Then, in Section 5, "The Asano Zaibatsu under the Depression," I show how in the depression of the 1920s his business activities failed. I do this by tracing his rescue by the Yasuda zaibatsu, and his sale of the Asano Chūya Bank to the Yasuda zaibatsu. In the concluding section I present a brief summary of the whole story.

AS THE TWIG IS BENT, SO GROWS THE TREE

Sōichirō Asano was born in 1848, the son of a prosperous doctor in a remote village in Toyama Prefecture.² It was a turbulent time of change, twenty years before the close of the Tokugawa era. The Opium War, which awakened Japan to the threat of colonization, had ended in 1842, and around the time of Sōichirō's birth foreign vessels were appearing at various places along the Japanese coast. It

was in 1853 that Commodore Matthew C. Perry arrived bearing an
official letter from U.S. President Millard Fillmore. The following
year saw the signing of the Treaty of Peace and Amity between the
United States and Japan, and 1858 the conclusion of the Treaty of
Amity and Commerce between the two countries. Japan promised
to open five of her ports, including Yokohama, thus bringing to an
end over 200 years of self-imposed national isolation. Sōichirō
Asano, therefore, was born at a time when the very foundations of
the Tokugawa regime were crumbling, on the eve of the turmoil,
which was to see the end of that regime.

Asano, born into a turbulent age, had a stormy life from his very
earliest years. At the age of six he was adopted by a relative, also a
doctor, but when he was fourteen, despairing of the old-fashioned
medical practices of the day, he ran away, back to the family of his
birth. There he started up a weaving business, which was doing
quite well, but he then ventured into the business of soy sauce brew-
ing, which failed due to his lack of experience and a shortage of
capital resulting from his too-rapid expansion of the business.

Having failed at weaving and soy sauce brewing, he next set his
sights on selling agricultural equipment, relying on the fact that
Toyama Prefecture was a major rice-producing region. However this
venture also failed, as a consequence of prolonged rain and the
drought that followed.

A person who deplored the waste of Sōichirō’s talent introduced
him to a wealthy local farmer, who married him to his daughter as
an adopted son-in-law. He was eighteen years old at the time. He
now established a firm trading in agricultural produce, but this too
failed as a result of the turbulent times, and Sōichirō’s unbridled
expansion of the business. His father-in-law, infuriated at the huge
debts that had built up presented him with a bill of divorce, bring-
ing this adoption to an end, after only four years.

Back in the family of his birth, Sōichirō again ventured into the
agricultural produce business, but as soon as the business was on
the rails he again went in for headlong expansion, encountered
cash flow problems, and had no choice but to do a moonlight flit to
Tokyo, with nothing but the clothes on his back. This was 1871,
when Asano was 23 years of age.

Far from being disheartened, he determined to start again from
the ground up. His first venture was selling water; he would ladle up clean water from the river, and sell sugared water for one sen a cup. His capital consisted of a hand-held bucket for ladling up the water (28 sen), and porcelain bottles to hold the water (20 sen). In addition he needed a block of sugar, some cups and a couple of blocks of wood to stand the cups on. His sales apparently came to 40 sen per day, and he was able to pay ¥6 a month for his lodgings and still put money in the bank.

However, as the weather became cooler, sales of water fell off. His next venture was selling bamboo skin, because the raw material was cheap and required little capital expenditure. In those days, moreover, since bamboo skin was used for wrapping foods such as miso paste, he could count on a considerable demand. So he rented a dilapidated house, and hiring a youngster named Jūkichi, set about the business of preparing and selling bamboo skin.

He would get up every morning at 4 A.M., have breakfast, and set out, carrying some 38 kilograms of bamboo skins on his back. Meanwhile Jūkichi would be stretching out the bamboo skins, sorting them and tying them up into bundles for sale. When Asano had sold that day's entire product, he would join Jūkichi in the afternoon, and they would work together preparing for the next day. Day after day this cycle would be repeated, it is said that all he had to eat at this time was boiled rice and pickles, but came to feel strongly that concentrated effort was the way to make money. After a year of intensive effort, both of them had put aside a reasonable sum.

