

Caspary / Rüsen / Kleve / Köllner (eds.)

Long-lived Family Businesses in Japan: Factors of Success



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Sigrun C. Caspary / Tom A. Rüsen /
Heiko Kleve / Tobias Köllner (eds.)

Long-lived Family Businesses in Japan: Factors of Success

With forewords by Prof. Dr Rudolf Wimmer and Prof. Dr Gotō Toshio

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Notes

The Japanese expressions in this book are transcribed according to the Hepburn system of romanisation, using a macron on the vowels (Mr Gotō, *otōsan*). In cases where third parties have used another romanisation system, an “h” or a “u” is used in place of the macron, for example, Ohmi province instead of Ōmi. The same applies to personal names if, for example, an individual uses an “h” in their name on their business card (Satoh instead of Satō). Common terms such as Tokyo, Osaka, Kyoto, and Shinto are used without macrons.

Japanese names are written as is customary in Japan and East Asia with the family name first and the given name second.

As the book is aimed at an English-speaking readership, Japanese characters are not used. For an explanation on Japanese terms, see the glossary.

Company key figures (Chapter 5) are provided in the currencies used by the companies in the interviews or on the websites consulted. Company names are given in an abbreviated form, e.g. Okaya instead of Okaya Corp. and Toraya instead of Toraya Group.

This book is an edited English AI aided translation of the German version “Erfolgsmuster langlebiger Familienunternehmen in Japan”.

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Foreword by Prof. Dr Rudolf Wimmer

The topic of family businesses is currently of significant interest in economic research. This has not always been the case: it is only since the 1980s that this type of business has increasingly been seen at the centre of *management sciences* as a unique form of capitalist economic activity. The mainstream of established family business research today is based on very specific fundamental convictions about the status of businesses and the characteristics of business families, as they have differentiated themselves since the 18th century in the highly developed societies of Western industrialised countries. According to this view, family-owned businesses develop their characteristic features from the specific areas of tension that inevitably arise from the fact that a family or a family conglomerate is the capital owner. While this ownership-related coupling of the company with the inherent logic of the family gives rise to specific competitive advantages, it also leads to characteristic risk situations that have been a focus of research for years.

Now that academia has recognised the phenomenon of family-run businesses, research on them is ubiquitous. This type of company is characteristic of economies across the world. The perspective from which these companies are viewed, however, is certainly shaped by basic assumptions that are decisive for the Anglo-American research tradition. This influential paradigmatic orientation assumes that family businesses across the world do not differ significantly in their nature. In this sense, the repertoire of theories developed from an Anglo-American perspective can be applied everywhere.

It is to the credit of the Witten Institute for Family Business (WIFU) that its researchers do not follow this widespread “theory imperialism”. We find strong differences between family businesses even within the US or in German-speaking countries, whether from an intercultural perspective or that of the respective national economies.¹ These differences are even greater when we look to India, China, or the Arab world, for example. It quickly becomes clear that, in addition

1 Berghoff & Köhler (2020).

to the completely different political and cultural lines of development, it is above all the completely different forms of family that define family businesses in these regions. The concept of family as we know it in today's Western cultural context developed along a particular European path that goes back many centuries.² In other regions of the world – such as India, China, or the Arabic countries – patrilineal traditions of family self-reproduction dominate, which means that the male line remains decisive in marriage. The preservation of the house through generations is the main goal of marriage and inheritance.

In Japan, a particular form of this patrilineal reproduction pattern developed which has created a unique form of longevity in family businesses. It is rooted in specific circumstances including Japan's geographic situation as an island country, which have influenced its historical, political, and religious development. The Japanese family system with its ancestral heritage, which is difficult for outsiders to access, extended political lines of development and highly complex religious and cultural influences, has created an economic system that is carried and determined mainly by a delicate and finely woven net of cooperative relationships between businesses and the families behind them. An impressive feature of this family business system is undoubtedly its extraordinary longevity. A deeper understanding of this phenomenon is only gradually becoming apparent to Western observers. In addition to a respectful immersion in the Japanese family world, which retains a strong ancestor cult, and which is difficult for outsiders to access, intimate knowledge is required of the far-reaching political lines of development as well as the extremely complex religious-cultural factors of influence. These factors have together given rise in recent decades to an economic system that is essentially supported and controlled by a subtle, finely woven network of cooperative relationships between companies and the families behind them. Becoming a recognised part of this network is not an easy task for outside companies. This book is the result of several years of work from the WIFU researchers: it provides a well-grounded approach to this world of Japanese family businesses, which is so different from ours. It expresses the respect that is needed to avoid rashly thinking that we can sketch this world with a few strokes of the pen. It is hoped that this book will find a wide readership and encourage businesses to have the patience necessary to develop a sustainable, cooperative relationship with Japanese companies when it makes strategic sense to do so.

Prof. Dr Rudolf Wimmer,
Associate Professor at the WIFU Endowed Chair
of Leadership and Dynamics in Family Businesses

Witten, autumn 2022

2 Wimmer & Simon (2019).

Foreword by Prof. Dr Gotō Toshio¹

Before WIFU visited my university office in Tokyo, my understanding of it was limited to its role as the largest – and pioneering – academic research and teaching institution in the field of family businesses in Europe. I was not, however, aware of its history or activities in detail. During our very informative meeting, I was especially impressed to discover the following two aspects of their activities: first, its consistent interdisciplinary orientation since its foundation in 1998, with professorships in business management, psychology/sociology and law and, second, its global orientation, based on its steady research for over 20 years on the longevity of family firms in Germany and Europe, which was later extended to India and China. It was encouraging to know that WIFU's Japan Project, started in late 2018, was the next step in a global research project with an interdisciplinary orientation.

Tom Rösen, whom I had met at the IFERA conference in 2018, was the leader of the delegation. He showed particular interest in the “Comparative Timetable of Long-lived Firms in the World” which I presented as one of my major research materials. It is quite a sizeable document, comprising well over one hundred pages; the right half of each page lists long-lived firms in Japan, while the left half shows their counterparts in the rest of the world, both listed in the order of the year in which they were founded. On the top of the right half of the first page is Kongō Gumi, founded in 578AD and the oldest surviving firm in Japan (and in the world), while the left half starts with Herzoglich Bayerisches Brauhaus Tegernsee (founded in 746AD), followed by Staatsweingut Bergstrasse (765) and Schloss Johannisberg (768) and so on. This timetable is one of the summaries of my database of longstanding firms which I have been compiling alone over the last two decades.

This meeting was both meaningful and motivational for me, as I started researching long-lived firms and their longevity in 1999 and yearned for global

¹ Research Professor at the University of Economics, Tokyo, meeting with the WIFU team on 19 April 2019.

comparative and interdisciplinary studies. Research into long-lived firms has a long history in Japan, dating back almost a century to the late 1920s as a business history discipline. While previous researchers have focused on specific firms and/or regions related to long-lived firms, I attempted to take a radical, bird's eye view, trying to achieve an overall picture of the firms who had operated for at least a century in Japan, and eventually worldwide. After much trial and error, I first presented my preliminary findings in 2006, which were upgraded and expanded, as of 2014, to show 25,321 firms that had survived at least one hundred years, of which 3,937 were over two hundred years old, 1,938 over three hundred years, 147 over five hundred years, and 21 over one thousand years old. After strenuous efforts, the worldwide landscape became clear to the surprise of everyone, including myself, when I discovered more than 70,000 firms that had survived at least one hundred years spread across 135 countries and regions worldwide.

To advance the research on the long-lived firms and their longevity on a global basis, it is inevitable that we will turn to comparative studies with Germany, or more precisely the German-speaking region, since Germany, Austria and Switzerland are among the top ten countries globally in terms of the absolute number of firms over a century old, and comparable to Japan in terms of the relative number (the absolute number divided by the magnitude of the national economy). Comparative studies on these two groups are anticipated to yield meaningful findings about the key factors for family business longevity, the longevity mechanism, and its model, and common and unique features between the two groups. I therefore wholeheartedly welcomed the encounter with WIFU Japan Project members in 2019 and hope it will be the start of a long-lasting and fruitful collaboration.

