

# Masuda Takashi: Trading In the Past

By Naoki Kojima

**M**asuda Takashi (1848–1938) styled himself Don'ō, the Dull-witted Old Man, in his later years. He was anything but. Born in 1848 in Sado Island, now part of Niigata Prefecture, Masuda Takashi was one of Japan's leading businessmen during Japan's modernization and the principal architect of Mitsui Bussan, a central pillar of the Mitsui group.

## Early years

The son of a minor shogunate official, Masuda first began learning English at the age of seven in a Hokkaido school for the children of shogunate officials after his father was transferred to help supervise a mine there. In 1859, when he was 11 years old, his father was transferred to Tokyo (then Edo), and Takashi plunged further into his language studies. At the age of 14, he was made an official interpreter for the shogunate.

Soon after gaining this position, Masuda was assigned to Townsend Harris's consulate at Azabu Zenpuku-ji. He quickly developed a great admiration for Harris, and was later to recall that "Harris was a truly great man who was extremely interested in Japan and fired by a sincere wish to help this country build itself into a powerful modern nation."

In 1862, Masuda and his father joined a 34-man shogunate mission to France. The mission was gone around eight months, staying in Paris for nearly 50 days. The incredible prosperity and burgeoning capitalism of France under Napoleon III was dazzling to Masuda's youthful eyes. (Although only 14 at the time, he had lied about his age to the authorities and been allowed to take part as a 17-year-old language specialist.)

Upon the mission's return to Japan, Masuda was assigned to the customs office at Yokohama. While in Yokohama, he joined the French cavalry stationed there, learning French as well as Western-style horseback riding techniques. Very soon thereafter, Masuda severed his ties with the dying shogunate to become a businessman, and in 1869 he moved his residence to Yokohama where he worked as interpreter and clerk for foreign companies.

## Encounter with Inoue Kaoru and the House of Mitsui

The year 1872 marked the first fateful meeting between Masuda and Inoue Kaoru (1835–1915). Masuda was on a business trip between Yokohama and Tokyo when he encountered Inoue, who was then vice minister for finance. The two were never to be close friends, and in fact Masuda did not immediately take to Inoue, but Inoue had also been to Europe and they shared a burning desire to narrow the great gap they perceived between their own country and the more industrial nations of the West.

Invited by Inoue to join the government, Masuda was appointed head of the Ministry of Finance's Osaka mint. He retained this post for the roughly two years of Inoue's tenure as vice minister of finance, but left the government when Inoue quit as a result of conflicts with the elder Meiji statesmen. In 1874 Inoue established the Senshu Kaisha (First Profit Company) trading company. Appointing himself president, he made Masuda his second-in-command. The very next year, however, Inoue was back in the government and the Senshu Kaisha was scheduled for disbandment. Because Minomura Rizaemon (1840–1931), the obscure merchant who had risen to head the powerful Mitsui house's commercial operations, was seeking to expand the house's trading activities, he merged

Senshu Kaisha with his own Kokusan-kata (National Products Company) to form Mitsui Bussan, predecessor of the present-day Mitsui and Company, in May 1876.

The Mitsui family itself traces its roots back to Mitsui Hachirozaemon Takatoshi, formerly of samurai stock and father of the famous Mitsui Takatoshi. Mitsui Hachiro opened a sake shop and pawn shop in Matsuzaka, Ise Province (now Mie Prefecture) in 1615, and his son expanded the business by opening kimono shops and becoming a money-lender. Many of the samurai who borrowed from Mitsui were later important government officials, and Mitsui was one of several better-connected commercial houses at the time.

Thus it was that Minomura Rizaemon had known Inoue even before Mitsui took over Senshu Kaisha. Although sometimes a heavy financial burden, these close relations with the new government's economic policymakers proved highly advantageous to Mitsui in many ways. For example, the fact that the Mitsui Bank was an official repository of government moneys was an important source of the bank's own funding. In other areas, Mitsui was afforded government protection and often had prior access to crucial information. Yet the relationship was also frequently one of respect for each other's abilities, and it was Inoue whom Minomura designated his successor.



Naoki Kojima is a biographer, and has published mainly biographies of leading businessmen. Born in 1919, he began his career as a professional writer in 1965.

## Mitsui Bussan

Despite its long merchant tradition, Mitsui's trading arm—Kokusankata—was primarily involved in domestic rice trade and lacked experience and know-how in foreign trade. Acquisition of the Senshu Kaisha, therefore, was extremely timely, providing Mitsui with the facilities and people it required.

At the youthful age of 28, Masuda became Mitsui Bussan's first president, and he was to retain close ties to Mitsui right up to his death in 1938. Those 62 years were not always smooth sailing. In the beginning Mitsui Bussan was intended as a very conservative organization with all of its transactions in cash, mainly to ensure financial security for the Mitsui family in the event that the Mitsui Bank, founded the same year, should fail. At the same time elaborate precautions were taken to insulate the rest of the Mitsui companies from Mitsui Bussan in case it went bankrupt. In the beginning, Masuda recalled later, Mitsui Bussan was not as highly regarded as the Mitsui Bank.