A story, which epitomizes Asano, relates to the sale of human feces. At that time there were no public lavatories in Yokohama. Asano borrowed ¥2,000 from Kanagawa Prefecture, built 63 public lavatories, and contracted with the farmers to empty these for ¥200 a month. In those days human feces were an important form of fertilizer, and there was a considerable demand for it for this purpose. ¥200 a month meant ¥2,400 a year, and since the contract with the farmers was for ten years, Asano was guaranteed an income of ¥24,000. Even after repaying his loan from Kanagawa Prefecture, this left him with a considerable profit. If one considers that ¥1,000 would buy a splendid house at that time, his profit in today’s terms was equivalent to several hundred million yen.
If one has talent and doesn’t hesitate to get one’s hands dirty, money can be made from anything, there is nothing that cannot be achieved – this was the lesson Asano had learnt from his failures in his home town, and his subsequent flight, from his falling as it was possible to fall. Rather than making him reflect on his mistakes, and vowing never to repeat them, his failures convinced him that once he was down there was no further he could fall, and that it was always possible for him to make a comeback.

TRAINING AS AN ENTREPRENEUR

A turning point in Asano’s life occurred with his meeting with Eiichi Shibusawa. With Shibusawa’s help Asano was able to purchase a state-owned cement works from the government. This was the birth of Asano Cement Co., Ltd., the company that was to be the foundation stone of the Asano zaibatsu. Nor was this all. With Shibusawa’s assistance he founded the Iwaki Mining Co. Ltd., which was to become another key component of the zaibatsu, and the Oriental Liner Co., Ltd. With Shibusawa as a partner, he participated in the creation of a large number of other enterprises. He was transformed, in other words, from a mere tradesman to a businessman. Moreover, during this period he acquired at first hand both business know-how, and an understanding of the joint stock company system. Under Shibusawa he received a training in management practices suited to the new era, and eventually developed into a full-fledged entrepreneur in his own right.

Let me refer briefly to Eiichi Shibusawa, who had such an influence on Asano. Shibusawa was the founder of the Shibusawa zaibatsu, and is said to have been involved in as many as 300 companies during his lifetime. His true achievement, however, was as the organizer of a new type of industrial management. In a period when

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3 There is an immense amount of written material about Shibusawa, but for comprehensive information, Ryūmonsha, The Shibusawa Eiichi Memorial Foundation, ed., Shibusawa Eiichi denki shiryō [Eiichi Shibusawa biographical materials], 58 volumes and 11 supplementary volumes (Tokyo: The Shibusawa Eiichi Biographical Materials Publications Committee, 1956–1960) is invaluable. This includes a biography, so I recommend first reading this and then going on using the general index to find relevant information.
the accumulation of capital was sparse, he proclaimed the need for "collaborative capitalism" (gapponshugi), and made great efforts to spread the institution of the joint stock company. He also created an image of the "businessman," representing the new era, and replacing the "merchant" of the Tokugawa period. As a result of his leadership, the merchant (=businessman) whose status had been the lowest during the Tokugawa era, was able to achieve a new social position. In other words Shibusawa aimed, by nurturing modern industries, to achieve self-reliance for the underdeveloped country that was Japan. It was this, not management or profit itself, that was his motive for furthering the joint stock company system, and becoming involved in a large number of enterprises.

The same thinking lay behind his argument, based on Confucian principles, that an entrepreneur must contribute to the objectives of the state. When we consider the strength of the nationalistic orientation in Asano's business principles, we must not ignore Shibusawa's influence.

Shibusawa was born in 1840, in Fukaya City, Saitama Prefecture. He was thus eight years older than Asano. He came from a family of prosperous farmers, who specialized in raising silkworms and growing indigo.

He went up to Edo (present-day Tokyo) to study Confucianism and swordsmanship, and for a time favored the overthrow of the Tokugawa Shogunate and the restoration of Imperial rule, but in 1860 changed direction, to serve under the fifteenth Tokugawa shōgun, Yoshinobu. In 1867 he accompanied Yoshinobu's younger brother to the Great Paris Exposition, and after France, toured around Europe, visiting Switzerland, Belgium, Italy, and England. We can say that his experiences at this time were the formative influences on Shibusawa.

On his return to Japan he entered the service of the new Meiji government, working in the Ministries of Home Affairs and Finance, but resigned in protest when his views on sound financial administration were ignored. This was in 1873, when Shibusawa was thirty-four years of age. During his time at the Ministry of Finance he was involved in the drafting of the New Currency Ordinance and the National Bank Ordinance, and also put great effort into the founda-
tion of the First National Bank. After his resignation he became President of this bank, which was later to become the Daiichi Bank.

Shibusawa's career as an entrepreneur, committed to the development of management, lasted from this time until 1909, when at the age of seventy he retired from all offices, retaining only his posts as President of the Daiichi Bank and Chairman of the Tokyo Savings Bank.

