

Jardine Matheson: Building on History

By Toshio Iwasaki, editor of the *Journal of Japanese Trade & Industry*

One can hardly talk about the history of Anglo-Japanese relations without mentioning the British trading company Jardine, Matheson & Co. Ltd.

In 1863, five young Japanese men left for Britain aboard a British ship to learn about Western civilization. Japan had just opened its doors to the outside world under strong pressure from the Western powers after long years of isolation. Even so, Japanese were still not allowed to go abroad without government permission. The five young men's journey was quite illegal.

Their voyage had been made possible by the clandestine support of sympathetic officials of Jardine Matheson, who had offered to help them unaware that only a year before, these young men had been ultranationalists. Two, in fact, had been members of a terrorist squad which burned down the British Legation in Tokyo while it was still under construction in an attempt to oust foreigners from Japanese soil.

The two ex-terrorists would later play a key role in the Meiji Restoration, the revolution that led to Japan's modernization. They were Hirobumi Ito, who would serve four terms as prime minister, and Kaoru Inoue, who would hold the posts of foreign minister and finance minister in the early Meiji government. It can be said that those youths' connection with Jardine Matheson laid the groundwork for an Anglo-Japanese alliance which would last into the early 20th century.

Jardine, Matheson & Co. was founded in Guangdong in China in 1832 by two Scottish traders—William Jardine and James Matheson—to handle trade in China and East Asia. The company, which later relocated to Hong Kong, became the first foreign company to venture into modern Japan when it opened an office in Yokohama in 1859 to import ships and Western commodities as well as to export Japanese products including cotton, silk and tea. In a sense, Jardine

Matheson brought the flavor of Western civilization to Japan through its imports.

More than a century later, Jardine Matheson is still marketing Western commodities in Japan, with Scotch whisky and cognac the mainstays of its business. Yet the company now operating out of Tokyo is not quite what it was when it first arrived those many years ago.

To be precise, a business group of six affiliates of Jardine Matheson Holdings Ltd. now does business in Japan, with the wholly owned subsidiary Jardine Matheson K.K. playing the central role. Furthermore, only Jardine Matheson K.K. and one other member of the group still deal in imports. The other members of the family are in the service sector, some in tie-ups with foreign companies. Yet all take advantage of the influence that Jardine Matheson has built up in Japan over the years.

Twist of fate

Jardine Matheson's diversified business operations in Japan are led by Hiroshi Yasuda, chairman of Jardine



Hiroshi Yasuda, chairman of Jardine Matheson K.K., the company's main Japanese subsidiary.

Matheson K.K. and chairman or president of most of the other Jardine Matheson affiliates in the country as well.

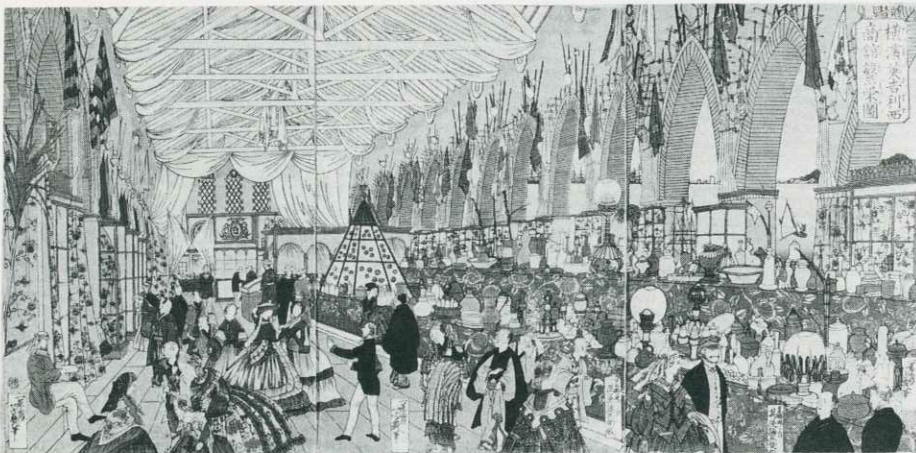
Yasuda, the great grandson of Zenjiro Yasuda, a leading Meiji era businessman and pioneer capitalist who founded the legendary Yasuda *Konzern*, was headhunted from a Japanese electric equipment maker in 1979 by Sir John Keswick, former chairman of Jardine, Matheson & Co. and one of the leading holders of its stocks. By a curious twist of fate, Keswick's grandfather, William Keswick, was the person who helped Hirobumi Ito and his colleagues sneak out of Japan more than a century ago as Jardine Matheson's Yokohama manager.

Enough of history, however. The current activities of the Jardine Matheson group in Japan are themselves enough to fill a book.

