

THE ROLE OF ONE SOGOSHOSHA IN JAPANESE
INDUSTRIALIZATION: SUZUKI & CO., 1877-1927

Yoshio Katsura
University of Kobe

I

I am greatly pleased and highly honored to be able to read my paper in this conference. The role of sogoshosha in Japan has recently become a topic of interest and frequent discussing in various parts of the world.¹ To begin with, I should like to explain briefly the term, sogoshosha. The term itself is newly coined, appearing during the stage of fast industrialization and high economic growth. That is, during the Showa 30's (1955-1964).

Today's big ten Japanese sogoshosha are Mitsubishi Shoji, Mitsui Bussan, Marubeni, Itoh-Chu, Nissho-Iwai, Sumitomo-Shoji, Tohmen, Kanematsu-Gohsho, Ataka Sangyo, and Nichimen-Jitsugyo. The Nissho of the Nissho-Iwai (currently capitalized at 15,533 millen yen) is derived from Suzuki & Co., of which this paper treats.

These sogoshosha are basically trading companies, but differ from those in the West and other countries in performing the following functions:

1. domestic trade, trade between home and foreign countries, and third country trade
2. Wholesale dealers for industrial enterprises (needless to say, diversification of merchandise is based upon these two functions)
3. inter-enterprise credit; financing tied up with monetary facilities
4. Absorbing price fluctuations of manufactured products
5. acting as producers by participating in production teams
6. owning and managing ships and distribution centers
7. exporting and importing industrial technology, as well as capital

8. introducing and industrializing overseas materials and products
9. organizing industrial subsidiaries, and grouping various industrial enterprises for large scale system projects
10. developing resources, products and cities

Their business activities might be even more extensive, almost to the point where it might be said that it is nearly impossible to define strictly the term sogoshosha. However, I would like to define it here as those trading companies which perform the four essential functions of (1) marketing, (2) organizing, (3) financing and (4) informing. It must be remembered that the function of developers cannot be satisfactorily performed without synthesizing effectively and organically these four essential functions.² These essential functions have historically assumed various forms in their outward appearance responding to the needs of the Japanese economy. The sogoshosha have been particularly noteworthy in their ability to create social savings and stimulate the rapid growth of the Japanese economy, which according to Professor Kozo Yamamura, has been and continues to be far more important than their historical relationship with the prewar zaibatsu or the postwar zaibatsu-like groupings.³

During the high Japanese economic growth in the post-World-War II era, Japanese trading companies for the first time were faced with the American style of direct selling. Larger industrial enterprises such as Honda and Sony were the pioneers in this method. They learned to market their own products, dispensing with the services of the trading companies. This was an aggressive challenge to the indirect selling system upon which Japanese trading companies have been based for so many decades. Thus, these trading companies came to be named sogoshosha (general trading companies), in order to express more effectively their peculiar features. This is, in my opinion, the reason why the newly coined word sogoshosha appeared first in the Showa 30's. Even though the term was not coined until the Showa 30's, the sogoshosha as historical entities emerged about one hundred years ago, and have grown in importance, only in Japan.⁴

Because of more than two centuries of self-imposed isolation, Japan had long remained unaffected by the international market. When Japan was opened to international trade in the 1850's, she possessed neither experience, human resources nor organizations for foreign trade. Furthermore, she produced no single basic item of merchandise for international mass transactions. Meiji Japan suffered much from the 'Unequal Treaties' agreed to in 1858 with the advanced Western countries: the United States, the United Kingdom, France, Russia and Holland. Among other points, the extraterritoriality and the forfeiture of tariff autonomy, made it possible for foreign merchants to put

Japanese foreign trade under their control. Thus, in order to import the raw materials and machines needed for urgent industrialization, and to export the primary domestic products for the acquisition of foreign currencies, as well as to break through the import and export monopoly of foreign merchants in the Yokohama and Kobe settlements, and to compete successfully with the overseas foreign trade network of the advanced Western countries, Japan was forced to start by creating mighty trading firms which could be called general merchants, or general trading companies (sogoshosha). These mighty trading firms were from the start destined to become multifunctional organizations performing such trade subsidiary functions as shipping, providing marine insurance and the handling of foreign exchange business as well as trading in every item of goods with every country of the world. Thus, sogoshosha emerged only in Japan, as a logical result of Japan's late industrialization. They presented a striking contrast to the highly specialized British trading companies which were typical in the more highly developed industrial countries. Besides, the indirect selling system through sogoshosha became not only different from the British style, but also from the direct selling and mass marketing system of the large industrial enterprises of the United States.

Now, I must call your attention to the fact that the development of sogoshosha was closely related to the formation of the zaibatsu organizations which were family controlled groups with diversified business activities. Sogoshosha through their world-wide trading network, explored the newest industrial techniques and surveyed market opportunities abroad. They proceeded at times to promote subsidiaries for the purpose of industrializing the technology they imported, and sometimes they purchased independent factories to assure the quantity of goods they were to export. In this way, they truly became industrial organizers on a large scale. Thus, this organized entrepreneurship executed by sogoshosha played an important role in the formation of the zaibatsu organizations.⁵

In the course of the genesis and development of sogoshosha, the Mitsui Bussan (The Mitsui Trading Co., founded in 1876) played the dominant role. The Mitsui Bussan, by 1907, was trading in over one hundred different items of goods with various countries of the world, and by 1913 was handling 26% of total foreign trade. As a matter of course, more and more industrial firms had to depend upon such sogoshosha for their marketing and purchasing activities. Mitsui Bussan extended its control over various industrial firms by the active introduction of foreign technology. In this way, it became an industrial organizer on a large scale. The Mitsui utilized not only such sogoshosha but also Mitsui Bank as the two channels for development and became more active in diversification. The latecomers took Mitsui Bussan's way as their model. In this way, sogoshosha became deeply rooted in Japan's industrial society.

But it was especially Suzuki & Co. that made the most unprecedented rapid growth. Suzuki & Co. took advantage of the new entrepreneurial opportunities that appeared following the sino-Japanese War (1894-1895), and especially during the booming years of World War I when the gross national product of Japan increased five-fold (¥ 1,305 million in 1914 to ¥ 6,236 million in 1919). It became the largest sogoshosha next to Mitsui Bussan. Suzuki also became a large industrial organizer and grew into one of the great representative business combines of the Taisho era (1912-1926), ranking with Mitusi and Mitsubishi. Suzuki played an epoch-making role in the rapid industrialization of Japan in which heavy as well as light industry flourished.

This late-comer, Suzuki, faced with the postwar depression which had become chronic, finally met financial disaster and went into total bankruptcy, triggering the Showa monetary panic in 1927.

In its history from prosperity to bankruptcy, an uncommon business leader, Naokichi Kaneko, played a dominant role. He was the central figure in both the business success and failure of Suzuki.

The main purpose of this paper is to trace the successful development of Suzuki (II-IV) and then to elucidate the epoch-making role which this late-comer or newly-risen-type sogoshosha played in the real take-off stage of Japanese industrialization (V). In the last section of this paper I will try to throw some light upon the major causes of the business failure of Suzuki & Co..

II

In about 1877 (Meiji 10), the sugar trading firm named Tatsumiya, was founded at Bentenbama in Kobe with Iwajiro Suzuki (Ca. 1840-1894), a merchant of samurai origin, as president. Iwajiro was a son of a low-class retainer of the feudal clan of Kawagoe in about 1840. In his youth, he left Edo for Nagasaki, where he was well trained to become a confectioner. He then left Nagasaki and on his way to Edo (Tokyo), he made up his mind to stay in Kobe, whose port was opened to foreign trade in 1867. He found employment in the Kobe branch of Tatsumiya, a famous sugar trader of Osaka. In 1877, the president Tsunehichi Matsubara, retired and set Iwajiro up in the same business and handed over the Kobe branch, together with the firm name, Tatsumiya, to him.⁶

It was not until 1883 that Iwajiro himself gained fame as a sugar dealer in the business quarters of Kobe, becoming one of the four major sugar importers in the Kwansai district. These four sugar importers had by 1883 traded in Hong Kong sugar with Jardine Matheson & Co. Ltd., and in 1884 began the same trade in sugar with Butterfield

& Swire, Ltd.. Iwajiro, in 1888, in partnership with the other major sugar importers, founded Yoto & Co., the purpose of which was the direct import of foreign-made sugar. Yoto & Co. before long became a direct importer of Manila-made sugar, but was dissolved to form a sugar selling cooperative, in which Iwajiro had strong influence and which became a direct importer of German-made beet sugar in 1892.⁷ Iwajiro, with such notable success in his business activities, was elected in 1891 as a member of the Kobe Chamber of Commerce, along with Hikojiro Nakamigawa and Seibeh Kawanishi, who later built great reputations in the Japanese business world.⁸

In 1886, Naokichi Kaneko (1866-1944), a native of Kochikoku, was employed by Suzuki.⁹ At first, he was engaged in domestic transactions of sugar, dried bonito, tea and fertilizer. Then, he made contact with foreign merchants in the settlements, and there he very often felt the humiliation of the "Unequal Treaties". He learned, through these contacts, that peppermint and camphor were in constant international demand.

After Iwajiro Suzuki died in 1894, Yone Suzuki (1852-1938) succeeded her husband as owner of his business, but she delegated the total business management to Kaneko and Fujimatsu Yanagida (1867-1928), a son of Tsunehichi Tatsumiya.¹⁰ Kaneko and Yanagida were like brothers in their business relationships. Kaneko now had the opportunity to display his ability as a business leader.