It was in 1876, when Asano was involved in the coal trade, that he first met Shibusawa. Asano would use catchphrases like "A hard worker need never be poor," or "More than four hours sleep a night makes a man a fool," and would carry coal, getting filthy with coal dust just like one of his laborers. Shibusawa was impressed by Asano's commitment to hard work, and suggested that he come to see him. Asano called on Shibusawa to ask for an introduction to enable him to purchase coal from Nagasaki. This he obtained, and was thereby able to make a profit of some tens of thousands of yen. Shibusawa's comment at this time was "Your commitment to earning your daily bread by the sweat of your own brow is very important," showing that he recognized Asano's abilities.

It was in 1884 that Asano purchased the Fukagawa Cement Works from the government. That Asano, a mere coal merchant, albeit with a certain amount of capital, was able to gain possession of this factory, into which huge amounts of capital had been poured, was thanks to the good offices of Shibusawa with his strong political connections, who recognized Asano's abilities as a manager.

The cement plant, now renamed the Asano Works, started operation with a total capital of ¥45,000, of which Asano had put up ¥30,000. Asano worked alongside his workmen all day from 6 o'clock in the morning, and would invariably get up at 2 A.M. to do a tour of the plant. He set up a savings scheme for his workers, and a bonus scheme over and above their normal wages. Part of this bonus was put aside, and after ten years' service by a worker, the company added an equivalent sum to his savings fund. In this way Asano aroused the workers' enthusiasm, and soon had the firm operating at a profit.

In 1898 the firm was converted into a limited partnership with a capital of ¥800,000; three years later its capital amounted to ¥2 million. In 1913 its organization was changed yet again, to become
Asano Cement Company, Ltd., with a capital of ¥5 million. The main shareholders were the Asano family, Shibusawa and his connections, Zenjirō Yasuda (founder of the Yasuda zaibatsu) and his family, and the Tokugawa family.

What made this development possible was the unremitting pursuit of quality. In 1889 a major reconstruction project began in the Port of Yokohama. The English engineer, responsible both for design and site supervision reported to his superiors that Asano Cement’s quality was superior, and that they should be given the contract to supply the whole project. In other words, only five years after his purchase of the company, it had attained a very high reputation.

In 1903 Asano Cement introduced rotary kilns, ahead of their competitors. A rotary kiln can continuously perform the whole process of cement manufacture, from drying, through mixing, crushing and sintering, right up to the final cooling stage. It cuts out manual labor, enabling major economies in both labor cost and time. In this way Asano Cement established a mass production system, resulting in considerable cost reductions.

Let us now turn our attention to the Iwaki Coal Mine. It was entirely rational that Asano, as a coal merchant, should seek to diversify by vertical integration upstream. Hereafter Asano was to be involved in the foundation of many coal companies; The Iwaki Coal Mine was his first venture in this field.

It is said that when the price of coal soared as a result of the Satsuma Rebellion of 1877, Asano began to search for coal in and around the Kantō region. He assiduously walked through the mountains of Iwaki, and came upon a rich seam of coal. Coal mine operation, however, was regarded as one of the most difficult of enterprises to run successfully, and Asano felt unable to commit himself to setting up a mining company. After discussing the matter with Shibusawa and obtaining his agreement, he gathered together some friends and set up the company in 1884, with a capital of ¥40,000. Shibusawa became Chairman of the company, but Asano was in effective charge of management.

The company, however, continuously operated at a loss. The reason for this was its reliance on horse-drawn wagons and sailing ships
for transportation; the inconvenient location resulted in very high costs for transport.

The first step in the solution of this problem was the laying, in 1887, of ten miles of rail track to the coast at Onahama, thus obviating the need for horse-drawn carts. Asano’s next idea was to build a true railroad, with the cooperation of local people. In the end, the railroad was constructed by the Japan Railway Company, which opened its Iwaki Line in 1896, dramatically improving the Coal Mine’s balance sheet.

When the Commercial Code came into force in 1893, the Iwaki Coal Mine became a joint-stock company with a capital of ¥400,000. Its capitalization increased rapidly thereafter, and by 1941 it had grown into a major corporation with a capital of ¥17 million.

Finally, let us look at the establishment of the Oriental Liner Co., Ltd. As with the Iwaki Coal Mine, Asano’s moves towards the foundation of this company started from his activities as a coal merchant. In 1887, with capital provided by Shibusawa, he founded the Asano Shipping House. His objective was to reduce transport costs by countering the highhanded business practices of the Nippon Yusen Kaisha, which held a monopoly in marine transportation at the time. With a capital of ¥200,000 he purchased five second-hand vessels, and entered the business of marine transportation.