This book, *Long-lived Family Businesses in Japan: Factors of Success* is one of the most long-awaited publications to those who, like me, research long-lived firms and their longevity mechanisms. I strongly congratulate and support this endeavour of WIFU, as the first step in a comprehensive research project into long-lived Japanese family businesses and the mechanisms that foster their longevity. It is my hope and understanding that this will develop into a comparative study with counterparts in Germany and the wider German-speaking region, and eventually become an integral part of a global study into family business longevity. Its prospective readers can enjoy reading it in various ways: you could start with nine cases of long-lasting Japanese family businesses (Chapter 5), covering a spectrum from very traditional small shops over one thousand years old to huge world-renowned giants such as Shiseido and Suntory. You can jump directly into the overarching success patterns of longstanding family businesses and their business models (Chapter 6) to gain a quick understanding.

I highly recommend, however, paying more attention to the background which has fostered the large number of the long-lived firms in Japan, first gaining an overall understanding of Japanese family businesses and their importance in the Japanese economy (Chapter 1) and the historical background and milestones – including the Japanese Imperial Household, the formation of the state and the beginnings of Japanese family businesses, the Tokugawa *shōgunate* government from the ancient era to the pre-modern time, and the modern era starting in 1868 with the Meiji Restoration up to the present day (Chapter 2). Vital elements also include religion and ritual (Chapter 3), the Japanese family system – *ie* – and the concept of the business family (Chapter 4).

The family business is a system, in which family – as one sub-system – is nurtured by strong historical, societal, and cultural influences, and is therefore unique in each country. The Japanese family system *ie*, for example, is a historical concept; its direct translation of ‘household’ is somewhat misleading, since it refers not only to blood lines but also to the economic and socioreligious functions that occur within the family. It encompasses relationships not based on mere inheritance and succession through bloodlines, but those inherent in the maintenance and continuation of the family as an institution. All family members are expected to contribute to the perpetuation of the family, which is held to be the highest duty of each member. The continuity of the *ie* is the top priority of all its members, as is the continuity of its business as the economic means of its maintenance. To this end, a qualified adult would often be adopted from the outside the blood lines as the successor of the family business. This illustrates well the importance of an integrative and multi-perspective understanding of business longevity, which includes the historical, familial, cultural, and social character of the constructs ‘family’, ‘company’ and ‘law’ and their influence on the development of family businesses.

Before concluding the preface, let me explain briefly my experience and future aspirations. My research started in the business strategies discipline in general and has been focused more specifically on family businesses since 2004, when I realised the majority of longstanding firms are either owned or managed by families, that is, they are family businesses. I was fortunate, in a sense, to join the research of the family business at the turn of the century, not only because that research field gained increasing attention at that time, but also – and more importantly in terms of advancing the research – this field was at a turning point after accumulating a vast amount of research in the half-century since its inception. There were three emerging areas at that time – the definition of the family business, longitudinal and heterogeneity studies – all of which became relevant to advancing research on longevity.

Inspired by arguments for a non-dichotomic definition, I advocated defining the family business as any firm with multiple family members as either

shareholder(s) or board member(s) simultaneously or sequentially. This definition is instrumental in advancing the heterogeneity of studies and also the longitudinal study which, supported by a group of colleagues, was conducted to analyse all listed firms in Japan and categorise them as family or non-family businesses. The former type was then further grouped into six sub-groups depending on the degree of family influence present either in the ownership or the management. This analysis served as the core concept when we published *The Family Business Yearbook of Japan* in 2016, with subsequent editions in 2018 and 2021.

The longitudinal study offered a new perspective on longevity studies, with the formation – by the above-mentioned non-dichotomic definition and the discovery of the six heterogeneous family business groups – of the Family Influence Erosion Model, and the presentation of the concepts of Gravity and Resistance Power in influencing the magnitude of the family capital which resulted in changes in family influence in the family business. These models and concepts were examined and verified over an extended timeframe of 90 years in the research on changes in the family business status of all listed family businesses (114 firms in total) between 1922 and 2015. This long-term follow-up research demonstrates that only two still survived as family businesses in 2015, while the remaining 112 had all disappeared or become non-family businesses. A non-family business means, needless to repeat, one where the family has no further involvement in management and ownership, indicating the difficulty of maintaining the family business status and business continuity even in Japan. Comprehensive research on long-lived firms and their longevity requires both qualitative and quantitative analysis, and the model and concepts explained above hopefully contribute to the advancement of such studies.

I would like to conclude this preface by expressing my gratitude to WIFU members for their support of my research. Taking this opportunity, I would like to show my special appreciation for WIFU's support of the initial step of the joint research, in which Sigrun Caspary, a member of WIFU's Japan Project, has been instrumental in preparing a series of interviews and presenting a paper on the "Narrative of Survival" at the EURAM, IFERA, Asia-Pacific Family Business Symposium (APFBS) among others, all major conferences on family business research. I again express warm congratulations on the successful publication of *Long-lived Family Businesses in Japan: Factors of Success*, which will become the first major milestone in the ever-growing research on longstanding family businesses and their longevity in Japan, Germany, and perhaps other countries in the future.

Prof. Dr Gotō Toshio, Graduate School,
Japan Economic University, Tokyo

Tokyo, autumn 2022

Introduction

Since its foundation in 1998, researchers at the Witten Institute for Family Business (WIFU) have been studying the phenomenon of longevity in family businesses and entrepreneurial families. They shed light on long-lived family businesses in Germany and their strategies across generations in various projects, including “Multi-generational family businesses”,¹ “Large German family businesses”² or, most recently, “Managing Business Family Dynasties”.³ In recent years, this research has extended into other regions, adding India and China.

The longest-lived family firms are in Japan.⁴ More than half of the family firms we know to be at least 200 years old are Japanese. But why is a single country home to so many centuries-old family businesses? What are the structures and mechanisms used for passing on entrepreneurial responsibility across generations and what supported them for the families of family businesses in this country? How do entrepreneurial families manage to remain successfully active in business over so many generations? What other factors have favoured these developments? And how do specific factors in Japan differ from those in Germany or other countries, such as India and China? These are the core questions which prompted WIFU researchers to search for insights that may also be significant for family businesses and business families in other countries.

In the summer of 2018, an interdisciplinary research team at WIFU, comprising Tom A. Rösen, Rudolf Wimmer, Heiko Kleve, Tobias Köllner and Sigrun C. Caspary, began to investigate this topic.⁵ Within this team, the experience of specific patterns of action in family businesses and entrepreneurial families was complemented with expertise from Japanese studies, which provided a deep

1 Simon et al. (2005), Mehr-Generationen Familienunternehmen (in German).

2 Plate et al. (2011), Große Deutsche Familienunternehmen (in German).

3 Rösen et al. (2021) in English and in German (Management der deutschen Unternehmerfamilie).

4 Gotō (2006, 2019).

5 We take this opportunity to express our gratitude to Ms Margit Oswald for her valuable contributions while participating in the learning journey.

insight into the Japanese lifestyle and way of thinking. Several workshops were held to discuss historical contexts and intercultural perspectives, laying the ground for a research journey to Japan. A questionnaire for interviews on Japanese family businesses was developed based on the questionnaires used in previous WIFU research projects. This ensured that WIFU's expertise in investigating the questions initially formulated could be built upon and that these could be expanded to include insights into the specific Japanese context. Contacts with practitioners from the WIFU and the WIFU Foundation helped to identify appropriate interview partners in Japanese family businesses. Through "Les Hénokiens",⁶ a worldwide association of family businesses existing for 200 years or more, it was possible to establish contacts with long-lived Japanese family businesses. In addition, WIFU's sponsors' network was used to establish contacts with other family firms that were in at least their third generation. Japanese partner universities of Witten/Herdecke University were also included, as their researchers are involved in family business research.

Based on this preparatory work, a research journey was organised in April 2019. The WIFU researchers visited four universities and twelve companies in Tokyo (Kantō region), Nagoya, and Kyoto, Nara, and Osaka (Kansai region). Five interviews were conducted on-site with technical experts and representatives of associations and German companies. The above-mentioned WIFU questionnaire had been sent to the interview partners in advance. Between one and eight representatives of each business family and/or family business participated in the interviews. A list of interview partners and institutions visited is given in the appendix. Most of the interviews were conducted in Japanese and/or English; two were conducted in German with Sigrun Caspary acting as an interpreter. The interviewers took notes and sat down after the interviews to reflect on the content. In total, more than 25 hours of interview material was collected.