When Japan gained Formosa as a result of the Sino-Japanese War (1894-1895), Kaneko, above all else, aimed at increasing dealings in Formosa-made camphor, which was, at that time, supplying about 80-90% of the world's demand. The then Secretary of Civil Administration of the Government-General of Formosa, Shimpei Goto, who had determined to make a government monopoly of camphor, was faced by a heavy counter-campaign from the camphor manufacturers. Under such circumstances, Kaneko thought that it would be profitable to secure the position as the sole agent of camphor oil. He successfully competed against the camphor manufacturers, while at the same time positively co-operating with Goto to place camphor under government control. Thus, in 1899, when the Act for the Monopoly of Camphor and Camphor Oil was enforced in Formosa, Kaneko not only became the sole agent of camphor oil as was expected, but also enjoyed Goto's confidence.¹¹ With this as a turning point, Suzuki started to make rapid growth.

Using Goto's confidence as a lever, Kaneko began to make powerful contacts in the bureaucracies, and with politicians such as Osachi Hamaguchi. They later helped Suzuki establish monopolies in various businesses. Kaneko also took this opportunity to establish a close connection between Suzuki & Co. and the Bank of Formosa (founded in 1899).

Kaneko founded a crude camphor works in Kobe in 1900. At the same time, Suzuki set up the first overseas branch office in London, for the purpose of importing foreign-made sugar and exporting Japan-made natural products. This branch office was closed in 1902, when, instead, a new overseas agency system was established in London, Hamburg, and New York.¹² Kaneko founded in 1902 a peppermint works in Kobe, in expectation of the development of peppermint which was grown in the Sanbi districts including Okayama.¹³ In 1903, when the Act for the Monopoly of Crude Camphor and Camphor Oil was enforced for both Japan proper and Formosa, Kaneko purchased the Sumitomo Refined Camphor Works in Kobe. He also eventually founded the Dairi Sugar Refinery in suburbs of Moji, the first coastal factory of Japanese sugar manufacturing. This occurred because Kaneko was forced to abandon his first plan to establish a large-scale sugar refinery in Kiilung, equal to the Formosa Sugar Refinery Co. whose largest shareholder was Mitsui. Kaneko's plan faced a heavy counter-campaign from the Seiyukai political party which had common interests with Mitsui.¹⁴

With such rapid business expansion, Suzuki, in 1902, was incorporated into an unlimited partnership, Suzuki & Co. (Gomei Suzuki), which was capitalized at 0.5 million yen, and consisted of five partners. The central representative partner was Yone Suzuki who wholly relied upon the business abilities of her main partner, Kaneko. Thus, Suzuki & Co., remained based upon the trade with foreign merchants in the settlements, while expanding into real trade with Formosa. This laid the foundation of a trade system which combined both import and export of natural products, enabling Suzuki & Co. to make inroads directly into the world market.

The sale of Dairi Sugar Refinery, which was reorganized into a joint stock company in 1906, played an epoch-making role in the expansion of the trading company's functions in Suzuki which responded to the progress of industrialization in Japan after the Russo-Japanese War (1904-1905). Kaneko, in 1907, sold the Dairi Co. in which only 1.5 million yen had been invested, for 6.5 million yen to the then largest refined sugar maker, Nitto (the Dainihon Sugar Refinery Co.), and Suzuki, together with a sole agency of Nitto-made refined sugar both in Korea and in Kyushu, Chugoku and Kokkaido of Japan, acquired a net profit of 4 million yen, on the basis of which Suzuki was able to establish, over the next 19 years, more than 50 manufacturing companies.¹⁵

In 1905, Kaneko failed to purchase the Nishinomiya Spinning Co., by which he intended to enter into the cotton spinning industry, a key industry in Japanese industrialization. He then purchased the Kobayashi Steelworks and renamed it the Kobe Steelworks. But he was financially burdened by the deficit operation of Kobe Steel. The net profits from the sale of Dairi Co. tided Kobe Steel over until it started operating in the black. In this way, by founding

and purchasing various companies, Suzuki, between 1905 and 1911, under the leadership of Kaneko, moved aggressively into various sectors of food, heavy and chemical industries, such as fish oil, tobacco, brewage (beer and sake), flour, sugar, salt, steel, leather and cellulose.

Among them, of particular note was the Azuma Leather Co. (later, the Azuma Industries Co.). Founded in 1907, it became a gateway to the chemical industry. The Nihon Cellulose & Artificial Silk Mfg. Co. was established jointly by Suzuki, Mitsubishi and Iwai in 1908, becoming a pioneer of cellulose manufacturing in Japan. The Kobe Steelworks was reorganized into a joint stock company capitalized at 1.4 million yen in 1911, when close connections with the Imperial Navy were established.¹⁶

Re-entry into refined sugar manufacturing, and entry into the salt-making industry, by Suzuki & Co., originated in his trade with Formosa, in which Kaneko successively managed to deal in camphor, sugar, salt and other products.

Suzuki & Co., by 1908, grew into one of the leading exporters of Formosa-made brown sugar, becoming a member of Japan's sugar traders club (Toshō Kurabu), an association consisting of six leading sugar traders including Mitsui, Abe, and Masuda. Kaneko managed to become the largest shareholder of such leading sugar refineries as Toyo, Rinpongen and Ensui. He also established independently the Hokko Sugar Refinery Co. in 1910, by which he aimed to become the sole agent of refined sugar. In this way, Suzuki & Co., toward the last years of the Meiji era, grew into a representative Japanese merchant trader, dealing in Formosa-made refined sugar.¹⁷

Suzuki & Co. also became recognized wholesale-merchants of Formosa-made salt, along with Oguri & Co. of Nagoya in 1906, when the Act for the Monopoly of Salt was enforced. And in 1908 Suzuki gained control over the Dainihon Salt-Making Co., as well as taking over the Formosa Salt Mfg. Co. from Oguri, establishing a foothold in a Japan's future salt-business.¹⁸

III

By World War I, because of the remarkable increase of trade with Formosa, Suzuki's mode of operation was reaching a turning point. Trade with foreign merchants in the settlements began to recede into the background, while direct foreign trade came to the fore. Five factors contributed to the rapid growth and development of Suzuki. Let us look at them briefly.

Suzuki, by 1909, had six works under its direct management: three camphor plants, a peppermint plant, a fish oil plant and a steel

mill in Kobe, while simultaneously growing into a trading company dealing in the import and export of camphor, peppermint, fish oil, sugar, flour and other natural products.¹⁹ In addition, in 1909 Kaneko established the Nippon Trading Soc. Ltd. with capital of 0.5 million yen. This was a joint venture whose first executive vice-president (Senmu Torishimariyaku) was a German named Emil Popp. Popp was an able comprador of Laspe & Co., a German merchant in the settlements, with which Kaneko had made contact. He retired in 1910 and returned to his home country. Nippon Trading Soc. Ltd. also combined the import and export of a variety of goods, with which Suzuki had never before dealt. This included raw cotton, cotton yarn and fabrics, wool, foreign paper, fertilizer, refined wax and copper.²⁰ This was the beginning of the diversification of goods in which Suzuki traded with foreign countries. This diversification of merchandise is the first factor contributing to the rapid growth and development of Suzuki. The second factor was the formation in about 1911 of the Southern Manchuria Steamship Co.. This was the beginning of its important shipping trade.²¹

The third factor was the decision also in about 1911 to send qualified staff personnel directly to strategic overseas commercial locations. Previously, Suzuki had used a private code to get information quickly about overseas commodity prices and to settle transactions with foreign merchants abroad. Junnosuke Yoshikawa was the first to be sent. He was assigned to London for the purpose of increasing the import of Java sugar and rice from Saigon and Rangoon.²²

Yoshikawa also was once a comprador of a foreign merchant in the settlements. This is one example, among many, which indicates how Kaneko had insisted on obtaining businessmen experienced in foreign trade. Another example came in 1902, when Kaneko hired his first college educated employee, Bunzo Nishikawa (1874-1920), father-in-law of Masaichi Nishikawa, ex-chairman of the Nissho-Iwai Co.. Bunzo came to have such great influence as Kaneko's right-hand man on the Suzuki that Kaneko named his son after him.²³ But it was not until 1909 that Kaneko started hiring superior college and university educated personnel on a larger scale. His intent, of course, was to be able to make more aggressive inroads into the world market. Thus, in 1909, he employed Seiichi Takahata (1877-), a graduate, with an excellent record, of the Kobe College of Commerce and later, Chairman of the Nissho Co., and Promoter of FAPIG. This practice of hiring college educated personnel is the fourth factor in Suzuki's development. Fifth, in 1913, third country trade was introduced by Takahata. He had been sent to London as successor to Yoshikawa, partly with the duty to purchase a weaving machine for which the Goto Woolen Fabrics Co. in Tokyo placed an order with Suzuki in 1912. When he saw the effectiveness of third country trade as carried on by some British, French and American merchants, and when he learned that the London Branch of Mitsui Bussan had just commenced third country trade dealings of jute between Pakistan and European countries, he realized that simple foreign trade as carried on between his London office and his native country was inadequate and inefficient.