In 1896 the Law for the Encouragement of Navigation was promulgated and came into effect. This Law provided a subsidy of at least 25 sen per 1,000 nautical miles traveled by ships plying between Japanese and foreign ports, or between two foreign ports. Eligible ships had to be of iron or steel construction, be 1,000 tons or over in gross weight, have a maximum speed in excess of ten knots, and be not more than fifteen years old.

Since his second-hand ships were unsuitable for ocean transport, Asano decided to sell the ships he then owned, dissolve the Asano Shipping House, and shift his activities from coastal to ocean shipping. He then drew up a proposal for the formation of a new company, distributed it to people like Shibusawa, Zenjirō Yasuda and Kihachirō Ōkura, and obtained their agreement. The following year he established the the Oriental Liner Co., Ltd. with a capital of ¥5 million. Asano became President, while Shibusawa was appointed Auditor.
The company grew, thanks to the subsidies obtained as a result of Asano's opening of a Trans-Pacific sea route and construction of large, fast steel steamships, but its profits were unstable, due partly to the shipping depression, but also to the fierce competition offered by the Pacific Mail Steam Ship Company. It was not until the boom ushered in by the Great War that the firm was able to get on a really firm footing.

We have looked at Asano Cement, the Iwaki Coal Mine and the Oriental Liner Co., Ltd., from their establishment through to the first decade of the twentieth century, but these are by no means the only enterprises with which Asano was involved. He served on the boards of twenty-eight companies during the Meiji Period, but after 1912, when we enter the Taisho Period, his relationship with twenty of these ends. The legislation of the time required that to serve as director, a person must hold a certain number of shares in that company, and this fact reveals how Asano would be involved in the establishment of a large number of companies, or buy shares and participate in their management, but then, in a short period of time, he would either decide that the company had no future, or sell his shares and withdraw from management.

It is also notable how Shibusawa cooperated in the establishment of Asano Cement and the other two firms referred to above; the same is true of all the other companies in which Asano was involved. In other words, it was under Shibusawa's influence that Asano developed his enterprises. Let us consider one example of this, the case of the Tokyo Artificial Fertilizer Company, later to become Nissan Chemical Industries.

The first moves toward the foundation of this company were triggered by a request from the chemist Jōkichi Takamine, famous for his extraction of takadiastase and for the separation of adrenaline from the bovine adrenal gland. After a period of study in Britain, Takamine wished to establish a business for the production of superphosphate fertilizers, and approached Shibusawa, who expressed his agreement with the idea. Fertilizers at that time relied entirely on the processing of natural materials such as sardines and mackerel; there were no superphosphates or other chemical fertilizers. Shibusawa felt that as long as reliance was placed on natural fertilizers it would be impossible for increases in agricultural production
to keep pace with population growth. Having discussed the issue with others in the business world he summoned Takamine for discussions, and with sympathetic businessmen as shareholders the company was established in 1887. Among the directors and auditors at the time of its foundation appears Sōichirō Asano, as Auditor.

In the sense that it was a company organized at a time when the majority of Japanese had never heard of artificial fertilizers, it was what today would be called a venture business. The process by which it came into existence was by Takamine, with his knowledge of fertilizers and his experience of study abroad, persuading Shibusawa, who then gathers together businessmen and explains the plan to them; those who are in favor of the idea then offer themselves as promoters or shareholders, and the company is formed.

In today's parlance perhaps one would say that the venturer was Takamine, while Shibusawa was the representative of venture capital. If Takamine had been unable to win over Shibusawa, the Tokyo Artificial Fertilizer Company would never have seen the light of day.

Nevertheless, Shibusawa does not provide all the capital by himself. He looks for people who agree with his way of doing things, people who are fond of new businesses, or people who are in trade and know a thing or two about fertilizers. He has a word with them, or maybe brings Takamine along to explain things. Then, for a whole variety of motives, people come forward and offer to be promoters or shareholders. Some of them may feel that they can help the country by increasing food production, others that they will be making the farmers happy. Yet others may see possibilities for making a fortune, while others again may feel that if they buy a few shares it will be easier to persuade Shibusawa to go along with one of their own plans. One of these was Asano. A motley band it no doubt was, but the venture capitalists had been gathered together. This was the principle of risk diversification that lay behind Shibusawa's "collaborative capitalism."