In addition to importing high-fashion apparel, leather goods and semi-processed timber, Jardine Matheson K.K. rents out offices through its office renting division, Jardine Business Centre. The center provides furnished offices and even secretaries on a time-sharing basis for foreign businesspeople on short-term stays in Japan: for instance, to do feasibility studies prior to their company's full-fledged advance into the Japanese market. Jardine Business Centre owns 46 offices in central Tokyo, which are always fully booked because of their relatively low rents and ample facilities.

Not all of Jardine Matheson's ventures have gone so well. Yasuda speaks with feeling of how difficult it is to precisely convey to foreign makers the tastes of Japanese consumers in fashion goods. Currently, leather goods such as the popular Hunting World line of bags are doing well, Yasuda says. But fashion overall has not necessarily been successful for Jardine.

Liquor is another story. Jardine Wines and Spirits K.K. was founded in 1987 in cooperation with Moët-Hennessy of France and United Distillers (the spirits



A woodprint of the building in Yokohama where Jardine, Matheson & Co. opened its first Japanese office in 1859 after the opening up of the treaty ports to foreign trade.

arm of Guinness) of Britain to boost liquor sales at a time when the worldwide liquor business was undergoing a major realignment. Today, the company, which Yasuda serves as president as well, is one of Japan's largest importers of Western liquors, shipping several varieties of wine and Hennessy brandy, which shares top place among imported brandies. It is also rapidly expanding its sales of bourbon whiskey, which is popular among young Japanese men.

Yasuda attributes the company's success in the liquor market not only to the increased numbers of Japanese imbibing imported brands, but also to the company's firm foothold in restaurants, bars and other so-called "on the premises" markets, important sources of volume sales. Jardine Matheson's long history as an importer of Western liquors in Japan has paid off handsomely.

Two of the four other Jardine Matheson affiliates in Japan are financial service operators. Jardine Fleming Securities Ltd., jointly established by Jardine Matheson and London-based investment bank Robert Fleming Holdings Ltd., is one of the largest foreign securities companies operating in Japan, and is a member of the Tokyo Stock Exchange.

Jardine Fleming Investment Advisers (Japan) Ltd. is a joint venture between Jardine Fleming and Japan's Yasuda Trust & Banking group. It ranks top among foreign competitors in Japan in terms of investment, an achievement

it owes to a large extent to the cooperation of the Yasuda Trust & Banking group, which introduces it to institutional investors.

K.K. Halifax Associates, a joint venture with Pacific Architects and Engineers of the United States, is one of the leading foreign general realty companies operating in Japan. It redevelops land and rents apartments to foreign residents in Japan and helps Japanese customers acquire real estate overseas.

Unique member

Jardine Insurance Agency handles insurance business.

The most unique member of the Jardine Matheson group in Japan is probably Nippon Elevator Industry Co., Ltd. Although Swiss elevator maker Schindler AG controls more than 50% of the company's stock, it leaves the company's management to Jardine Matheson, whose share is only 20%. Once a middle-ranked Japanese corporation, Nippon Elevator was purchased by Jardine Matheson and Schindler after it began to lose money. Jardine Matheson arranged the buyout for Schindler, which had been anxious to enter the Japanese market. Within only four years, the company was able to write off its accumulated debts and bounce back into the black.

Clearly the Jardine Matheson group, the oldest foreign company operating in Japan, puts its long-nurtured know-how

about Japan and its name value to good use. It has been a reliable partner for foreign companies trying to move into Japan, armed with both long experience in the country, and a shared awareness of the particular problems facing foreign firms.

Analyzing Jardine Matheson's diversifying business operations in Japan, Yasuda says that Jardine Fleming's financial services, K.K. Halifax Associates' realty business and Jardine Insurance's business are all of a piece, given the fact that Jardine Matheson is a British company and British strength traditionally lies in the financial and service sectors. Today Jardine Matheson's Hong Kong headquarters is trying to orient the Jardine Matheson group in Japan ever further in that direction, Yasuda says.

At the same time, the chairman sees the possibility of further expansion in the group's commodity import business, led by soaring sales of liquor and leather products. The most marketable foreign products in such a highly industrialized country as Japan, Yasuda maintains, are fancy luxury goods.

It may be worthwhile here to look at Jardine Matheson K.K.'s parent company, Jardine, Matheson & Co.

Founded in Guangdong and now based in Hong Kong, Jardine Matheson naturally concentrates on China and the neighboring Asia-Pacific region. Its approach to China goes beyond short-term interests, and is targeted far into the future. While the company's sphere of influence extends to Britain and the Middle East, China still carries overwhelming weight in Jardine business activities. It is no coincidence that more than half of Jardine Matheson's earnings come from operations in Hong Kong.

Jardine Matheson has now moved its official place of registration to Bermuda in anticipation of Hong Kong's reversion to China in 1997. The company is now treated as a foreign company in Hong Kong. Even so, Jardine Matheson officials believe they must continue to further strengthen their position in Hong Kong as China comes to rely on the colony's economic strength for its own future growth.