When he discovered that the freight trampers of Suzuki left Europe loaded with pig iron for Japan, but returned empty, he introduced for the first time third country trade by loading rice in Saigon and carrying it to Dunkerque.²⁴

The outbreak of World War I in August, 1914 threw Japanese foreign trade and shipping into great confusion. It was Suzuki & Co. alone, which was able to respond promptly and positively. Kaneko, as early as November, made the strategic decision of buying up every item of goods and as many ships around the world as he could. This judgment was based upon the information that his overseas staffs continuously telegraphed him from London, New York, Sydney, St. Petersburg, and other cities. Sorting out all this information, Kaneko was able, for instance, to dispatch to Takahata in London the unusually worded telegram, 'BUY ANY STEEL, ANY QUANTITY, AT ANY PRICE'. At the same time, he himself placed an order with the Mitsubishi Shipbuilding Co. for three freight vessels of 10,000 tons each, thus creating a great sensation in the business world. Kaneko, not only placed orders with Mitsubishi but with the other leading shipbuilding companies as well. And, concurrently, he also successfully sold these same companies large quantities of steel.²⁵

Kaneko's hunches proved to be highly accurate. Only three or four months later, prices of pig iron, steel, vessels, sugar and wheat started to skyrocket. Suzuki, during this short period, made a high profit. With such financial success at the beginning of the war, Suzuki started taking a more active economic role in every direction, and literally on a global level. Kaneko's expansion-oriented business strategy, resulted in a rapid snowball like growth during the booming years of World War I.

The development of third country trade had marked one of the most brilliant phases in Suzuki's world-wide trading activities. It grew until it included the export of nitrate of soda from Chile to Russia, Ukraine wheat from Russia to London, Saigon rice to Dunkerque, Shanghai flour, Java Sugar, Argentine and Australian beef to London, London sundries to Canadian flour to Japan.

Suzuki was now utilizing cargo trampers, including those chartered, with a gross tonnage of 300,000 tons. Suzuki's Department of Shipping, which had originated in the foundation of the Southern Manchuria Steamship Co., came to possess more than twenty trampers over 5,000 tons each. More than 10 per cent of all the ships which passed through the Suez Canal at that time were those of Suzuki.²⁶

In this unprecedented expansion of Suzuki's foreign trade, Takahata in London also played a dominant role. He successfully established a close connection not only with the Foodstuffs Ministry and the Shipping Ministry of the British Government, but also with the Munitions Procurement Bureau of the Allied Forces. He then commenced

to trade in cargo trampers made in Japan and important foodstuffs such as wheat, flour, beef, etc. on a large scale with British Government and the Allied Forces. In a short period, the Suzuki came to rank with Mitsui Bussan as one of the only two Japanese trading companies that could trade on such a large scale that they were forced to rely not only upon the Specie Bank of Yokohama but upon the London merchant bankers in their foreign exchange dealings.²⁷

By 1917, Suzuki's annual turnover, ammounting to 1,540 million yen, exceeded that of Mitsui Bussan. 1,200 million yen was from trade between the home and foreign countries and 340 million yen was from third country trade.²⁸ In the fall of 1917, Kaneko had sent to Takahata in London a so-called 'written declaration to divide the Japanese business world into three parts' (TENKA SANBUN NO SENGENSHO). In this declaration he made it clear that all the staff personnel of Suzuki should make it their goal to overwhelm Mitsui and Mitsubishi, or, at a minimum, to divide the Japanese business world with them into three parts.²⁹

IV

The boom of World War I, at single stroke, made a success of the whole system of Suzuki's sogoshosha, which had been making steady development over the years.

First, the huge trade profits acquired stimulated Kaneko's expansion-oriented business strategy. Investment in business enterprises increased. The increasingly aggressive diversified business activities of Suzuki was found, at the height of its prosperity, to have related enterprises in more than sixty companies capitalized at a total of about 560 million yen. During the years 1923-1926, Suzuki had business relations with seventy-six companies, as well as six works under its direct management.

Second, such aggressive diversification and expansion of a trading company's function was a reflection of industrialization real progress. Suxuki became even more recognized as an industrial organizer than before.

Thirdly, the increasing dependence of subsidiary industrial companies upon Suzuki for their marketing and purchasing activities produced not only diversification of merchandise, but also diversification of the trading network. The main home offices and main overseas branch offices of Suzuki, between 1918-1925, had been established in the following places:³⁰

1. Japan Head Office: Kobe
2. Japan Branch Offices: Sapporo, Otaru, Asahikawa, Nemuro, Kushiro, Hakodate, Tokyo, Yokohama, Nagoya, Osaka, Kure, Shimonoseki, Moji, Fukuoka, Miyazaki, Kagoshima, Naha

3. Dominion, Colonial and other Foreign Branch Offices:

Formosa: Kaohsing, Taipei, Taichung, Tainan
Korea: Chinnampo (Nampo), Seoul, Inchon, Kunsan, Pusan
Manchuria: Harbin, Changchun, Kaiyuan, Tiehling
Russia: Vladivostok
Kwantow-Shu (leased territory): Talien (Dairen)
China: Antung, Tsinan (Chinan), Tsingtao, Shanghai, Handow, Foochow, Amoy, Swatow
Southeast Asia: Hong Kong, Singapore, Manila, Surabaja, Melbourne, Calcutta, Bombay
Europe: London, Hamburg
North America: Portland, Seattle, San Francisco, Houston, New York
South America: Valparaiso, Buenos Aires

Suzuki eventually set up on an international scale more than one hundred large and small branch offices.³¹

During the same years, Suzuki also came to deal with more than thirty kinds of mainly natural and refined products.³²

1. sugar, camphor, peppermint, rice, cereals, flour, salt, beer, and other foodstuffs
2. petroleum, hardened oil, fish oil, vegetable oil
3. fertilizers (various kinds)
4. lumber, tobacco, match, fiber, cement, pulp
5. soda ash, potassium chlorate, dyestuff, and other industrial chemicals
6. raw silk, habutae, rayon, raw cotton, cotton yarn and fabrics, blanket, woolen fabrics
7. materials for railways, shipbuilding and construction
8. metals, nonferrous metals, and machinery.

In fact, however, the diversification of merchandise of Suzuki was more extensive. For instance, the Department of Iron & Steel Materials alone, in 1920, imported from U.S.A., United Kingdom and other European countries, and India, pig iron, steel materials, steel rails & accessories, tin plates, electrical steel sheets, galvanized steel sheets, corrugated and flat sheets, and zinc sheets.³³ Freight carrying vessels were among the most important items of export of Suzuki during and just after war.

Fourth, the expansion of the trading scale, the extension of the trading network, and the development of third country trade enhanced Suzuki's function as an international information enterprise. Leading Japanese newspapers such as the Asahi and the Mainichi, even owed their news sources, as far as the prices of overseas articles were concerned, to Suzuki.³⁴

Fifth, Suzuki, because of increasing trade subsidiary functions, grew into a real multi-functional organization. Suzuki, in 1915, controlled the Toyo Marine Insurance Co. (later, the Toyo Marine and Fire Insurance), purchasing two-thirds of its shares.³⁵ It founded the Teikoku Steamship Co. in 1916 and purchased the three shipbuilding yards of Harima, Toba, and Naniwa in 1916-1917, all of which were to be merged into the Teikoku Steamship Co. in 1918.³⁶

Sixth, Suzuki not only became strong enough in 1918 to purchase, along with five other firms, Mitsui, Mitsubishi, Iwai, Morioka, and Kishimoto, the products of the Yawata Iron and Steel Works, the largest government mill in Japan,³⁷ but also grew into the largest importer of steel from leading Western and Indian iron and steel producers such as U.S. Steel, Vickers, Krupp, Gutehoffnungshutte, and Tata. The domestic demand came from such heavy users as national and private railways, shipbuilding yards, and iron and steel works.³⁸ This is the reason why, among the Kwansai-origin trading companies, Suzuki, along with Iwai and Ataka, came to be called iron & Steel-line trading companies, distinguishing them from the five textile-line trading companies (Kwansai Gomen) of Itoh-Chu, Marubeni, Nichimen, Tomen and Goshō.

In these ways, in about twenty years after Kaneko had displayed his ability as business leader, Suzuki became a newly risen type sogohosha whose activities encompassed

1. domestic trade, and trade between home and foreign countries,
2. third country trade,
3. diversification of merchandise,
4. strong investment activities,
5. industrial organizing,
6. trade subsidiary functions,
7. international information enterprise functions, and
8. the organizing of international merchandise circulation.

Suzuki thus grew into one of the great representative business combines of the Taisho era (1912-1926).

In 1920, Suzuki & Co. (Gomei Suzuki) was capitalized at 50 million yen (fully paid-up) increasing by a single stroke one hundred times its capital. Furthermore, in 1923, Gomei Suzuki was reorganized, by the Shimosaka proposal (a plan for the organizational reform of Suzuki by the Bank of Formosa), into a double structure, which was composed of Suzuki & Co. (Suzuki Gomei) and Suzuki Co., Ltd. (Kabushiki Suzuki).

Suzuki Gomei, renamed from Gomei Suzuki, was to take exclusive charge of over-all administration and investment relating to Suzuki's subsidiary companies. On the other hand, Kabushiki Suzuki, capitalized at 80 million yen (with 50 million yen paid-up), was to take exclusive charge of the trading business.³⁹

However, it must be noted that the separation of the over-all administration from the trading business, based only upon the reorganization of Gomei Suzuki, proved incapable of functioning in a practical manner. Regardless, Suzuki, in this period, had already become not only the second largest sogoshosha in Japan, but also now ranked with the great business combines of Mitsui and Mitsubishi.