I wrote above that Shibusawa was the organizer of a new type of industrial management. In a period when the accumulation of capital was sparse, he proclaimed the need for "collaborative capitalism" (gapponshugi), and made great efforts to spread the institution of the joint stock company. I said also that he aimed, by nurturing modern industries, to achieve self-reliance for the underdeveloped
country that was Japan. One example of this, I believe, is the case of the Tokyo Artificial Fertilizer Company. Asano, meanwhile, on the one hand used Shibusawa to help get his enterprises off the ground, and on the other, when he agreed with Shibusawa's ideas, served as promoter or shareholder in Shibusawa's companies. And then, it would seem, when the company was running smoothly, he would sell his shares and depart.

**THE FORMATION OF THE ASANO ZAIBATSU**

Asano, who in this way had gradually become recognized as a businessman, progressively asserted his independence from Shibusawa, and, against the background of the boom created by the First World War, embarked on a massive expansion of his business activities. In the period before and after the Great War he founded more than twenty companies. A list of the most important among these includes the Oki Electric Industry Company in the electrical sector, Asano Shipbuilding and Engineering Company in the steel and shipbuilding sector, and the Asano Chūya (Through Night's) Bank in the financial sector. As well as these, the foundation of Asano and Company represented his expansion into the commercial sector, while the Tokyo Harbor Works Company was involved in land reclamation. It was indeed a case of "a hundred flowers blossoming." At the same time, his establishment of the Asano Holding Company represented the birth of what is commonly known as the Asano zaibatsu. As we see, he had a holding company, a bank, a trading company and a vast number of subsidiary companies including mining. If we leave aside the question of scale we can see that he had created a highly diversified group of companies on much the same pattern as the Mitsui or Mitsubishi zaibatsu. Leaving the discussion of the Asano Through Night's Bank to the next section, I should now like to look at the process by which he established these various companies.

First, the Oki Electric Industry Company. This company originated as Oki and Company, founded by Kibatarō Oki, a technician

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who had worked for the creation of a domestic electrical communications equipment industry. In 1907, one year after Kibataro's death, the company organization was changed from an association to a limited partnership with a capital of ¥600,000 and Asano took up the post of Advisor. Oki's widow Take, who became Company Representative, was the aunt of Asano's wife Saku, and it was she who asked Asano to become Advisor.

When the War began and the economy entered a boom, factories were built and the number of companies increased, with a corresponding demand for electrical communications construction work and equipment. Since the company was the largest in the sector it received a considerable number of orders and naturally expanded at a rapid pace. As a result, in 1917 it was transformed into a joint-stock company with capital of ¥2 million.

Next is the Asano Shipbuilding and Engineering Company, founded in 1916. Its capital was ¥3.75 million, all of which was provided by Asano. The creation of this company was closely connected to the operations of the Oriental Liner Co., Ltd. referred to earlier. On the Pacific sea lanes competition from firms such as the Pacific Mail Steam Ship Company continued, and for Asano, who had no choice but to use ships of a lower quality, a shipbuilding company which could give him an immediate strategic practical advantage was most desirable. Masamiki Hara, Chief of the Maintenance Section of the Oriental Liner Co., Ltd., who was to become a director of the shipbuilding company immediately after its establishment, had been sent to Europe by Asano in 1912 to investigate shipbuilding facilities, diesel engines, passenger liner design, and shipbuilding materials.

It is said that in the first year after the outbreak of war the Allied Powers lost 680,000 tons of shipping, which resulted in a steep rise in charges for ship repair and shipbuilding. This prompted Asano to take the step of establishing this company. In charge of shipbuilding technology he put Ryo Kato, who had worked for fifteen years as a technician in the Kawasaki Shipyard, and subsequently served as

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Advisor to the Osaka Shipbuilding and Engineering Company, later to become the Hitachi Shipbuilding and Engineering Company.

This company got off to a smooth start. The price of steel rose, but the price of new ships rose even faster. In a space of ten months it is said that the cost of an identical ship had risen by over 1 million yen, so the firm was able to record huge profits. It is reported that a net profit of ¥14 million was made from the six ships built under the first Ships-for-Steel Exchange Contract (a contract under which America, which had prohibited the export of steel materials, allowed their export in exchange for an equivalent tonnage of new ships).