After the journey, further information from the companies' websites was collected and added to material that had been provided by the companies themselves or could be accessed via the internet. Through further research, the material collection gradually became so comprehensive that the idea emerged to publish a book to make the findings from our research accessible to a broader public.

Some preliminary remarks on the structure of this book: In the first chapter, we shed light on the importance of family businesses for the Japanese economy. We refer to facts and figures based on data from the Teikoku Databank,⁷ a database freely accessible on the internet containing information on all Japanese companies. We also include data from the White Paper on Japanese family

6 See the website at <https://www.henokiens.com/index.php?lg=en> (last accessed 21.11.2021).

7 <https://www.tdb-en.jp/> (last accessed 21.11.2021).

businesses, which has been published every three years since 2015. Further, we briefly discuss public opinion and the academic research of long-lived family businesses in Japan.

In the second chapter, we highlight milestones in Japanese history that help us to understand the political, economic, and social developments that determined the founding of family businesses, their continuation over time, and the contextual environment that supported both. The feudal era of Tokugawa rule in the 17th to the 19th centuries brought a seclusion that meant internal peace, supporting family continuation, but also hindered growth beyond the local area. An opportunity for national, and later international, growth only arose after the country re-opened its borders in the mid-19th century. In the following decades, new technologies entered the country providing new development opportunities and later favouring the emergence of family-owned financial conglomerates (*zaibatsu*).⁸

The religious values that influenced these historical developments are the subject of the third chapter, which provides insights into how these differ from Western thought. We try to answer questions on why thousands of Buddhist temples and Shinto shrines are to be found all over Japan even though the Japanese believe themselves to be non-religious, why Chinese classics are often cited in family constitutions and corporate philosophies, and why Confucian ethics have influenced the Japanese way of thinking differently from in their country of origin, China.

Chapter 4 introduces the Japanese family system – *ie*, one of the core elements in explaining the longevity of Japanese family businesses. The concept of the “extended family” is likely used to ensure succession in the family tree. The continuation of the “house” as an economic unit is identified as the central concern in family succession – it is the reason given for deciding to adopt an heir, a popular practice so different from those of Western countries. This chapter also looks at other cultural aspects of daily interactions that seem important to an understanding of how things are done in the families behind the family businesses. Excursus III takes a look at the *iemoto* system, a derivative of the *ie* system practised in schools of traditional arts such as flower arranging (*ikebana*), the tea ceremony or martial arts.

Case studies of family businesses are presented in the fifth chapter. These were at the core of the WIFU team’s learning journey to Japan and, as described at the beginning, are based on the interviews, additional materials, and Internet research, as cited. Three of the oldest family businesses in the world have been added to round off the overview.

8 For an explanation of family-owned corporations (*zaibatsu*), see 2.4.1.

In the sixth chapter, the WIFU ten-phase model is used to look at succession practice in longstanding Japanese family businesses, highlighting where Japanese practice differs from that in Western countries. This is followed by an analysis of the case studies. Japanese family businesses can be distinguished in terms of ownership structure. Family businesses whose management remains in the hands of a family member can continue the patriarchal pattern of succession differently from businesses whose management structure is subject to international accounting regulations. The practice of adoption has been used to continue the business, albeit with varying frequency. The official decision on who will succeed is kept open for a long time, even if it looks as though it has already been made. Noticeable differences include the involvement of the workforce and the importance of the local community in the perspective of the long-term development of family businesses.

The seventh chapter addresses patterns of longevity in Japanese family businesses that emerged from reflections on the interviews and were gathered through discussions with experts and further research. These include the patterns of tradition orientation in the continuation of family and business, patterns of decision-making and succession in family businesses, flexibility in dealing with existing traditions, and the importance of values, rituals and cultural aspects in socialisation as well as involvement in the local community.

Finally, Chapter 8 presents an outlook on the challenges facing Japanese family businesses today. The changed legal situation regarding inheritance tax, for example, which at 55 per cent is higher than in any other Western country, makes it increasingly difficult to pass on family businesses to the next generation. This chapter highlights the strengths of the Japanese model and identifies which aspects are important for the longevity of family businesses as a whole and where there is a need for further research.



Figure 1. The map shows the four main islands of Japan: Hokkaidō, Honshū, Shikoku and Kyūshū (from North to South), surrounded by the Sea of Japan towards the Korean peninsula and mainland China, and by the Pacific Ocean to the east and southeast. Headquarters of the companies visited (Chapter 5) in the Kantō region/Tokyo (formerly Edo) include those of Shi-seido, Yamamotoyama and Yamasa. The headquarters of Okaya are in Nagoya. The Kansai region includes Osaka and Kyoto, where Gekkeikan, Horikin, Kongō Gumi and Suntory are located, as well as Nara, where Nakagawa Masashichi Shōten is based. On the Sea of Japan, north of the Kansai region, Kinosaki Onsen is home to Koman, and Awazu Onsen is home to Hōshi. Source: the authors.

Chapter 1.

The Importance of Japanese Family Businesses for the Japanese Economy

As in other countries, family businesses are an important pillar of the economy in Japan. The 2021 White Paper on Japanese Family Business states that 96.9 per cent of Japan's 2.6 million businesses are family businesses, employing 77.4 per cent of the workforce. Of the companies listed on Japan's two stock exchanges, 53.1 per cent are family businesses.¹ Japan has the highest number of long-lived family businesses in the world, and family businesses in Japan are also among the oldest in the world.² Long-lived family businesses are those that are at least 100 years old and they account for about 22,500 family businesses in Japan. The average length of time for one generation to run a family business is 30 years; hence family businesses which are more than 100 years old are at least in the fourth or fifth generation.³

One of the world's oldest family businesses with a continuous genealogy and operating history is Kongō Gumi. Founded in 578 to build Japan's first Buddhist temple Shitennōji on behalf of the Japanese emperor,⁴ the company has over 1,400 years of family tradition. Since Kongō Gumi was taken over by the Takamatsu Construction Group in 2006, the traditional Japanese inn Nishiyama Keiunkan Onsen in Hayakawa, Yamanashi Prefecture, now holds the Guinness world record for the world's oldest family business. It was founded in 709 by Fujiwara Mahito, the son of a retainer of the then Emperor Tenji and has now been owned by this family for 53 generations.⁵ Slightly younger are the traditional inns Sennen-no Yu Koman in Kinosaki Onsen, Hyōgo Prefecture, founded in 717,

1 Gotō (2018), p. 24f.

2 Gotō (2019), pp. 13–17.

3 The average in the US is said to be 20–25 years, see Stalk, G., & Foley, H. (2012).

4 O'Hara (2004); see also Chap. 5.10. A list of the world's oldest companies based on a study by the Bank of Korea (2008) is available online at https://en.wikipedia.org/wiki/List_of_oldest_companies (last accessed 20.5.2021); for a list of the oldest companies in Japan see <https://ja.wikipedia.org/wiki/%E6%97%A5%E6%9C%AC%E3%81%AE%E8%80%81%E8%88%97%E4%B8%80%E8%A6%A7> (last accessed 21.5.2022).

5 See the websites of the family businesses at <https://www.keiunkan.co.jp/en/> and at http://www.keiunkan.co.jp/00_top/guinness.html (last accessed 20.5.2021).