In comparison, Mitsui Bussan was incorporated in 1893 at one million yen, and in 1909 into a joint stock company capitalized at 20 million yen, which was increased to 100 million yen (with 70 million yen paid-up) in 1918. The Mitsubishi Shoji (Mitsubishi Trading Co., Ltd.), founded in 1918, by separation from the Mitsubishi Goshi Eigyo (the Trading Department of the Mitsubishi & Co., Ltd.), was capitalized at only 15 million yen. This indicates that Mitsubishi in the general trading activities was not only fairly backward compared with Mitsui, but also was far behind Suzuki.

The following Table shows the related companies of Suzuki during the period between 1923 and the data of its bankruptcy (April 2, 1927).⁴⁰

This Table does not include Kabushiki Suzuki and Daigen Mining Industry Co. as well as the six works under its direct management. This conglomerate which was a direct result of Kaneko's expansion-oriented business strategy based upon general trading activities, had the following four-fold share holding- and controlling-structure centering around Suzuki Gomei (Suzuki & Co.): (1) Full or nearly-full control type, (2) Majority control type, (3) Minority control type, (4) Non-control but closely-connected type. Type (1) and (2) belonged to the category of a direct subsidiary company (Chokkei Kaisha), while type (3) and (4) belonged to the category of an indirect subsidiary company (Bokei Kaisha). Type (1) was a pure-type of direct subsidiary company which had already been defined as Banshin Kaisha by Suzuki's Draft of By-Laws on Personnel (Jinji Naisoku An) (1917). Bunshin Kaisha, in March of 1927, numbered sixteen (15 marks in column G of the Table, plus Kabushiki Suzuki).

V

For what reasons was Suzuki able to make such successful aggressive advances into such various manufacturing sectors? There are four main reasons.

The first reason is that, as one of the main trading companies with deep and varied overseas contacts, Suzuki could capitalize on information advantages in industrially backward Japan. Let me give a few examples.

Case 1. Regretting deeply that the Nihon Cellulose & Artificial Silk Mfg. Co. (1909) failed to industrialize cellulose nitrate silk, Kaneko eagerly backed up Taizo Hata and Seita Kumura to make a study in rayon, and in 1915 founded the Yonezawa Artificial Silk Mill, the first

Table of Suzuki's Related Companies (1923-1927)

Item No.	Company Name (Co., Ltd.)	Capital (Paid-up)	Date of Foundation	Location	A	B	C	D	E	F	G	H	I	J	K
1	65th Bank	10(6.25)	Nov. 1878	Kobe		x				△			△	△	
2	Ienma Fabrics	7(5.243)	Mar. 1887	Osaka		x	○	○	○	△		+	○	△	x
3	Nihon Cement Works	5(")	Mar. 1888	Tokyo			△		△			+	△		
4	Nihon Education & Life Insurance	0.3(0.075)	Sept. 1896	Tokyo	○	⊙	△	△	△	△		-	△	△	○
5	Nihon Flour Milling	12.3(")	Oct. 1896	Tokyo		x	○	○	○	△		-	○	△	x
6	Dainihon Salt-Making	4(3.802)	Sept. 1903	Tokyo	○	⊙	○	○	○	△		+	○	△	○
7	Kobe Steel Works	20(")	Sept. 1905	Kobe	○	⊙	○	○	○	○			○	○	○
8	Toa Flour Milling	2.5(1.25)	Oct. 1906	Tokyo		x									
9	Toa Tobacco	10(5.8)	Nov. 1906	Tokyo		x	△	△	△	△		+	△	△	
10	Tokyo Woolen Fabrics	16 (")	Nov. 1906	Tokyo		□	△	△	△	△			△	△	□
11	Nihon Sake Brewing	5(2.15)	Dec. 1906	Dairi	○										⊙
12	Azuma Industries	0.5 (")	Jan. 1907	Osaka	○	⊙	○	△	○	○		-	○	○	○
13	Toyo Sugar Refinery	36.25(22.03)	Feb. 1907	Formosa		x	○	○	○	△		+	△	△	x
14	Ensuihō Sugar Refinery	25(21.563)	Mar. 1907	Formosa		x	△	△						△	
15	Toyo Marine & Fire Insurance	3(0.75)	June 1908	Tokyo			△	△	△	△		-	△		
16	Nippon Trading	5 (")	Feb. 1909	Osaka	○	⊙	○	○	○	○	⊙		○	○	○
17	Teikoku Beer Brewery	10(5.5)	May 1912	Dairi		□	△	△	△	△		-	△	△	□
18	Southern Manchuria Bussan	1(")	Jan. 1913	Taiien	○	⊙	○	○		○	○		○	○	○
19	Taishō Life Insurance	0.5(0.125)	Apr. 1913	Tokyo	○	⊙	△	△	△	△		-	△	△	○
20	Giran Shokusan	0.475(")	Mar. 1915	Formosa	○	⊙	○	○	○	△		-	△	△	○
21	Sanyō Iron-Mfg.	0.5(")	Dec. 1915	Osaka			△	△				-	△		
22	Okimishima Coal Mine	2(")	Mar. 1916	Shimonoseki	○	⊙	○	○	○	○		-	○	△	○
23	Korean Railway	54.5(17.65)	Apr. 1916	Korea			△	△				-	△		
24	Nihon Metal	1(")	May 1916	Kobe		⊙	○	○	○	○	○	-	○	○	○
25	Nihon Powder	2.5(1.375)	June 1916	Tokyo			△	△					△		
26	Yoneyama Industry	0.3(0.1125)	Aug. 1916	Kobe		⊙									
27	Toyo Match	2.8(")	Sept. 1916	Kobe	○	⊙	△	△	△	△		+	△	△	⊙
28	Teikoku Steamship	1(")	Oct. 1916	Kobe	○	⊙	△	△	△	○	○	-	○	○	○
29	Teikoku Dyestuff Mfg.	0.555(")	Nov. 1916	Tokyo		⊙	△	△	△	△		-	△	△	⊙
30	Fukushima Coal-Mining	2(1.2)	Dec. 1916	Tokyo			△	△					△		
31	Saga Spinning	5(3.5)	Dec. 1916	Saga			△	△		△			△	△	□
32	Naniwa Warehouse	5(")	June 1917	Osaka	○	⊙	○	○	○	○	○	+	○	○	○
33	Tōkai Oil Refinery	0.5(0.125)	June 1917	Nagoya			△								
34	Kanmon Ceramic Industry	0.19(")	Aug. 1917	Hikoshima			△	△	△			-	△	△	
35	Nanyo Sugar Refinery	1.25(")	Nov. 1917	Tokyo		□	○	○	○	△		+	△	△	□
36	Niisa Shokai	3(2)	Dec. 1917	Hyogo	○	⊙	○	○	△	○	○	+	○	○	○
37	Teikoku Match	0.2(")	Jan. 1918	Kobe									△		
38	Hikoshima Crucible	0.3(")	Feb. 1918	Hikoshima		⊙	○	○	○			-	○	○	
39	Nihon Camphor	9(6.75)	Feb. 1918	Kobe	○	x	△	△	△	△		+	△	△	x
40	Teikoku Artificial Silk	12.5(8.75)	Feb. 1918	Kobe	○	⊙	○	○	○	○		+	○	○	○
41	Sanyō Hydroelectricity	6(4.5)	Sept. 1918	Kobe									△		
42	Chiyoda Trust (Shintaku)	10(2.5)	Oct. 1918	Tokyo			△	△	△				△	△	
43	Nihon Metallurgy	0.35(")	Mar. 1919	Osaka		□	△	△	△	○		-	○	△	□
44	Shin'etsu Electric Power	32(")	May 1919	Tokyo			△		△	△		+	△		
45	Teikoku Coal-Mining Industry	10(")	May 1919	Shimonoseki	○	⊙	○	○	○	○			○	△	○
46	Kokusai Steamship	80(77.148)	July 1919	Kobe			△	△	△	△		-	△	△	x
47	Dainihon Cellulose	10(")	Sept. 1919	Sakai		x	△	△	△	△		+	△	△	x

viscose silk mill in Japan. In 1918, it was separated from the Azuma Industries Co., and reorganized into the Teikoku Artificial Silk Co. This came about because in 1903, the Fifth Industrial Exhibition was held in Osaka. At this time rayon was first introduced to Japan. Kaneko had already looked at trade samples in a foreign merchant house in the settlements and had become firmly resolved to industrialize it in Japan. With this personal contact and interest, it is not surprising he took a positive attitude in promoting the Nihon Cellulose & Artificial Silk Mfg. Co. jointly with Mitsubishi and Iwai.⁴¹

Case 2. Kaneko attempted to advance into the hardened oil industry by successively founding fish oil processing works in Hyogo and Oji. In 1921, they became integrated into the Standard Oils & Fats Co., which in 1923, was amalgamated with the Nihon Glyceryne Industry Co. into the Godo Oils & Fats Glyceryne Co. In this way, Suzuki took the initiative in making hardened oil from Japanese fish oil. This also came about because Suzuki at one time exported Japanese fish oil to European countries through Illis & Co., a German merchant in the settlements. Kaneko found out that the European countries were then suffering from a shortage of solid fats and were hardening a foul-smelling Japanese fish oil, which the Japanese had avoided because of its odor, and were using it in soap and margarine.⁴²

Case 3. With the intention of first industrializing a synthetic ammonium by fixation of nitrogen in the air in Japan, Kaneko in 1922 founded the Claude's Nitrogen Industry Co. This factory was built at Kikoshima in Yamaguchi prefecture, and synthetic ammonium was produced by fixing nitrogen to hydrogen extracted from the waste gas of the Yawata Iron and Steel Works. Suzuki thus became a pioneer not only in the rayon industry but also in the synthetic ammonium industry, in Japan. This also came about because Takahata in London found just after Armistice Day in the latest news reports of the Economist, Financial Times and London Times, a fixation of nitrogen in the air, the newest synthetic product in the world next to man-made indigo (Heumann Method, 1890). Making immediate contacts in London, Takahata successfully purchased the patent of Procédes Georges Claude from L'Air Liquide, one of the largest chemical companies in France, which had a Japan subsidiary, the Teikoku Oxygen Co. located in Kobe.⁴³

The second reason Kaneko was able to make these advances, was that he adhered to the idea⁴⁴ of carrying out trade business based upon manufacturing activities. Camphor was a typical case in point.