Next we look at the trading company, Asano and Company.6 This company was founded in 1918 with a capital of ¥500,000 shared equally by the Asano zaibatsu and the American firm W. R. Grace. In its early years it realized good profits, but in the post war depression of 1920 its results deteriorated. As a result W. R. Grace sold all its stocks to the Asano zaibatsu and departed from the scene.

If we follow the subsequent history of Asano and Company we find that in 1921 it established a new set of operating principles and pushed forward with reconstruction. These operating principles were, (1) concentration on commercial activities, (2) absolute avoidance of speculation and a thoroughgoing adherence to the commission principle, and (3) a concentrated effort by all employees to work together for improvements in efficiency. These reconstruction efforts were successful and by 1925 they were once again able to declare a dividend and became an outstandingly successful enterprise regularly declaring dividends of between 20% and 30% each period.

Finally, let us look at Asano’s expansion into the land reclamation business.7 If we are merely looking at reclamation, there are plenty of examples, such as the Kojima Bay reclamation by the Fujita zaibatsu, the harbor construction carried out by the Mitsui zaibatsu to facilitate coal transportation or the Osaka North Port which was established centered on the Sumitomo zaibatsu. But only the Asano zaibatsu undertook the reclamation of large areas of

6 Asano and Co., Operating Reports, each period.

coastal land, planned the construction of an industrial area, and moreover identified this as a key component of the business of the zaibatsu. The completion of this project resulted in the creation of the key portion of what is now the Keihin Industrial Zone.

Asano dreamed of cutting a large canal between Tokyo and Yokohama to enable oceangoing ships to travel freely between the two cities. Along the route he would reclaim the shallow waters extending from Tsurumi (Yokohama City) to Kawasaki and build there an industrial zone so that the products of the factories could be loaded directly onto large cargo vessels anchored in the canal. This was his vision of the Keihin Industrial Zone.

However, it was very uncertain as to whether such a dream was feasible, and even if it was, how much capital would be necessary to make it a reality. Asano therefore proceeded carefully, asking Dr. Eng. Isamu Hiroi, professor at Tokyo Imperial University, to conduct a survey. It is reported that Dr. Hiroi accompanied Asano on three occasions to conduct on-the-spot investigations. The report he presented to Asano concluded that (1) the area is close to both Tokyo and Yokohama and is suitable for industrial use; (2) the water in the Tsurumi-Kawasaki zone is shallow, and reclamation work would be both easy and cheap; (3) this reclamation work would be very meaningful both in business terms and from a national perspective. Emboldened by this, Asano presented to Kanagawa prefecture in 1908 a request for permission to reclaim from the sea 4.95 million square meters of land between Tsurumi and Kawasaki for use as an industrial zone.

Construction work began in 1913. In August a dredger arrived from England and work was able to begin. In conjunction with this, in the same year the Tsurumi Reclamation Company was founded. Its capital was ¥3.5 million, provided not only by Eiichi Shibusawa and Zenjirō Yasuda but also by businessmen in Yokohama, and the Tokugawa family.

In 1920, the company was transformed into the Tokyo Bay Reclamation Company Ltd., with a capital of ¥12.5 million. The reason for this change was a plan (never in fact realized) to extend the reclamation work to include the whole of Tokyo Bay.

The Tsurumi-Kawasaki reclamation project was effectively completed by 1927. As a profitmaking enterprise it was a success, always
producing profits and regularly declaring dividends in the region of 10%. What is now referred to as “infrastructure” had been completed by private enterprise.

Finally let us look at the central firm in the zaibatsu, the Asano Holding Company. In 1914 Asano set up the Asano Limited Partnership. This company increased its capital every year, and in 1917 was capitalized at ¥10 million. However, in order to further expand his business Asano set up in that year the Asano Holding Company, merged this with the Asano Limited Partnership and created a holding company with a capital of ¥35 million. The objectives of this company were the acquisition of real estate and securities, the acquisition of mining rights and patents, as well as management. Within the firm were also established various sections, defining areas for future investment, such as the Hydroelectric Section, which drew up plans for a hydroelectric power generation enterprise. The shareholding structure was one of monopoly share ownership by the Asano family, a similar closed pattern of ownership to that of the shares of the Mitsui Unlimited Partnership by the Mitsui family, or of the Mitsubishi Limited Partnership by the Iwasaki family. Sōichirō Asano himself was President, and the directors’ posts were monopolized by members of the Asano family.

Thus, formally at least, a zaibatsu structure had been erected, centering on the holding company, but the depression of the 1920s caused it to fall apart all too easily.