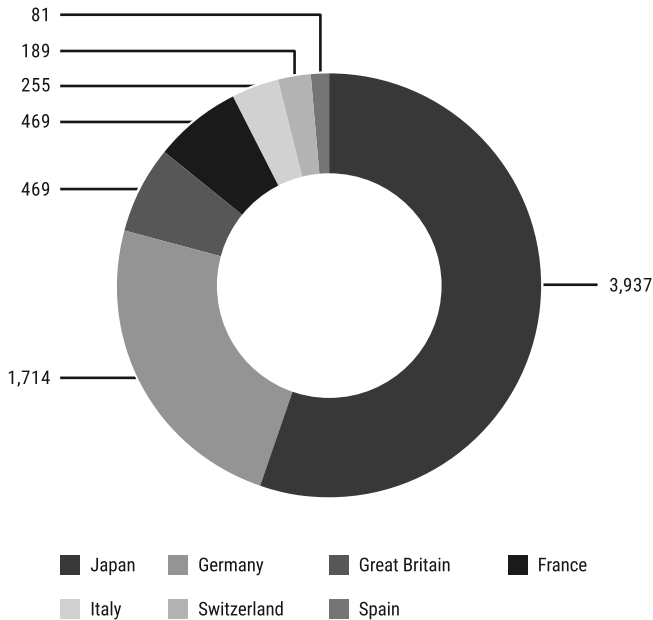


Figure 2. Long-lived family businesses in selected countries. Sorted clockwise by number; source: Figure by the author, adapted from Gotō (2014), p. 84.

and the Hōshi, founded in 718, located in Awazu Onsen near Komatsu, Ishikawa Prefecture. The inns are run by the 46th and 47th generations respectively.⁶

An international comparison from 2006 revealed that more than 50 per cent of the 5,500 family businesses in the world more than 200 years old were based in Japan.⁷ Of these Japanese family businesses, 1,341 are over 200 years old, 636 are over 300 years old and 153 are older than 400 years.⁸ The number increases with the years.

The number of Japanese companies older than 100 years has also increased in recent years, from about 22,000 in 2006 to 28,972 in 2016, to 33,069 by 2017 and 33,259 in 2019.⁹

6 See Chap. 5.10.2 for Koman and 5.10.3 for Hōshi or the websites of the two traditional inns at <https://www.sennennoyu-koman.com/kinosaki/kinosakispa.html> and <https://www.ho-shi.co.jp/en/> (last accessed 20.5.2021).

7 Gotō (2006), p. 521.

8 Nikkei MOOK (2019), pp. 6 and 8; see also the study by Teikoku Databank, Japan's largest database on corporate data: https://www.tdb.co.jp/report/watching/press/s190301_30.html (last accessed 20.5.2021).

9 100nen kigyō 2019:6; for 2017, see http://www.tsr-net.co.jp/news/analysis/20161202_01.html (last accessed 20.5.2021); in the fiscal year 2002, the total number of Japanese companies was 2,626,954 (see Asahi Shinbun Japan Almanac 2005:72); the current figure of about 2.6 million

Table 1. Japan's ten oldest family businesses (*shinise*)

	Year of foundation	Company	Company headquarters	Industry/Product
1	578	Kongō Gumi*	Osaka	Construction/Timber Trades
2	587	Ikenobō Kadōkai**	Kyoto	Education/Flower arranging
3	705	Nishikawa Keiunkan	Minamikoma, Yamana-nashi Prefecture	Hotel and restaurants/Ryokan
4	717	Koman***	Kinosaki, Hyōgo Prefecture	Hotel and restaurants/Ryokan
5	717	Yamashita	Ishikawa Prefecture	Hotel and restaurants/Ryokan
6	718	Hōshi****	Ishikawa Prefecture	Hotel and restaurants/Ryokan
7	718	Kyori	Niigata	Hotel and restaurants/Ryokan
8	724	Imagami Onsen	Yamagata Prefecture	Hotel and restaurants/Ryokan
9	771	Genda Shigyō	Kyoto	Papermaking/Washi
10	784	Gomido Kōgyō	Nara	Mechanical engineering/metal goods

Notes: * no longer family-run since 2016, see Chap. 5.10.1, ** see Chap. 4 Excursus III, *** see Chap. 5.10.2, **** see Chap. 5.10.3. Source: Figure by the authors, based on data from Gotō (2014), p. 84.

Of the Japanese family businesses with a history spanning more than 100 years, almost 90 per cent have fewer than 300 employees and a large proportion of these family businesses have fewer than 30 employees.¹⁰ In contrast, however, there are also long-lived family businesses that are considerably larger and internationally active. The founding of the oldest listed Japanese family businesses can be traced back to the late 16th and 17th centuries. Three family businesses emerged from trading companies and are still active in wholesale trade today; otherwise, the sectors are very diverse. The ten oldest listed family businesses are shown in the following table:

companies in Japan comes from the editor of the 2015, 2018 and 2021 Family Business White Papers, Gotō Toshio.

¹⁰ Gotō (2016).

Table 2. The ten oldest listed Japanese family businesses

	Year of foundation	Company	Company headquarters	Industry/Product	Security identification number
1	1586	Matsui Construction Co., Ltd.	Tokyo	Construction industry (originally timber construction)	1810
2	1590	Sumitomo Metal Mining Co., Ltd.	Tokyo	Mining/non-precious metals	5713
3	1602	Yomeishu Seizo Co., Ltd.	Tokyo	Spirits/herbal liqueur	2540
4	1653	Ozu Corp.	Tokyo	Paper making/ <i>washi</i> (Japanese paper)	7487
5	1666	Yuasa Trading Co., Ltd.	Tokyo	Wholesale/Industrial Machinery	8074
6	1669	Okaya & Co., Ltd.	Nagoya	Wholesale/iron, steel, mechanical engineering, automotive, construction industry	7485
7	1678	Mitsubishi Tanabe Pharma Corp.*	Osaka	Production and distribution of pharmaceuticals	4508
8	1691	Sumitomo Forestry Co., Ltd.	Tokyo	Forestry/wood	1911
9	1717	Ono Pharmaceutical Co., Ltd.	Osaka	Production and distribution of pharmaceuticals	4528
10	1751	Takihyo Co., Ltd.	Nagoya	Wholesale	9982

Note: * Originally Tanabe Pharmaceutical, merged with Mitsubishi Pharmaceutical in 2007 (Japanese name: Tanabe Mitsubishi Seiyaku). Source: Figure by the authors, based on data from Nikkei MOOK 2019:9 and Teikoku Databank 2019.

This list roughly reflects the industries in which the unlisted long-lived family businesses can also be found. In addition to the traditional inns already mentioned, many family businesses are in the food and beverage industry, including the production of Japanese rice wine (*sake*), soy sauce, Japanese confectionery (*wagashi*) or the sale of such products to restaurants for sushi or noodle soups. There are also a considerable number of family-run small trading businesses for specific products such as rice, fish or fruit and vegetables, but also for everyday

goods such as clothing. Wood processing also has a long tradition. To this day, many Japanese houses, Shinto shrines, and Buddhist temples are made from traditional wooden construction methods. In addition, craft industries produce ironwork and wrought iron. The metalworking industry, in particular, contains many very small businesses with up to twenty employees that are still family-run to this day. A breakdown of longstanding family businesses by industry is shown in the following table.

Table 3. Industries with the highest number of long-lived family businesses (*shinise*) in Japan

Rank	Industry	Number
1	Leasing of office space (“office rental”*)	849
2	Spirits/rice wine: production	801
3	Japanese traditional inns (<i>ryokan</i>): Hotel industry	618
4	Rice wine/spirits: retail	611
5	Textile/clothing: retail trade	568
6	Women’s and children’s clothing: retail	535
7	Timber construction/wood industry	492
8	General construction	479
9	Spirits: Wholesale	475
10	Wood processing	434

* “Office rental” is a business sector that has developed since the 1950s. Due to the rapid increase in land prices, (family) businesses have built multi-storey houses on their properties. The business is continued on the ground floor, while office space and flats are rented out on the upper floors. The income from this rental is often more lucrative than the original business. Source: Figure by the authors, based on data from Nikkei MOOK 2019:9 and from Teikoku Databank 2019.