(1) Kaneko, as mentioned before, founded in 1900 a crude camphor works and in 1903 purchased the Sumitomo Refined Camphor Works, when the camphor monopoly acts were enforced in 1899 and 1903.

(2) Then, in 1918 he founded the Nihon Camphor Co., by amalgamating Suzuki's camphor works with such other leading works as Fujisawa Camphor (1899), Kobe Camphor (1902), Asahi Camphor (1907), Fukiai Camphor (1911), also obtaining commercial rights to the camphor owned by Mitsui Bussan.

(3) When he discovered how to efficiently produce refined camphor oil from crude camphor oil, he separated this refined camphor oil manufacturing process from the Nihon Camphor Co., founding the Saisei Camphor Co. in 1919.

(4) In 1920, he founded the China Camphor Co. in Shanghai, with the purpose of entering the vast continental market.

(5) In 1922, he founded the Teikoku Camphor Co. for the purpose of plantation farming of camphor trees in Japan proper.⁴⁵

This is one typical example of how Kaneko attempted to control the whole camphor industry from raising and/or of procurement of raw materials to the marketing of various products.

There is one more example. Kaneko, with intent to venture into the petroleum industry, in 1918 purchased the Teikoku Petroleum Co. (1917), which had oil drilling projects in the Akita prefecture. Then, in 1922 he founded the (new) Asahi Petroleum Co., by amalgamating the Teikoku Petroleum Co. with the Asahi Petroleum Co. (1921), which had grown from the Asahi Oil Refining Co. (1919), which in turn had grown out of the Sejima Oil Refinery (1917). The founding of the (new) Asahi Petroleum Co. occurred because Kaneko, in 1921, commenced to trade in Persian crude oil with the Anglo-Persian Co. In line with this, he planned to build three tankers in the Toba Shipbuilding Yard under the control of Suzuki, and also to venture into the oil refining filed. For this latter purpose, he established the Tokuyama Oil Refinery in 1922.⁴⁶

At any rate, what I wish to stress here is that the idea of 'carrying out trade business based upon manufacturing activities' constituted a characteristic feature of Kaneko's diversification-oriented business strategy. He appeared to be establishing so many manufacturing companies that he was nicknamed the chimney man.

Among his other achievements, Kaneko fostered a company image that had the national interest at heart. Kaneko once proclaimed that Suzuki & Company never concerned itself with any business against the national benefit, but promoted business basically for the national benefit.⁴⁷ (cf., p. 26).

According to Ekizo Gashū (later, President of the Mitsubishi Rayon Co.), Kaneko had in mind the development and establishment of a sound national economy and the promotion of national welfare as the main objective of his business.⁴⁸ Of particular note was that Kaneko, from his acute understanding of Japan's shortage of natural resources, had already attached importance to the problem of resource development for the national benefit. For instance, Suzuki & Co. in 1915 took over the Talien Soybean Oil Plant from the Southern Manchuria Railroad Co. (Mantetsu), and successively built domestic works in Shimizu, Naruo and Yokohama, and amalgamated them into the Honen Soybean Oil

Mfg. Co. in Tokyo in 1922. This was because, from the viewpoint of exploitation of natural resources, Kaneko had decided firmly to take the initiative in industrializing soybean oil on a large scale in the home county of Japan.⁴⁹

Kaneko's development of the Claude's Nitrogen Industry Co. in 1922, is another example, among many. It was because Kaneko attached importance to the technology of synthesizing ammonium by fixation of nitrogen in the air for Japan for the purpose of producing chemical fertilizers, synthetic ammonium sulphate, as well as chemicals for explosives. He regarded this chemical industry as indispensable to Japan which had a shortage supply of natural resources.

At any rate, Kaneko's national benefit-centered thought, I believe, on the whole came from the Meiji era's business nationalism. This business nationalism took aim at the prevention of imports, which appeared in those days as a form of backward industrialization. Instead, import substitution by home country manufacturing was promoted for the national benefit. Thus, Kaneko, who developed such a great number of home country manufacturing companies, could be called a typical community-centered entrepreneur.⁵⁰

A final example of this has to do with the American-Japanese agreements during World War I on the exchange of Japanese built ships for U.S. produced steel materials. Kaneko played the dominant role in these agreements. Until World War I, the shipbuilding industry in Japan, depended mainly on Western countries for mechanical engineering and steel. However, as the war dragged on, even the United States had to consider such drastic measures as an embargo of steel exports. Japanese political and business world leaders could not find quick and effective means to cope with this and the Japanese shipbuilding industry was about to enter an unprecedented crisis. Then, on behalf of the group of shipbuilders of Eastern and Western Japan, Kaneko, in March of 1918, single handedly negotiated with the American Ambassador in Tokyo, Roland S. Morris, the exchange of Japanese built ships for steel. Thus, owing to Kaneko's successful negotiations, the first agreement was reached in April of 1918 to build 15 ships totaling 127,800 deadweight tons at the ratio of exchange one ton of steel for one deadweight ton of ship. A second agreement was also reached in May to build 30 ships totaling 246,300 deadweight tons at the ratio of exchange one ton of steel for two deadweight tons of ships. In this way, Kaneko rescued the Japanese shipbuilding industry from a potential crisis.⁵¹

The fourth reason Kaneko was able to make such successful advances in a variety of fields, was that he was endowed with a strong enterprising spirit. This was the main motivation which made him a typical romantic entrepreneur (romantischer Unternehmer).⁵² However, what I would like to emphasize here is that his strong enterprising spirit, coupled with his other natural endowment, a strong personal character was perfectly displayed in the initial stages of the Kobe

Steel Works Co. and the Teikoku Artificial Silk Co. Kaneko patiently continued to furnish funds to them, even during times when Suzuki had financial difficulties, until Kobe Steel Works Co. could in the pre-World-War I era overcome initial problems such as the structural defects of the melting furnaces and Teikoku Artificial Silk Co. could, through the improvement of various kinds of equipment and additional imports of foreign machines, in the post-World-War I era successfully manufacture in the Hiroshima factory man-made silk, equal to such imported ones as Courtaulds.⁵³

As well, by combining his creative entrepreneurial nature with his idea of 'carrying out trade business based upon manufacturing activities and his national benefit-centered thought, and using the advantages of the many sources of information of Suzuki's distinguished offices as a lever, Kaneko founded many creative and innovative enterprises. And so he came to play an epoch-making role in Japanese industrialization of those days.

According to Dr. Fritz Redlich's model,⁵⁴ the Teikoku Artificial Silk Co. in the chemical fiber industry, the Claude's Nitrogen Industry Co. in the synthetic ammonium industry, the Honen Soybean Oil Mfg. Co. and the Godo Oil & Fats Glyceryne Co. in the oil and fat industry, the Salt-Making Co., the Saisel Camphor Co. and the Suzuki Peppermint & Co. Ltd., in salt, camphor and peppermint manufacturing industries, would fall into the areas of genuine or derivative innovation (echte od. abgeleitete Neuerung), while many other of Suzuki's subsidiary companies, including the Kobe Steel Works Co., the Harima Shipbuilding Yard, the Toyo Sugar Refinery Co., would fall into the area of copying innovation (Kopierende Neuerung). As well, the Kobe Steel Works Co., which had, in 1918, obtained a patent for a diesel engine from the Sultzer Co. in Switzerland, successfully manufactured the first large-sized engine for submarines in Japan in 1920.⁵⁵ This would fall into the area of derivative innovation in the mechanical industry.

According to Kaneko's evaluation in his last years, the three main features of the industrial revolution of the late Meiji and the Taisho periods were (1) the speed-up in transportation, (2) the diffusion of synthetic ammonium sulfate, (3) and the advent of man-made silk. In each of these Suzuki & Co. took the pioneering initiative in Japan.⁵⁶

To sum up this part, I would like to emphasize that the true picture of Kaneko as creative entrepreneur could be observed in his innovative entrepreneurship in food, chemical, and heavy industries. And, thanks to Kaneko's innovative entrepreneurship, Suzuki & Co. would thus become eternally known as one of the great names connected with Japan's modern industrialization.

Reference Materials in Original

- (1) The part of a so-called 'written declaration to divide the Japanese world into three parts' (TENKA SANBUN NO SENGENSHO).