THE ASANO ZAIBATSU UNDER THE DEPRESSION

Whereas the decade of the 1910s had seen the First World War boom, the 1920s—which were the last years of Asano’s life—were a period of depression. These were years when the Japanese economy was rocked to its foundations, starting with the depression in 1920 as a reaction to the wartime boom, followed by the slump resulting from the 1923 Great Kanto Earthquake, the financial panic of 1927, and finally the so-called Great Depression triggered by the New York stockmarket crash of 1929. Sōichirō’s Asano zaibatsu was also shaken, suffering from poor business performance. Let us now look at these Depression years, by tracing the fortunes of the Asano Chūya (Through Night’s) Bank.
In 1916 Asano purchased the Fifth Bank, and established the Nippon Chūya Bank. The Fifth Bank had a long tradition, having been founded in 1898, but was by no means successful. When Asano bought the bank it was capitalized at ¥1 million, and had as President Motojirō Shiraishi, Asano's son-in-law, famous as the founder of the steel firm Nippon Kōkan. The name Chūya Bank was copied from the Through Night's Bank in Philadelphia, U.S.A., and was open for 11 hours a day, from 9 A.M. to 8 P.M.

In 1918 the name was changed to the Asano Chūya Bank, and in 1920 Asano took over the post of President. He established a network of numerous branches, and made a positive effort to attract deposits, achieving a total deposit figure of over ¥20 million. The capital was doubled at that time from 5 to 10 million yen, with the Asano family holding all of the 100,000 newly issued shares.

From about this time, however, dark clouds appeared on the horizon. The bank began to operate not so much as a financial institution, but progressively became more and more a vehicle to channel funds to the Asano zaibatsu, with overloaning becoming more and more evident. As mentioned earlier, Asano had founded more than 20 companies in the period immediately before and after World War I. The demand for funds from the businesses that he planned was virtually limitless, exceeding the high dividends paid by his successful companies. The Asano Chūya Bank was pressed to provide ever increasing funding.

When the depression of the 1920s arrived, the operations of all the main companies suffered. If one traces the fortunes of the main companies by looking at the dividends declared, the Iwaki Coal Mining Company, which had continuously maintained a high rate of dividend, started passing its dividend from 1927, while the same fate befell Asano Cement from 1930. The Tokyo Bay Reclamation Company too paid no dividends from 1930. In 1927 a major labor dispute forced the Iwaki Coal Mine Company to halt operations, followed by a major fire in the coalfield which killed and injured many. These unfortunate events added to the results of the depression.

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8 Satoshi Saitō, “Asano Chūya Ginkō no Yasuda zaibatsu e no jōto” [The transfer of the Asano Chūya Bank to the Yasuda zaibatsu]. Osaka Keizai Daigaku Nihon Keizaishi Kenkyūsho, Keizaishi kenkyū, 6 (2002), p. 84. References to the Asano Chūya Bank below are drawn from this paper.
The Asano Shipbuilding and Engineering Company, which during the war had been highly profitable, also saw a deterioration in its results. From 1922 onwards it showed an operating deficit every year, a situation which continued through to 1931, by which time it had an accumulated deficit of ¥15 million. As a result it was forced to reduce its capitalization. It moved away from its concentration on large vessels and attempted to break into the field of small vessel construction and land-based steel construction, but was unable to improve its balance sheet, with deficits continuing.

The Oriental Liner Co., Ltd., too, which had produced excellent results throughout the wartime period, dropped into deficit in 1922 and by 1925 had accumulated losses of ¥8.6 million. A new company, the Second Toyo Steamship Company was created, using as capital the operating rights to its regular routes, the eight ships operating these routes and the Taiyō Maru, operated under contract from the government. This company was then sold to the Nippon Yusen Kaisha. As a result the Oriental Liner Co., Ltd. was left only with its irregular sea routes. Here ended the history of the Oriental Liner Co., Ltd. that Asano had founded.

The only company that continued to pay dividends throughout the 1920s was Oki Electric Industry. The reasons for this were firstly that it had commenced research into vacuum tubes, secondly that the destruction of the communications network by the Great Kanto Earthquake had created a massive demand for reconstruction, and thirdly that it had embarked on the construction of automatic telephone exchange equipment as agent for General Electric of England. However even this company saw its profit figures reduced, with its dividends, which had peaked at 30%, falling to the 5% level.