Many of these very small family businesses are not listed on the stock exchange for reasons similar to those in Western nations: they are too small; family entrepreneurs want to retain financial control over their property; disclosure requirements are too burdensome; to avoid becoming the target of a hostile takeover.¹¹

This structure, with a few very large companies and a great many very small firms, is called the “dual structure”¹² of Japanese economy. The phenomenon is also reflected in family businesses. Some large (family) businesses developed into corporate holding companies with firms in various industries whose resources

11 White Paper on Japanese Family Businesses (2018), p. 150.

12 The “dual structure” of the Japanese economy emerged during the period of Japanese industrialisation at the end of the 19th and beginning of the 20th century, see Clark (1979), p. 44, Miyazawa 1976 or in detail under Ch. 2.4.

were controlled by one family – the *zaibatsu*.¹³ Because of their importance for Japan’s economic development, the four largest *zaibatsu* – Mitsui, Mitsubishi, Sumitomo, and Yasuda – have been widely studied. They were closely intertwined with the political and military elite. After Japan’s defeat in the Second World War, the *zaibatsu* were identified by the American high command as warmongering and consequently “broken up” or dissolved. The family members were removed from their leading positions and this form of corporate holding was banned. The term “family business” acquired a negative connotation and was even frequently equated with *zaibatsu*. Academic discussion of the topic of “family in combination with business” became taboo in the following decades.¹⁴ From then on, the term “family business” was equated with small and medium-sized enterprises (SMEs).¹⁵

The role played by family businesses in the Japanese economy has only come into academic focus again after research in Western countries began to look at their countries’ family businesses. In the meantime, the large Japanese family businesses such as Toyota or Suzuki Motors came once again to be viewed favourably, as flagships of global economic success. In the past 15 years, the number of studies on Japanese family businesses has, therefore, also increased considerably in Japan. However, this discussion has predominantly taken place in Japanese and has therefore remained largely closed to Western academics. Only in recent years has the study of Japanese family businesses spread to Western languages¹⁶ and is now attracting increasing attention from Western academics.¹⁷

The Japanese translation of “family business” is *dōzoku kigyō*.¹⁸ However, the neologism *famirī bijinesu* (“family business”) from English is often used to distinguish it from the historical family businesses of the *zaibatsu*. To avoid associating micro-enterprises that are only run by family members with “family business”, other formulations are used, such as the English Japanese hybrid form *famirī kigyō* (translated roughly as “family business”)¹⁹ or paraphrases with

13 *Zaibatsu* literally means “financial clique”. The term itself was coined in the late 1930s when the Mitsui, Mitsubishi, Dai’ichi, Sumitomo and Yasuda banking houses held 26 per cent of all deposits in Japanese banks. On this, see Allen (1981), p. 110; see also Chap. 2.4.

14 Gotō (2015), p. 9. In conversations or interviews with the WIFU research team, the subject of the intertwining with the war economy of the Second World War was also avoided or only indirectly addressed.

15 Tsurata (2020).

16 For example, see Gotō (2006, 2014).

17 For example, see Goydke (2016) and Dinh & Hilmarsson (2020), Ramseyer (1979), Roberts (1991) or Veen (2002).

18 *Dōzoku* translates as “family” or “clan”, *keiei* means management. For the Japanese family system (*ie* and *dōzoku*) see Ch. 4.

19 As, for example, in the title of the 2015 and 2018 white papers; see Gotō et al. (2015) and Gotō et al. (2018).

attributes such as “longevity” (*chōki sonzoku*), “continuation of the business” (*jigyō keizoku*) or “business succession” (*kigyō shōkei*).²⁰

In addition, there is another term for longstanding family businesses in Japan, namely *shinise kigyō*, often shortened to *shinise*, which literally means “time-honoured”, “steeped in tradition” or “long-established company” and is used for family-run companies whose foundation dates back 100 years or more. This is also a conceptual reference to the traditional values from the time of their founding in the pre-*zaibatsu* era.

Shinise research has now established itself as a field of its own in Japanese business studies.²¹ The traditional inns Keiunkan, Koman and Hōshi mentioned above certainly belong to this category. These varied aspects show that Japanese family businesses are also diverse and cannot be subsumed under one term. The substantial interest in Japan in its family businesses is shown by the fact that White Papers are published regularly. Academic research on family businesses is conducted today in many regions of Japan. Tokyo, for example, has its Research Institute for Centennial Management²² and the Japan Family Business Institute,²³ as well as other family business research institutes at universities, such as those at Waseda University or Keiō University.²⁴ The Chamber of Commerce and Industry in Tokyo has also started a campaign to promote *shinise*.²⁵ In central Japan, mention should be made of research at Kansai University and Osaka University, as well as at Shizuoka university and Shizuoka University of Art and Culture.²⁶ Kyoto has the most *shinise* nationwide, and the Kyoto Company Century Club has more than 1,900 members.²⁷ The list of research projects and scholars studying Japanese family businesses is long and continues to grow. As recently as July 2021, Reitaku University in Chiba Prefecture established the Global Family Business Institute.²⁸

20 See Clark (1979), p. 44f. for more details.

21 At the end of 2006, one of the leading representatives of this branch of research, Maekawa Yōichirō, had the term *shinise* protected as a trademark; see Suzuki (2011), p. 71. See also: Maekawa & Suekane (2011). In addition, the term *chōju kigyō* (long-lasting company) is used synonymously.

22 100nen keiei kenkyū kikō, <https://100-keiei.org/>.

23 <https://family-biz.org/> or the Family Business Advisors Association Japan: <https://fbaa.jp/>.

24 Waseda University 2020: <https://www.waseda-family.info/>; Keiō University (Prof. Dr. Isagai Yoshinori), <https://isagai.sfc.keio.ac.jp/shinise/index.html>.

25 <https://www.tokyo-cci.or.jp/chuo/shinise/chie/>, in Japanese.

26 Kansai University, Osaka (Kamei Katsuyuki, <https://www.kansai-u.ac.jp/Keiseiken/english/index.html>), Sone Hidekazu, Shizuoka University of Art and Culture, Hamamatsu (<https://www.suac.ac.jp/english/education/teacher/culture/sonel/>), Ochiai Yasunori, Shizuoka University, Shizuoka (https://mba.nucba.ac.jp/en/faculty/ochiai_yasuhiro.html).

27 See www.kyoto-shinisenokai.com; or <https://shinise.kyoto.jp/>, last accessed on 11.8.2021.

28 See <https://www.reitaku-u.ac.jp/news/news/1775838/>, last accessed on 11.8.2021.

There are several reasons why there are many very old family businesses in Japan. These include the historical framework conditions that have favoured the development of such long-lived family businesses. These are considered in the following chapter.

Chapter 2.

Historical milestones in Japan's development and their impact on family businesses

This chapter looks at important historical milestones that were significant in the development of long-lived Japanese family businesses and in understanding their company history. Certain political events in Japan's history have favoured economic developments or institutions, or promoted the rapid spread of new technologies, or philosophical or religious beliefs introduced from abroad. However, repeatedly, decrees issued by political decision-makers have had a negative influence on entrepreneurial activity.¹ As the origins of the Japanese family business can be traced back to the 6th century, this chapter looks back to the formation of Japan.

2.1 The Japanese Imperial Family²

The first Japanese Chronicles, *Kojiki* and *Nihonshoki*,³ give the year 660 BC as the foundation of the Japanese empire.⁴ These chronicles were compiled in the early 8th century; no evidence remains to substantiate this date for the founding of the

1 The following summarises the historical findings on Japan and is based in particular on the work of Kreiner (2019) and, in addition, Allen (1981), Beasley (1963, 1995), Hall (1968) and Zöllner (2013). Where relevant, further literature is cited. As the original text was written in German, we add literature in English when deemed relevant, e.g. Hall (1971).

2 See from Kreiner (2019), Chapters 1 Kreiner (2019b) and 2 Blümmel (2019).

3 *Kojiki* (712) and *Nihonshoki* (*Nihon Shoki* or *Nihongi*), completed 720, are the oldest written documents on Japanese history which have survived in Japan. The *Kojiki* ("Record of Ancient Matters") is written in classical Chinese and describes the mythology up to the rule of Suiko (592–628). The *Nihonshoki* ("Chronicles of Japan") contains the official imperial history, the cosmogony of Japan, and the genealogy of the imperial family up to the life of Empress Jitō (645–703). The text is one of the oldest surviving records written in the Japanese language.