The underlined parts are where Kaneko manifested that all the staff personnel of Suzuki should make it their goal to overwhelm Mitsui and Mitsuibishi, or, at a minimum, to divide the Japanese business world with them into three parts. (Collected writings of the late Naokichi Kaneko, ed. by Giichi Yanagida, Tatsumikai. Kobe 1972, p. 148).

- (2) The part of Suzuki and Company's official views by Naokichi Kaneko.

The underlined parts are where Kaneko wrote that all personnel were those merchants, who never concerned themselves with any business against the national benefit, but promoted business basically for the national benefit (Ibid., p. 125).

VI

To conclude this paper, I would like to throw light upon the causes of business failure of Suzuki. Kaneko made national benefit-centered thought his foundation. He did his utmost to realize the then national goal of industrial autonomy, utilizing the resources of the information network of his sogoshosha, and thus eagerly pursued a diversification-oriented business strategy. As far as Kaneko eagerly pursued a diversification-oriented business strategy, he was just one of the typical nationalistic Japanese entrepreneurs of his time. In Japan, after the Meiji Restoration, entrepreneurial talent was very much limited, so a single entrepreneur was often induced by government encouragement to undertake multiple business ventures. Thus, a diversification-oriented business strategy was the dominant feature of Japanese entrepreneurship from the very start of the industrialization in Japan.⁵⁷

However, the super-diversification strategy carried out by Kaneko led to the unfortunate result of tying up more than 112 million yen in Suzuki's subsidiary companies. These tied up funds were composed of 50 million yen, the paid-up capital of Suzuki Co., Ltd. (Kabushiki Suzuki), and more than 62 million yen, the amount directly invested by the Suzuki family and directors.⁵⁸ This was the first cause of the Suzuki's business failure.

Secondly, Suzuki presented in its industrial basis of diversification a striking contrast to Mitsui and Mitsubishi, which first diversified during the Meiji era into the mining industry through purchases of government enterprises. Copper had a high profit return as it was one of the most important Japanese exports throughout the nineteenth century. As well, Mitsui and Mitsubishi before World War I diversified by coming into control of many independent industrial companies through their own banks and trading companies. Those industrial firms, furnished with adequate funds by the Mitsui and Mitsubishi zaibatsu banks, quickly became highly profitable, and could expand by ploughing their own profits back into themselves. In proportion to the ability of the zaibatsu subsidiaries to be self-financed, the role of the zaibatsu banks as 'organ banks' decreased after the beginning of this century. The zaibatsu banks ventured into financing the development of new industries during and after World War I. Thus, Mitsui and Mitsubishi could attain diversification through profits from their own mining industries and banks which had high profit returns.⁵⁹

Suzuki, by contrast, never owned such highly profitable mines and banks, but depended for its financial basis increasingly upon the 'organ bank', the Bank of Formosa, which extended its business from bank note issuing in Formosa to foreign exchange and commercial finance. Kaneko's super-diversification strategy came, at last, to surpass the financial ability of the Bank of Formosa. Suzuki's

subsidiaries had had a considerable profit return during the booming war years, but faced with the postwar depression which had become chronic, most of them could no longer yield adequate profit (column H in Table), resulting in tying up the huge funds of Suzuki. Furthermore, of the subsidiaries from which future high profit returns could be anticipated such as the Teikoku Artificial Silk Co. and Claude's Nitrogen Industry Co., none had yet yielded any significant profit nor had been able to extricate itself completely from its initial difficulties. Thus, at the time of bankruptcy on April 2, 1927, Suzuki was in debt to the Bank of Formosa for about 379 million yen. The total debt amounted to about 500 million yen, nearly equivalent to the total yen amount deposited in the Bank of Mitsui in December 1927. The following table shows the year by year advances of the Bank of Formosa to Suzuki from 1920-1927.

Dec. 31, 1920	80,811,300 yen
Dec. 31, 1921	123,718,887 yen
Dec. 31, 1922	179,036,313 yen
Dec. 31, 1923	226,905,758 yen
Dec. 31, 1924	276,051,420 yen
Dec. 31, 1925	313,274,713 yen
Dec. 31, 1926	356,856,470 yen
Mar. 26, 1927	378,858,569 yen

Source: History of the Bank of Formosa,
1964, pp. 187f.

The total yen advances of the Bank of Formosa, on December 31 of 1926, amounted to about 540 million yen including the 357 million yen to Suzuki. The greater part of the liabilities on the bank's balance sheet was the general borrowings, which amounted to about 470 million yen, or, nearly five-fold of the total deposited amount, and nearly ten times the bank's capitalization. The total amount of call money which the Bank of Formosa was forced to borrow from city banks amounted by early March, 1927 to 240 million yen. These city bank loans to the Bank of Formosa came to be a life line for its contrived maintenance.⁶⁰

Thirdly, the development of new organizations and the introduction of new talent to meet the administrative demands of rapid diversification came too late. Kaneko's effective linking of several basic business strategies which he used to take advantage of the new entrepreneurial opportunities that appeared following the Sino-Japanese War, and especially during World War I, rocketed him to success. In a relatively short period, Suzuki had developed from a sugar dealer in the city into a leading trading company of world wide fame and into a great business empire or a great industrial domain in Japan. Kaneko had become a distinguished empire builder. However, the formation of

new organizational forms needed in this vast business empire called for different talents and a different temperament from those of the old empire builders.

Takahata in London, as early as 1917, felt uncomfortable that the organizational structure of Suzuki & Co. with a capital of 0.5 million yen remained unchanged, although Suzuki had grown substantially into such a large-scale firm that it was capable of yielding reserved profits in excess of 100 million yen and employing a staff of more than 2,000. He wanted to bring about organizational reform by reorganizing Suzuki & Co. into a joint stock company. To this end he had discussions with Bunzo Nishikawa who also wanted to modernize the business organization and bridge the policy gap between Kaneko and the young college-educated personnel. Nishikawa, along with Kotaro Nagai (1887-), agreed with Takahata, and so advised Kaneko. Kaneko, however, could not think of 'bowing to majority decisions' made by joint stock companies, and rejected this organizationally desirable change. Partly it was due to his loyalty to the Suzuki family, but partly it was due to his increasing propensity for dictatorial powers.⁶¹

Unfortunately, in 1920, Nishikawa suddenly died of a gastric ulcer at the age of 46. The Kaneko system of one-man rule, which had brought great success during the days of booming business, proved quite unfit for the days of depression. Because of his obstinacy, the chance was temporarily lost to carry out organizational reform. Suzuki's business finance system, however, allowed the Bank, in 1923, to persuade the company through the Shimosaka proposal to be reorganized into a double structure. Now, Suzuki, at least formally, came to bear a resemblance to the established zaibatsu. But, it also presented a striking contrast to them. For example, Mitsui, with the ardent desire to maintain control over all its subsidiaries, in 1909 and 1911, reorganized its three major partnerships, that is, the Mitsui Bank, Mitsui Trading (Bussan) and Mitsui Mining into joint stock companies. Also in 1909 it established Mitsui & Co. (Mitsui Gomei) capitalized at 50 million yen to hold the stocks of the three newly established joint stock companies. However, in the case of Suzuki, as stated before, Gomei Suzuki (Suzuki & Co.) was reorganized in 1923 into a double structure where the over-all administration and investment was handled by Suzuki & Co. (Suzuki Gomei) and the trading business was handled by Suzuki Co., Ltd. (Kabushiki Suzuki). Kaneko, therefore, became not only the director (Riji) of Suzuki Gomei, but also the executive vice-president (Senmu Torishimariyaku) of Kabushiki Suzuki. As we may perceive from the fact that all the paid-up capital of 50 million yen became tied up in the subsidiaries, Suzuki Co., Ltd. (Kabushiki Suzuki) came to function as investor as well. Thus, the Bank of Formosa, with its various plans for organizational reform after the Shimosaka proposal, demonstrated strong determination to stand against Kaneko's one-man dictatorial system, and to bring to reality a modern business administration system based upon rational

organization and accountancy, and to provide various concrete measures to force Suzuki & Co. (Suzuki Gomei) to administer all the subsidiaries containing Suzuki Co., Ltd. (Kabushiki Suzuki).⁶²

However, all attempts to create a modern organization, through which Suzuki should be rationally administered, seem to have been too late. The Minister of Finance, Naomi Kataoka, with intent to carry out the lifting of the gold embargo, submitted on January 26, 1927 the Bills for Earthquake Notes (Shinsai Tegata Kankeiho) the purpose of which was to compensate the total unsettled sums to Earthquake Notes by government loans. Whether the Bills passed or not controlled Suzuki's business future, tied tightly as it was to the Bank of Formosa. Unfortunately, on March 14, Kataoka's slip of the tongue in the debate upon the Bills in the Diet, triggered the March monetary panic in and around Tokyo. This panic, at once, induced city banks to withdraw such a large sum of call money from the Bank of Formosa, that it was forced at last to give notice of suspension of payment to Suzuki on March 26. Thus, Suzuki went into total bankruptcy on April 2, driving the Bank of Formosa into suspending its business, which, in turn, triggered a nation-wide monetary panic.⁶³

There are probably other causes for this business failure. For example, Kaneko gained advantages from association with powerful politicians that caused repercussions. Undoubtedly his close contacts with Goto, Hamaguchi and other politicians in relation to camphor, sugar and other products in Formosa, and various business monopolies, was an important cause of business success. However, it is important to note, that Kaneko's intimate relationship with Goto led to the burning of Suzuki's head office in Kobe during a mob rice riot (Komesodo) in 1918. Furthermore, Kaneko's aggressive approach to Takejiro Tokonami, president of the Seiyuhonto party, to have the Bills for Earthquake Notes passed led to the unexpected result that the Bank of Formosa was politically compelled to cut its connection with Suzuki by a supplementary resolution which the Diet passed on March 23, 1927.⁶⁴

If we could attribute the business failure of Suzuki to the above-mentioned four causes, how should Kaneko be estimated as a business leader? According to Fritz Redlich's model, a highly creative entrepreneur is not of necessity a good entrepreneur in the usual sense. In other words, there exist highly creative entrepreneurs, who are poor entrepreneurs in the usual sense, that is, who are unable to build, to shape, or to direct enterprises. And this may be the reason for their tragic failure, as we may perceive from the cases of the German entrepreneur Friedrich Harkort and the American entrepreneur Leonidas Merritt.⁶⁵

It seems to me, Redlich's model would be fundamentally applicable to the Japanese entrepreneur Naokichi Kaneko. Kaneko was an empire builder as a romantic entrepreneur, but was not fit for modern business administration systems based upon rational organization and accountancy, and so he eventually failed. Thus, as a developer of stable enterprises, he would not be regarded as a good entrepreneur.