The worsening results of all these companies also caused a deterioration in the results of the holding company, which further increased its dependence on the Asano Chūya Bank. Strong criticism of the management of this bank came from Zenjirō Yasuda, the founder of the Yasuda zaibatsu and the owner of the Yasuda Bank. Yasuda had been an investor in Asano Cement and the Tokyo Bay Reclamation Company and after Shibusawa's retirement from the business world had acted as Asano's partner. As far as bank management was concerned his reputation was second to none. Yasuda threatened Asano that unless he cut out the source of the trouble by
handing over the Asano Chūya Bank to the Yasuda family he would no longer co-operate with the Asano family by investing in their businesses. Asano accepted Yasuda's opinion and agreed to transfer the bank to the Yasuda zaibatsu.

However, on the day before the proposed transfer Yasuda was killed by a right-wing assassin, with the result that the transfer was cancelled. Asano attempted to reconstruct the Asano zaibatsu and the Chūya Bank by his own efforts, but without success.

According to the accounting records of the Asano Holding Company in 1922 the company had debts of approximately ¥44 million. The addition of the company's capital of ¥35 million gives us a total assets of ¥79 million. They owned shares and investments in subsidiary companies amounting to approximately ¥72 million. Of their debts the highest figure, something over ¥20 million, was borrowed from the Asano Chūya Bank, with the second largest creditor being the Yasuda Bank at ¥12 million. In other words these two banks accounted for approximately 70% of their total borrowings.

According to the Operating Reports of the Chūya Bank, the figure for "miscellaneous loans" totaled approximately ¥20 million, meaning that this whole sum had been lent to companies in the zaibatsu. In a situation where the operating results of the main companies were stagnating and where many of the subsidiary companies had only recently been established, if dividends were passed, other companies in the group which depended heavily on these dividends suffered a reduction in income and were unable to repay their debts to the Chūya Bank. Furthermore, since the collateral for these loans was shares in Asano companies their value fell in the depression and became completely tied up.

In the spring of 1922 an incident occurred that revealed the deficiencies in the management of the bank and gave Asano no choice but to abandon the operation of the bank and request a total rescue from the Yasuda Bank. This was the liquidation of the Asano Shipbuilding and Engineering Company and the dismissal of over 1,600 employees. When the collapse was reported in the newspapers there was a rush on the Chūya Bank which eventually had to resort to borrowing money from moneylenders in order to fund severance payments to the dismissed workers.

Asano despaired of reconstruction by his own efforts and went
around visiting Junnosuke Inoue, Governor of the Bank of Japan, and members of the Yasuda family to plead for their assistance. Governor Inoue realized the seriousness of the situation and of its potential effects and discussed with the Yasuda side whether the rescue should be achieved by lending funds, or by the purchase of the bank. In the end the Asano Chuya Bank was purchased by the Yasuda Bank to be operated as an independent financial institution. The reason that the bank was left as a separate organization, despite its name change to the Nippon Chuya Bank was to avoid the impression that it had been bought by the Yasuda family because of its indebtedness and also out of a concern for Asano’s reputation. In this way funds from the Yasuda zaibatsu enabled the Asano zaibatsu to avoid bankruptcy.

CONCLUSION

When Sōichirō Asano lay on his deathbed in 1930, it is said that he summoned his sons and said to them “I leave you no money but I leave you some businesses. If you preserve and build these businesses they will both serve the country and provide you with a livelihood. Money has a tendency to turn men into libertines.” Asano’s life is one of which we could say that he never knew how to spend money, and in the end was betrayed by it. After Asano’s funeral Shibusawa is said to have referred to him as a second-rate businessman. Certainly the troubles of the Asano Chuya Bank sprang from Asano himself. The crisis in the bank’s affairs was not a result of the deterioration in the business environment due to the post-war depression but to expansionary policies which ignored the principles of proper banking, and was in that sense an example of irresponsible management. For a businessman to drive the zaibatsu to the verge of bankruptcy is a failure of the worst sort.

However, Asano’s life was always lived freely. He paid little attention to others, and did what he wanted to do. Zenjiro Yasuda said of him that he always did business in a big way, so that it was fun to lend him money. Perhaps nobody but Asano could have successfully undertaken the creation of the Keihin Industrial Zone. He was

9 Kitabayashi, Secrets of Success (see note 1 above), p. 4
indeed a second-rate businessman, but he left a legacy which a first rate businessman could not have left us.

The businesses which he left his sons they joined together to preserve with the help of the Yasuda zaibatsu, and succeeded in rebuilding the Asano zaibatsu. This was ten years after Asano's death. Asano also left outstanding sons, who learned not to repeat their father's mistakes.