4 Several names for Japan are used in the chronicles. *Yamato* refers to the region where the ruling house ruled at the time the Chronicles were written. In response to a letter from the ruler of the "Middle Kingdom" (China) to the Japanese ruler of the "Land of the Rising Sun", the term *Nippon* or *Nihon* became established. The term "Japan" is an exonym and goes back to Marco Polo, who during his stay in China heard of the "noble island of Cipangu", the "realm of gold

kingdom. Nevertheless, the myth persists to this day, and 11 February⁵ is celebrated as a “holiday to commemorate the founding of the Japanese state”. Alongside the Gregorian calendar, official documents and newspapers also use the Japanese calendar, which corresponds to the governmental decrees⁶ of the respective Japanese ruler. The term “*tennō*”⁷ is used for the Japanese emperor.

According to this foundation myth, the incumbent *tennō* Naruhito⁸ is the 126th descendant of Jimmu *tennō*, the legendary first ruler of Japan, whose reign is dated in the chronicles to 660–585 BC. Even if we only recognise in the genealogy of the *tennō* family those rulers from the 6th century onwards whose existence is evidenced, no other ruling house in the world can prove its descent over so many generations.

The family history of the *tennō* influences the understanding of family in Japan to this day, as it is stylised as the ideal for the traditional understanding of family. It is based on the principle of passing on the bloodline, in which, according to the historical chronicles, only persons from those families defined as noble in early history may be included. These specifications for defining membership of the *tennō* family were revised at the end of the 19th century and incorporated into the first Japanese constitution. In doing so, the succession was restricted to male descendants, thus conforming to the ideological ideas of the government of the time.⁹ In the meantime, however, this requirement is causing

and pearls”, which he, however, did not visit himself; see Kreiner (2019a), p. 44, or Colcutt (1991), p. 305 ff.

5 See website of the Japanese Embassy in Germany: https://www.de.emb-japan.go.jp/j_info/feiertage.html (last accessed on 30.9.2022).

6 The Chinese calendar was introduced in the 7th century on the Chinese model and, with it, the practice of using era names for regency periods (*nengō*). *Nengō* were frequently objects to change in case of positive matters or for eliminating bad luck. The supreme motto for the Japanese Empire was *wa*, the Chinese character for “harmony”. Since the Meiji period (1868–1912), the *nengō* have been used for the entire regency period of the respective *tennō* and as his posthumous name. The year 2023 is Reiwa 5 (*reiwa* means “beautiful harmony”), the fifth year of the era of Emperor Naruhito (b. 1960) who ascended to the Chrysanthemum Throne after his father’s abdication on 1 April, 2019.

7 “*Tennō*” literally means “Heavenly Ruler” (Blümmel, 2019, p. 64). In earlier writings the term Great King (*ō-kimi*) is used, but since in notes of the Chinese legations the “Ruler of the Middle Kingdom” greets the “Ruler of the Rising Sun Empire”, the term *tennō* becomes established. It is also used in Japan-related academic literature instead of the term “emperor”; <https://www.heraldica.org/topics/royalty/japan.htm> (last accessed 30.9.2022).

8 Website of the Kunaichō Imperial Court Office, <https://www.kunaicho.go.jp/e-about/genealogy/koseizu.html>, <https://www.kunaicho.go.jp/e-about/history/history02.html>, see also <https://www.japantimes.co.jp/news/2018/03/30/national/rites-parade-mark-emperors-accession-0ct-ober-2019/> (last accessed 30.5.2021).

9 The male succession rule was enshrined in the Constitution of 1889 and continued in the Constitution of 1947. A proposed amendment to the constitution has failed to be adopted several times, see Deguchi in Japan Times, 26. 11. 2019: <https://www.japantimes.co.jp/opinion>

succession difficulties for the imperial family, as the line of succession is currently reduced to three persons.¹⁰ Also significant for the understanding of family businesses is the option of abdication, by which duties are handed over to a younger (male) family member.¹¹ The duties of a *tennō* are associated with the performance of specific Shinto rituals, which are considered the cultural heritage of the nation.¹²

The origins of the lineage of the imperial family can be traced back to the 3rd century.¹³ It is known from Chinese sources that at that time various clan families (*uji*) fought for supremacy in the Japanese island kingdom. The Yamato *uji* in the region of present-day Nara was able to unite the country under its rule by establishing a tribute system and, thus, the first hierarchical social structures. The lineage of the *tennō* emerged from this clan, which is why the region around Nara is also considered the heartland of Japan. The Yamato received additional legitimacy as they were the recipients of the exchange of legations with the Chinese ruler. In order to consolidate the dominance of the *tennō* in the country and to be able to present themselves as equals to the empires on the Korean peninsula and Chinese mainland, the Yamato invoked descent from Jimmu *tennō*, the great-great-great-great-grandson of the sun goddess Amaterasu Ōmikami, who is the highest of the many Shinto deities in the pantheon.¹⁴ The dates of Jimmu *tennō*'s life and those of the following *tennō* are listed in the Japanese Chronicles (Nihonshoki) but are not historically verifiable.

/2019/11/26/commentary/japan-commentary/let-will-people-decide-succession-issue/ (last accessed 30.9.2022).

- 10 Male succession is critical because the imperial line is in danger of dying out. Naruhito appointed his younger brother Akishino as crown prince in 2019 in connection with his accession to the throne. The latter's son Hisahito is number two in the line of succession, followed by the brother of the abdicated *tennō*, Prince Hitachi. There are no other male descendants. With the birth of the *tennō*'s nephew in 2006, plans to allow female *tennō* were scrapped again (see Deguchi/JT, previous fn).
- 11 Throughout history, *tennō* have abdicated to avoid possible influence at court, remaining able instead to operate from the background. The latest case is different: Akihito *tennō* abdicated in favour of his son Naruhito for reasons of age. It should be noted here that there are similarities in Japanese families in that sense that the position of the family head is passed on to the younger generation when the senior reaches retirement age; see Chap. 4.
- 12 On the Shinto rituals of the *tennō* after the Meiji Restoration in 1868, see Chap. 2.
- 13 Chinese records of Japan date back to the 3rd century BC, mentioning the "Kingdom of the Wa" or the Yamato. From the 6th century onwards, the Nara region was called the Yamato province. The choice of "wa" or "harmony" as the supreme motto for Japan goes back to these times (Kreiner, 2019c, p. 37). Also, the narrative of the Yamato spirit (Yamato *damashi*), a strong Japanese nation in the Asian region and the Japanese trait of striving for harmony (*wa*) are based on this designation. This narrative experienced a renaissance during the Meiji period, was glorified as a national character for the Japanese during the Second World War and still stands for classic Japanese virtues today (Chap. 3.6).
- 14 On Amaterasu, see <https://religion-in-japan.univie.ac.at/kami/Amaterasu>, which provides details also on other Japanese deities (last accessed on 30.5.2021).

From the 6th century onwards, sources in Japan itself prove the existence of the *tennō* and other historical figures. During this time, Buddhism became widespread in Japan and, with it, the practice of writing in Chinese script. As a result, the 33rd *tennō* was the first whose biographical details have some credibility. This was Suiko *tennō*, who ruled from 592 to 628 and was the first woman to hold the position of head of state.¹⁵ Her name and that of her nephew Prince Shōtoku are associated with the formation of the Japanese state, which will be discussed in the following sections.

Unlike the “Heavenly Ruler” in China, however, the primacy of the *tennō* and his position as head of state was not altered in the following centuries.¹⁶ The *tennō* family is the only one in Japan that does not have a surname, even today. All the other families of the hereditary nobility (*uji*) were given surnames, which they bore with pride and dignity according to their rank, and the continuation of which became the supreme family goal. They competed to obtain important positions at court, from which they sought to influence the *tennō* according to their interests. Another tried and tested means of exerting influence was marriage policy, since claims to the throne could be made via the bloodline, as the continuation of the *tennō* line was thereby preserved.¹⁷

2.2 The foundation of a state and beginnings of Japanese family businesses

The political, economic, institutional, technical, intellectual, religious, and social development of the Japanese island kingdom took place in interaction with, or isolated from, the wider contexts in the East Asian region, and was driven forward or resisted under the influence of developments there.

The period of Japanese state formation is related to the consolidation of empires on the Korean peninsula and in mainland China. Since the first century AD, the Japanese court had maintained friendly relations with the rulers of Kaya

15 Previously, there had been several female shamanic rulers; Chinese sources report, among other things, trade relations with Himiko (c. 170–248) during the Yamatai/Yamato Empire. Since the time of Suiko *tennō*, there has been a change regarding succession practice, which has since been transferred predominantly to male descendants. Only eight of the following *tennō* were women, and these were seen more as placeholders than rulers (www.kunaicho.go.jp/e-about/genealogy/koseizu.html, last accessed 21. 5. 2021).