Considering his contribution to the national economy, however, especially to its economic growth and development, in the light of what I have already pointed out, he could be regarded as an effective entrepreneur. Lastly, I would like to call your attention to the fact that not only was he an uncommon company founder who challenged human entrepreneurial ability to its limits, but he had also an unprecedented purity as a businessman, amassing no private fortune at any time. Naokichi Kaniko was, indeed, a businessman unique in the business history of Japan.

Footnotes

¹The common topic of the 8th annual meeting of the Business History Society of Japan (Nishinomiya, Japan, Nov. 18-19, 1972) was "Sogoshosha in Japan." Six papers were read there. For these papers and their comments, cf., Japan Business History Review, Vol. 8, No. 1, 1973.

²Cf., Zenko Ikeda, "On the synthesizing functions of sogoshosha" (The Trade of Japan, No. 141: Special issue for the Nissho-Iwai Co., March 1973), pp. 44-50.

³Kozo Yamamura, "General trading companies of Japan - A theoretical approach -" (Japan Business Review, Vol. 8, No. 1, 1973), p. 121.

⁴For the genesis and development of sogoshosha in Pre-World-War II Japan, cf., especially, Keiichiro Nakagawa, "Organized Entrepreneurship in the course of industrialization of prewar Japan" (Japan Business History Review, Vol. 2, No. 3, 1967); do, "Industrial structure and entrepreneurship in Pre-World-War II Japan -- About the overhead financial system and sogoshosha -" (Mitsuibunko Review, No. 3, 1969). As well, cf., Hidemasa Morikawa, "On the sogoshosha" (Keiei Shirin, Vol. 8, No. 3, 1971). For the development of sogoshosha in the Post-World-War II Japan, cf., Katsutoshi, Uchida, sogoshosha, Kodansha (Tokyo) 1971; do., "A study on the general trading companies in Japan" (Japan Business History Review, Vol. 8, No. 1, 1973).

⁵Keiichiro Nakagawa, "Organized entrepreneurship in Pre-World-War II" (op. cit.), pp. ii, 31, 33, 36f.; Keiichiro Nakagawa, "Business strategy and industrial structure in Pre-World-War II Japan" (Paper for the first meeting of the International conference on Business History, Shizuoka, Japan, Jan. 5-8, 1974), pp. 5f.; Ryushi Iwata, "Marketing strategy and market structure in three nations: The United States, the United Kingdom and Japan" (Ibid.), pp. 20-24.

⁶"Bird's-eye view of zaibatsu in Kwansai and Kwanto - The Suzuki Co. as a trading firm -" (The Osaka Mainichi, May 4-26, 1923); Yoshio Katsura, "A study on the sogoshosha Suzuki," Part 1 (Tradepia, Vol. 27, Dec. 1972), p. 19.

⁷History of the Nissho Company, ed. by the Japan Industry Press, Tokyo 1963, pp. 13f.

⁸Naohiko, Hongo, Persons of Influence in the History of Kobe, Hiranohoseido (Kobe) 1913, p. 253.

⁹Life of Naokichi Kaneko, ed. by Tomoharu Shiraishi, Kobe 1950, pp. 13, 50.

¹⁰Cf., Life of Fujimatsu Yanagida, ed. by Tomoharu Shiraishi, Kobe, 1950.

¹¹Life of Naokichi Kaneko, pp. 59-61, 65-68.

¹²Anon., Memo on the Suzuki, Ca. 1909. (Tatsumi, No. 14, 1971), p. 10.

¹³History of the City of Kobe, Vol. 3, Kobe 1967, p. 459.

¹⁴Shuko Shirayanagi, "Analysis of the Bankruptcy of Suzuki Co. in terms of economic history" (Taiyo, Vol. 33, No. 7, 1927), pp. 92f.

¹⁵Life of Naokichi Kaneko, pp. 72-81; History of the Modern Japanese Industry, Vol. 1, Keisoshobo (Tokyo 1962), pp. 338, 341.

¹⁶Yoshio Katsura, "A general trading company (sogo-shosha) and its related companies: The Suzuki Shoten" (Japan Business History Review, Vol. 8, No. 1), p. 41; Life of Naokichi Kaneko, 139, 142-144, 149, 172f.

¹⁷History of the Modern Japanese Sugar Industry, Vol. 1, p. 331.

¹⁸History of the Nissho Company, pp. 22f.; Life of Naokichi Kaneko, pp. 185-193.

¹⁹Survey of the City of Kobe, Kobe 1909.

²⁰The Nissho Co., Ltd., The decisions Records of the Board of Directors; Anon., Memo on the Suzuki, Ca. 1909 (op. cit.), p. 10; Life of Naokichi Kaneko, pp. 95-97; History of the Forty Years in the Nissho Company, 1968, pp. 179-182.

²¹Life of Naokichi Kaneko, p. 97.

²²Ibid., pp. 100f.

²³Cf., Shuchiku Yoin. Memoirs on the Late Bunzo Nishikawa, ed. by Shuro Mori, Kobe, 1921.

²⁴Seiichi Takahata, My Personal History, The Nihon Keizai (Tokyo) 1973, pp. 250-255.

²⁵Life of Naokichi Kaneko, pp. 100-102; "Seiichi Takahata" (T. Nakamura, I. Ito and A. Hara, ed., Those Making Modern Japanese History, The Mainichi Tokyo, 1972, pp. 7-43), p. 15.

²⁶Life of Naokichi Kaneko, p. 248; Saburo, Shiroyama, "Naokichi Kaneko and the Taisho era's entrepreneurship" (Chuokoron, No. 2, 1965), pp. 354f.

²⁷"Seiichi Takahata", op. cit., pp. 15f.

²⁸Asahi's Annual Economic History, The Asahi (Tokyo) 1928, p. 218; The Showa Era's Financial History, ed. by the Finance Ministry, Vol. 10, Toyo Keizaishinpo (Tokyo) 1955, p. 37.

²⁹For the complete declaration cf., Life of Naokichi Kaneko, pp. 103-107; Collected Writings of the Late Naokichi Kaneko, ed. by Giichi Yanagida (son of Fujimatsu Yanagida), Tatsumikai (Kobe) 1972, pp. 148-151.

³⁰Record Briefs on Banks and Companies, ed. by Tokyo Koshinsho, Tokyo 1919-1922; Directory of Companies in Kobe, ed. by Kobe City, Kobe 1926.

³¹History of the Nissho Company, p. 35.

³²Ibid., p. 30.

³³Raikichi Tamamura, "Mr. Eikichi Tachibana and I" (Tatsumi, Vol. 12, 1970), p. 36.

³⁴History of the Nisho Company, pp. 30f.

³⁵Hidemasa, Morikawa, op. cit., p. 58.

³⁶History of the Fifty Years in the Harima Shipbuilding Yard, 1960, pp. 14, 35; Life of Naokichi Kaneko, pp. 225-232.

³⁷History of the Nihon Iron and Steel Company, 1959, p. 757; History of the Fifty Years in the Yawata Iron and Steel Works, 1950, pp. 401; Yotaro Sakudo, "Sogo-shosha and Related Companies: A History of Iwai-Shoten" (Japan Business History Review, Vol. 8, No. 8, 1973), pp. 79f.; History of the Sixty Years in the Ataka Industries Companies, 1968, pp. 165f.

³⁸Raikichi Imamura, op. cit., p. 37.

³⁹History of the Bank of Formosa, 1964, pp. 202f.; History of the Forty Years in the Bank of Formosa, 1939, pp. 289f.

⁴⁰For the details of this table, cf., Yoshio Katsura, "A general trading company (Sogo-shosha) and its related companies: The Suzuki Shoten, op. cit., pp. 51-57; do., "A study on the sogoshosha Suzuki," Part 2 (Tradepia, Vol. 28, Jan. 1973), pp. 33f.

⁴¹History of the Nissho Company, p. 26; History of the Teikoku Artificial Silk Company. Issue for the 30th anniversary of its founding, 1949, pp. 1-7, 81f.

⁴²History of the Japanese Oil and Fat Industry, ed. by the Japan Oil & Fat Industry Association, 1972, p. 49; History of the Thirty Years in the Japan Oils and Fats Company, 1967, p. 26; Life of Naokichi Kaneko, op. cit., pp. 211-214.