Yet Masuda was to take this company and, with virtually no funding from the Mitsui family, build it into one of Mitsui's major operations, rivaling the Mitsui Bank. Masuda's years at Mitsui were marked by astute decision making as demonstrated in his purchase of the Miike coal mines from the government, a purchase that was to make Mitsui Bussan the Mitsui group's foremost moneymaker, his ascendancy to the top management position within the Mitsui group and his sharp eye for good people. More than anyone else Masuda was well aware that a company's growth depended more on its people and their vicissitudes than on its finances or corporate prestige.

## Miike coal

Starting out with only 16 employees, Mitsui Bussan handled such products as rice, coal, raw silk and tea in its first decade. Of these, coal was to provide the impetus for its subsequent growth. Masuda noted that it was Miike coal that enabled Mitsui Bussan to extend its operations overseas and that the Miike mines were from the beginning the *raison d'être* of the Mitsui Mining Company founded in 1892.

It was Ito Hirobumi (1841–1909), then head of the government's Legislation Bureau and minister of Public Works, who first suggested Masuda look into coal. The Miike mines were still under government management, but Japan's infant in-

dustries could not yet absorb the mines' output and Ito wanted to export the excess coal and thereby acquire a new source of income for state coffers.

Even before Mitsui Bussan's founding, Ito asked Masuda to sell the Miike coal for him. Although Masuda undertook this task with enthusiasm, visiting the Miike mines for a firsthand look and then calling on potential clients in Shanghai, this was not a project that lent itself to instant success. Once Mitsui Bussan was inaugurated and commissioned to sell the Miike coal, Masuda sent young Ueda Yasusaburo to Shanghai with more samples. He had chosen well. Just back from studies in Boston, Ueda was a fighter, and he fought tenaciously for market share against the high-grade American coal that was already available in Shanghai. In time, Mitsui Bussan was selling its coal in Tianjin, Hong Kong and Singapore as well as Shanghai, turning a tidy profit and getting a foothold in overseas markets at the same time.

## Dan Takuma

Masuda's coal venture was also blessed with outstanding people on the production end, especially Dan Takuma (1858–1932), one of his greatest discoveries. Ten years younger than Masuda, Dan had spent eight years in the United States, getting a degree in mining engineering from MIT in the process. After his return to Japan he was eventually hired by the government to administer the Miike coal mines. Here was a man of brilliance Masuda sorely wanted.

With Okuma Shigenobu's appointment as foreign minister in 1888 and under pressure to amass foreign currency reserves, the government undertook to sell off its enterprises to the private sector. The Miike coal mines were put up for competitive bids at a minimum bidding price of ¥4 million, ¥1 million to be paid within the year and the remainder to be paid in annual installments over a 15-year period.

Masuda was convinced that the Miike mines were essential to Mitsui's future growth, but he had great difficulty getting the loan he needed from the Mitsui Bank. Eventually Mitsui Bank yielded before Masuda's insistence and provided him with the minimum ¥1 million he required, thus enabling Mitsui to win out (just barely) over Mitsubishi in the bidding. Claiming that the payment he had made for the Miike mines included payment for Dan Takuma's services, Masuda pulled him out of the government and set him to work for Mitsui.

## Nakamigawa Hikojiro

The only man to rival Masuda for Mitsui leadership was the genius Nakamigawa Hikojiro (1854–1901), Fukuzawa Yukichi's nephew. Around the time Mitsui Bussan was successfully bidding for the Miike mines, the Mitsui Bank was floundering in an ocean of nonperforming loans. In 1891, Inoue sought out Nakamigawa, then 37 and fresh from study in England, and asked him to get the bank back on its feet. Nakamigawa was six years younger than Masuda, but his vigorous and innovative management soon placed him above Masuda within the Mitsui hierarchy, and Nakamigawa dominated Mitsui until his death a decade later.

Among Nakamigawa's many achievements was the successful weaning away of Mitsui from its dependence on government patronage, a characteristic of Mitsui business dealings since Minomura's days, and the formation of an industrial division within the Mitsui Bank. Nakamigawa's approach was thus quite the opposite of Masuda's, who had taken pains to form Mitsui Bussan into a commission merchant without any primary risk. It was not long before Nakamigawa was attempting to interfere in Mitsui Bussan management, a situation that must have been intolerable for Masuda. The outbreak of the Sino-Japanese War in 1894, however, revitalized the flagging Japanese economy and Masuda was once again much in demand for his business acumen. As for Nakamigawa, the recession following the end of the war the next year debilitated the factories being managed by the Mitsui Bank's industrial division and by 1896 Nakamigawa was forced to close down the division.

After Nakamigawa's death in 1901, Masuda stepped back into his leadership role of Mitsui and immediately began to revise Nakamigawa's policies. Although his background was with Mitsui Bussan, Masuda promoted the growth of all the Mitsui enterprises. In the process, Mitsui Bussan developed an international network of operations, and by 1908 it was handling as many as 120 different commodities, making it one of the largest general merchants in the world.

Although Masuda officially retired from Mitsui in 1913, he continued to exercise considerable influence. Even when he was calling himself Don'o and living in a villa in Odawara as an art lover and tea connoisseur, he still participated in Mitsui's major policy decisions until his death in 1938 at the age of 90. ●