16 See for example Blümmel (2019), p. 64f.

17 In the post-war constitution, the *tennō*'s family was restricted to first- and second-degree relatives; see the list of official family members at <https://www.kunaicho.go.jp/e-about/genealogy/koseizu.html> (last accessed 21. 9. 2022).

and Baekje¹⁸ in southern Korea. In the 6th and 7th centuries, repeated armed conflicts occurred with the northern Silla and Goguryeo empires who were vying for supremacy on the Korean peninsula. The involvement of the Tang dynasty on the side of the Silla brought them victory, which led to Japan withdrawing completely from Korea. The Kaya and Goguryeo elites sought political asylum in Japan and found new homes in the coastal regions facing the Sea of Japan, among other places. Their followers brought with them new skills in iron and ceramic production, to the benefit of Japanese crafts.¹⁹

The Yamato's domain in the 6th and 7th centuries encompassed large parts of the island empire: from northern Kyūshū in the south to a Niigata-Kantō line including the island of Shikoku. The centre of the Japanese empire was the original Yamato heartland, the region around present-day Nara. An offshoot of the ancient Silk Road, which led from the Mediterranean via Persia and Tibet to China, reached that far, enabling exchanges between many parts of the world at that time. Alongside products that were new to Japan, such as brocade fabrics, tools, pottery and spices, new religious beliefs such as Daoism, Buddhism and Confucianism also arrived in Japan at this time. The Chinese script was also adopted and adapted to the Japanese language.²⁰ The first sources mentioning family businesses, some of which still exist today, date from this time. It was always a special honour for (family) businesses to receive orders from the imperial court or to be allowed to supply it, as this meant that the reputation of the business and family was untainted and that their products were of the highest quality. Of course, this also brought a special responsibility to ensure that this trust was maintained.²¹

18 Baekje or Paekche (18BC to 66AD) was one of the Three Kingdoms of Korea, along with Goguryeo (37BC to 668AD) and Silla (57BC to 965AD).

19 Kreiner (2019a), p. 48f.

20 The pronunciation of the Chinese characters (*kanji*) was adopted, and the respective Japanese pronunciation was retained. Therefore, many of the characters used in Japan have two readings, a so-called Sino-Japanese reading, and a Japanese reading. In combination with other *kanji*, they are mostly used in the Sino-Japanese phonation. Since Japanese grammar differs from Chinese, a syllabic alphabet was derived from the *kanji* (*kana*). "Partial characters" (*katakana*) were developed for annotating Buddhist sutras and are now often used for foreign language words or scientific terms. The "simple characters" (*hiragana*) were used especially by (noble) women and are therefore also called the "women's form" (*onna-gata*). Nowadays, this syllabary is used for case particles (genitive, dative) and the inflectional endings of verbs.

21 In the case of the family businesses considered in Chap. 5, it is mentioned in each case whether there were deliveries to the imperial court; if documented, these could help to verify the age of the family businesses. From the 14th century onwards, certificates awarded by the Shōgun were added, as were, from the 19th century onwards, certificates for products at the various world exhibitions, e.g. Japanese handkerchiefs by Nakagawa Masashichi Shōten (Chap. 5.6).

One of the oldest Japanese family businesses, Kongō Gumi,²² traces its origins to this period. In order to consolidate power internally and externally, Suiko *tennō* appointed her son-in-law Prince Shōtoku Taishi²³ as regent in 593 and entrusted him with the task of introducing a state system based on the Chinese model. He wrote a philosophical treatise of “17 injunctions”, which was based on Buddhist and Confucian ideas and formulated moral teachings for both rulers and the ruled. This body of thought formed the basis for the later division of society into professions, as well as for attitudes towards work and loyalty to the centralised state. It also led to the elevation of Buddhism to the status of the state religion. Buddhism was seen as complementary to Shintoism and, thus, did not contradict the position of the *tennō* as the head of state or his descent from the Shinto sun goddess.²⁴ To promote the spread of Buddhism in Japan, the construction of many temples and monasteries was ordered. Among the first temples in Japan were the Shitennōji in Osaka and the Hōryūji in Nara. Both were built by Kongō Gumi and the buildings of both temples are among the oldest preserved wooden structures in the world.²⁵

The measures begun by Shōtoku Taishi were further implemented with the Taika reforms of 645 and the introduction of a centralised state system based on the Chinese model. Offices and ranks were created at court and their holders given corresponding privileges. The sons of the noble families were educated at civil service schools to prepare them for the duties awaiting them in the state system. Land was granted to noble families in the form of fiefs, and a cadastral system for taxation was established. The arable land was cultivated by the peasants, and since it was to be distributed according to the number of people living there, censuses were held. A household register (*koseki*) was created for each family, which was used as a base for taxation. The individual household (*ie*)²⁶ thus became the basic economic unit.

Following the Confucian model of ancient China, the population was divided into four occupational groups of state servants: bureaucrats or scholars (*shi*), peasant farmers (*nō*), artisans and craftsmen (*kō*) and traders and merchants (*shō*). A hierarchy was established in which the state servants (*shi*) with their qualities of erudition and loyalty to the state occupied the highest level. In second place came the peasants, who produced food to feed the people, then the craftsmen, and finally the merchants. Outside this division were the court no-

22 See Chap. 5.10.1: “gumi” is a term used until the 19th century for handicraft businesses.

23 Prince Shōtoku Taishi (574–622) was both nephew and son-in-law; his likeness is depicted on the 10,000 yen banknote (Series C).

24 For more details on religious thinking in Japan, see Chapter 3.

25 For this reason, the Hōryūji was declared a World Heritage Site in 1993 (www.horyuji.or.jp/en/jgaran/). For the history of the Kongō Gumi family business, see 5.10.1.

26 The Japanese family system developed from this, see 4.6.

bility, who were above the ruled population, and the clergy, comprising Shinto priests and Buddhist monks. This division into occupational groups was mainly conducted to fill the offices at court. However, the form of the Chinese civil service, in which access to education was open to all and the best graduates were accepted into the civil service, did not prevail in Japan. Ministerial posts and court ranks remained in the hands of the noble families. The Fujiwara family developed skills in this regard, holding high offices as early as the Nara period and dominating the court so strongly in the following 150 years that this era bears their name.²⁷

Over time, the court and provincial nobility developed separately; the court nobility increasingly occupied itself with fine arts and transferred more and more individual responsibility to the provincial nobility in the management of their fiefdoms. The system of a centralised civil service education was abandoned, and the organisation of education was transferred to the noble families.²⁸ In practice, therefore, the institutions adopted from China, such as officialdom or the judiciary, were adapted to Japanese needs and further developed. In the provinces, for example, officials trained by the imperial court were initially appointed to supervise the collection of taxes and the performance of labour services. Over time, local administrators took over more and more of the government-appointed officials' responsibilities, making a centralised education obsolete. The peasants, about 70 per cent of the Japanese population, were responsible for the greatest economic output: in addition to working in the fields, they were also required to offer their labour in community tasks such as the construction of Buddhist temples, road building or military service.²⁹

27 The capital was moved from Nara to Heian, today's Kyōto, in 794, which is why the period until 1185 is referred to as the Fujiwara or Heian period; it also marks the flourishing of courtly art and literature. On the interconnections of the Fujiwara family with the imperial court, see Blümmel (2019), pp. 73–75.

28 On the central civil service with the establishment of schools for sons of noble families, see Blümmel (2019), p. 62f. At the Imperial Court, the writing and reciting of poetry was cultivated and considered more valuable than an education for civil servants purely based on Confucian writings (according to the Chinese model). Female education took place within the family and was intended to improve the chances of marriage or of becoming a lady-in-waiting; see Blümmel (2019), p. 84. "The Story of Prince Genji", written around the year 1000 AD by the lady-in-waiting Murasaki Shikibu, is one of the great works of Japanese cultural history.