⁴³Seiichi Takahata, My Personal History, pp. 269f.; "Seiichi Takahata," op. cit., pp. 17-20; Shinzo Ohya, "The Suzuki and I" (Tatsumi, No. 7, 1967), p. 9. Takahata, Ex-Chairman of the Nissho Co., Ltd., once wrote in English in 1968:

Man-made indigo was, if I remember correctly, the first commercial synthetic product to take the place of natural indigo. Next came man-made ammonia. Here I would like to mention a bit, as I was the pioneer in Japan in introducing this synthetic process in 1921 directly after World War I from Air Liquide, Paris. When the War began in 1914, I was in London and the Allied Nations were then all easy-going minded, as people were told Germany blockaded by the British Grand Fleet, Chilian saltpeter becoming exhausted in Germany, hence explosive bound to be getting nil, so she would have to surrender sooner or later. Contrary to our expectation, however, Haber-Bosch originated synthetic ammonia, NH_3 , before 1914, and this was developed by Badische Anilin & Sodafabrik AG on a commercial scale by catalyst at 350 atmospheric pressure. Claude, chief chemist of Air Liquide, invented the similar process at the hyper pressure with proper catalyst, and I bought for our old company of Suzuki this process of the synthetic manufacture of ammonia in Japan. This was the first synthesis in Japan anyhow. Now as you see, so many petrochemical products are being converted by synthesis to various man-made products for the benefit of mankind a veritable industrial revolution.

Omnipresent nitrogen of the air is extractable by Linde or Claude process cheaply and its fixation with hydrogen for making synthetic ammonia is an old known process for the past 50 years, though the source of cheap hydrogen, which is the keypoint, has undergone a great change as oil industry progressed. (Seiichi Takahata, Industrial Japan and Industrious Japanese, English ed., Osaka 1968, p. 354).

⁴⁴Seiichi Takahata, "My memoirs on the late Naokichi Kaneko" (Life of Fujimatsu Yanagida, op. cit.), p. 45.

⁴⁵Life of Naokichi Kaneko, pp. 61-65; History of the City of Kobe, Vol. 3, pp. 453f.

⁴⁶History of the Thirty Years in the Tonen Company, Vol. 1, 1971, pp. 28-30.

⁴⁷Collected Writings of the Late Naokichi Kaneko, p. 125.

⁴⁸Life of Fujimatsu Yanagida, p. 56.

⁴⁹Life of Naokichi Kaneko, pp. 215-219; Kotaro Nagai, "My memoirs on the late Naokichi Nagai" (Tatsumi, No. 4, 1965), p. s.

⁵⁰Keiichiro Nakagawa, "The international comparison of business ideology -- An approach to it in terms of business history --" (Do., ed., Business Ideology, Diamondsha Tokyo 1972), pp. 32, 47; do., "Organized entrepreneurship in the course of industrialization of prewar Japan" (op. cit.), pp. 9f; Gustav Ranis, "The community-centered entrepreneur in Japanese development" (Explorations in Entrepreneurial History, Vol. 8, No. 2, 1955).

⁵¹History of the American-Japanese Agreements on the Exchange of Ships for Steel, ed. by the Association for the Exchange of Ships and Steel, Kobe Tokyo, 1920, pp. 99ff., 123ff.

⁵²Fritz Redlich, Der Unternehmer, Goettingen 1964, SS.147, 158; Vgl. Franz Eurenburg, Phantasie und Wille des Wirtschaftenden Menschen, Tuebingen 1931; Yoshio Katsura, "Concepts on Business Leader" (Japan Business History Review, Vol. 1, No. 1, 1966), p. 85.

⁵³Life of Naokichi Kaneko, pp. 139-155, 172-184; Tadakatsu Inoue, "Managerial and entrepreneurial functions of Naokichi Kaneko in Suzuki & Co." (Kohaciro Takahashi, ed., Studies on the Modernization of Japan, Vol. 2, Tokyo 1972), pp. 473f. Cf., Life of Kaemon Tamiya, a great figure in the iron and steel industry, ed. by the Iron & Steel Press, Tokyo, 1968: History of the Fifty Years in the Kobe Steel Works Company, 1954; History of the Teijin Company, Vol. 1, 1968.

⁵⁴Fritz Redlich, Der Unternehmer, op. cit., SS. 124-131; Yoshio Katsura, "Concepts on business leader" (op. cit.), pp. 86f; Tadakatsu Inoue, op. cit., p. 471.

⁵⁵Life of Kaemon Tamiya, pp. 281-83.

⁵⁶Life of Fujimatsu Yanagida, p. 103.

⁵⁷Cf., Keiichiro Nakagawa, "Business strategy and industrial structure in Pre-World-War II Japan" (op. cit.), p. 1; Hidemasa Morikawa, "Management structure and control devices for diversified Zaibatsu business" (Ibid.), pp. 1-3.

⁵⁸The Bank of Japan, ed., Materials on Japanese Financial History Section Meiji & Taisho, Vol. 22, Tokyo 1958, p. 912.

⁵⁹Keiichiro Nakagawa, "Industrial structure and entrepreneurship in the Pre-World-War II Japan" (op. cit.), pp. 207f.; do., "Business strategy and industrial structure in Pre-World War II Japan" (op. cit.), pp. 28-30, 38f. As well, for the causes of business failure of Suzuki in comparison with the established Zaibatsu such as Mitsui and Mitsubishi, Cf., the comments by Professor Yoshitaro Wakimura on my paper (Japan Business History Review, Vol. 8, No. 1, 1973), pp. 66f. I owe him much regarding this.

⁶⁰The Showa Era's Financial History, Vol. 10, p. 35; Kamekichi Takahashi, The Taisho Showa Era's History of the Changes in the Financial World, Vol. 2, Tokyo Keizai Shinpo (Tokyo) 1955, p. 573.

⁶¹Seiichi Takahata, My Personal History, p. 278; "Seiichi Takahata," op. cit., p. 21; Saburo Shiroyama, Nezumi (a mouse), Bungeishunjusha (Tokyo) 1966. By a mouse we the Japanese mean a loyal head clerk or manager; History of the Forty Years in the Nissho Company, pp. 26f. For reference, Seiichi Takahata was married in Paris in 1922 on the advice of Kaneko to Miss Chiyo Suzuki, the eldest daughter of Iwajiro Suzuki, Jr., the head of Suzuki Family. As well, for the case of Ichibei Furukawa, the founder of Furukawa Zaibatsu, who hated to "bow to majority decisions" made by joint stock companies, cf., Keiichiro Nakagawa, "Business strategy and industrial structure in Pre-World-War II Japan" (op. cit.), p. 12. According to Professor Nakagawa, "in the period of rapid industrialization when new entrepreneurial opportunities were opened one by one successively, the system of "majority decisions" of joint stock companies was evidently unfit for aggressive entrepreneurship" (Ibid., p. 13).

⁶²For the details on the Bank's various plans for organizational reform of Suzuki and their results, cf. History of the Bank of Formosa, pp. 201-245. On the advice of the Bank, Takahata returned in February, 1926 to his home country Japan from London after fifteen years' absence. However, he, who had been a great business success in the foreign trade activities of Suzuki in London, was shocked greatly to learn that the head office of Suzuki, in its business finance, had already been in a crisis beyond all hope of recovery, Cf., Seiichi Takahata, My Personal History, pp. 278ff.

⁶³The Earthquake Notes were derived from the Great Kwanto Earthquake which occurred in the Tokyo area on September 1, 1923. Therefore, these Notes were given the special treatment of a re-discount by the Bank of Japan in conformity with the Imperial Ordinance of September 27 in 1923. However, the unsettled sums of these Notes, by the end of 1926, amounted to about 270 million yen, of which 100 million yen had been possessed by the Bank of Formosa, and of which 92 million yen had

been related to Suzuki. Thus, Kataoka came to submit the Bills for Earthquake Notes as the preliminaries for lifting the gold embargo to the Diet. The purpose of these Bills was to compensate the total unsettled sums of Earthquake Notes by government loans. For the details on the progress after that, Cf., Kamekichi Takahashi, *op. cit.*, pp. 609-667. As well, cf., Yoshio Katsura, "The Showa monetary panic and the bankruptcy of Suzuki" (K. Nakagawa, T. Yui and H. Morikawa, ed., Guide to History of Modern Japanese Business History, Yuhikaku 1974).

⁶⁴For the truth of the burning of Suzuki's head office during a mob rice riot, cf., Saburo Shiroyama, Nezumi, pp. 158ff.; Seiichi Takahata, My Personal History, pp. 266f.; Kotaro Nagai, "The problems on the price of rice and Suzuki, on December in 1913" (History of the Forty Years in the Hissho Company, pp. 707-724). For the details on Kaneko's approach to Tokonami, cf., *Ibid.*, pp. 57-66. For the supplementary resolution on the Bills in which the government made a definite promise to the Bank of Formosa to prevent it from going into bankruptcy, cf., Life of Naokichi Kaneko, pp. 188f.; Kamekichi Takahashi, *op. cit.*, pp. 590-594, 634-637.

⁶⁵Fritz Redlich, History of American Business Leaders, Michigan 1940 pp. 12f. As well, cf., Tadakatsu Inoue, *op. cit.*, pp. 44f., 470, 475.