29 The outcasts, such as the "polluted ones" (*eta*) or the "non-humans" (*hinin*) constituted the lowest class and were not considered part of the social hierarchy in the classification of society. According to Buddhist ideas, activities involving dead living beings were considered "impure", as were, following Confucian ideas, delinquents, because they did not fulfil their duty of contributing their labour for the good of the state. They are also not depicted in later representations of the social stratification pyramid.

2.3 The first *shōgunate* in Kamakura³⁰

Towards the end of the 12th century, a dispute over power and influence broke out between two branches of the Fujiwara: the Minamoto, who were entitled to the succession, and the Taira, who were excluded from it. The feudal lords also became involved in these increasingly warlike disputes. It became obvious that the *tennō* and his court were unable to defend themselves militarily. Military conflicts broke out between the Minamoto and the Taira, from which an army led by Minamoto no Yoritomo emerged victorious. Yoritomo was then given the title of supreme military leader or generalissimo – “Shōgun”³¹ – and, in addition to his military leadership, also gained political leadership. Unlike other military ranks, the position of Shōgun was introduced as a hereditary military title whose legitimacy was based on appointment by the *tennō*. The *tennō* continued to carry out courtly duties and rituals and thus remained the highest authority in the country. To escape the political influences of the court, Yoritomo established the seat of his military government (*shōgunate*) in Kamakura, south of present-day Tokyo and far away from the imperial court. As a result, the political centre shifted for the first time from the centre of the country to the east, that is, from the region around Nara and Kyoto to the Kantō plain. Thus began Japan’s so-called feudal period, the rule of the *shōguns*, the *shōgunate* (*bakufu*) and the feudal lords (*daimyō*), which lasted until the middle of the 19th century.

For Japan’s economic development, this meant that there were now several centres of power interacting with one another. This had an advantageous effect on the infrastructure, with the establishment of long-distance routes over land and along the coasts; where navigable, rivers were also used for transport. The growing towns had to be supplied with food and everyday necessities, which were delivered from the surrounding provinces and provided income for (family) businesses.

At the end of the 13th century, the Japanese empire was threatened from outside for the first time in history. In 1274, the Mongol prince Kubilai Khan³² attempted to invade. The Shōgun now had to prove that he could defend the country and merited the title of generalissimo. He ordered the construction of a defensive wall in the south of Japan. In addition, the *tennō* ordered prayers for the welfare of the country.³³ The Mongol troops succeeded in landing in Japan

30 This section is based on Taranczewski (2019) and Kreiner (2019b).

31 The official title is “*sei’i tai-shōgun*”, which means “great general/generalissimo subduing the barbarians”. This title was awarded in the 8th century for the subjugation of the Emishi, an ethnic tribe in northern Japan. However, this military title was not hereditary at that time.

32 Kubilai Khan (1215–1294) became Chinese emperor and founder of the Yuan dynasty in 1271.

33 Later, the “divine winds” (*kamikaze*) were attributed to the Shinto deity of lightning, thunder and storm, Raijin, whose aid had been invoked at the behest of the *tennō*.

but, without their powerful horsemen, were outnumbered by the Japanese troops, who had the advantage of familiarity with the mountainous coastal region. An emerging typhoon destroyed much of the Mongol fleet and forced Kubilai Khan to retreat. In 1278, he made a second attempt at conquest but, again, a severe typhoon destroyed large parts of his fleet. Although these external (*soto*³⁴) attacks were repelled, they weakened the Kamakura *shōgunate*, for there were no spoils of war to distribute to the victorious Japanese troops. In addition, the peasants had been conscripted to serve as soldiers. As a result, the fields were not cultivated or were only inadequately cultivated during these years, adversely affecting food supplies, and further natural disasters caused famine in some parts of the country. In the following years, feudal lords began to raise their own military forces to secure their resources and arm themselves against plundering and attacks. These initially regional skirmishes increasingly developed into warlike confrontations for political supremacy in the country and finally led to the “Warring States Period” of the 15th and 16th centuries. It was not until the end of the 16th century that the three great generals – Oda Nobunaga, Toyotomi Hideyoshi and Tokugawa Ieyasu – were able to unite the empire and restore domestic peace.³⁵ In the turmoil of these warring times, castle towns as well as villages were repeatedly destroyed. Natural disasters such as earthquakes or floods also caused considerable damage time and again. This affected family businesses as such disasters led to the loss of many written documents that could, for example, have provided information about the continuity of their business. We may assume that there are more traditional family firms whose roots date back to before 1600 than the 150 or so for whom we have evidence.³⁶

Excursus I: The Three “Great Unifiers” of Japan

This excursus describes the three “Great Unifiers”, who significantly advanced or completed the restoration of the central government. Even today, when examining the history of their own families, people look at whether their roots go back to this period, what historical connections there may be, and whether their surnames could possibly be connected to these famous figures.³⁷

34 For details on *uchi/soto* (internal/external) relationships, refer to Chap. 4.3.

35 The Kongō Gumi family business was involved in the construction of the castles of all three “Great Unifiers”, see. Chap. 5.10.1.

36 See Chapter 1 footnote 6, and interview with Hiuke Tamio, CEO of Koman, 17.11.2021 and Kōbe Shinbun (2005).

37 When exchanging business cards, for example, a few words are enough to place the Japanese counterpart in a historical context, if necessary, by asking about the region of origin (*o-kuni*); since this classification is associated with social status and prestige, information is readily

ODA NOBUNAGA (1534–1582) was a distant descendant of the Taira noble family from the Nagoya region. He succeeded in defeating the last Ashikaga Shōgun of the Kamakura *shōgunate* and took control of large parts of Japan. In doing so, he proceeded with little consideration and a great deal of intrigue, snubbing enemies and friends and, ultimately, trusting no one. Nobunaga carried out the first economic reforms, made it possible to break through the strict hierarchy of the estates (see the career of Hideyoshi), pushed back against the influence of Buddhist sects on the imperial court and revived the Shinto by investing in, among other things, the grand shrines in Ise and Atsuta/Nagoya.

TOYOTOMI HIDEYOSHI (1537–1598) was a general under Nobunaga who continued the unification of the empire after Nobunaga's death. The son of a farmer, he had begun his career as a foot soldier (*ashigaru*) and worked his way up through his fighting ability and strategic skill. As a general, he used his wealth skilfully and constantly surprised his opponents with new alliances and well-calculated troop movements. By avenging Nobunaga's death, Hideyoshi made himself Nobunaga's heir. His campaigns in Korea in the 1590s were intended to increase his fame but failed. Internally, he promoted the separation of the samurai from the peasants and ordered the first "sword hunts"³⁸ to disarm the peasants. He built his castle in Fushimi, today a district of Kyoto.

TOKUGAWA IEYASU (1543–1616) was one of five generals to whom Hideyoshi assigned his succession until his son came of age. As a general, Ieyasu was known for his battle prowess and strategic skills. His loyalty was respected but his intransigence feared. After Hideyoshi's death, Ieyasu eliminated the other four generals and completed the unification of Japan at the Battle of Sekigahara in 1600, for which he was appointed Shōgun by the *tennō* in 1603. He transferred the office to his son as early as 1605 and directed the country's fortunes from behind the scenes. Ieyasu chose the fishing village of Edo in Eastern Japan as the location for his residence. It developed into the country's largest metropolis in the following centuries of peace and is today known as Tokyo.

There are various stories about the different characters of the "Great Unifiers"; one tells of how each tried to make a nightingale sing. Nobunaga said, "If you don't sing, I'll kill you." Hideyoshi said, "You must make her want to sing of her own accord." And Ieyasu lay down in the grass and waited until the nightingale sang.

given, see. Chap. 4. In addition, Japanese television series and mangas repeatedly refer to characters or incidents from this period of Japanese history.

38 "Katana-gari", see also footnote 52 in this Chapter.

2.4 The Tokugawa *shōgunate* in the Edo period³⁹

1600 marked the start of a long period of peace for Japan, with Tokugawa Ieyasu's victory over the other feudal lords at the Battle of Sekigahara. For his services in unifying the country, Ieyasu was appointed Shōgun by the *tennō* in 1603. Like his predecessors of the Kamakura *shōgunate*, he chose a place in Eastern Japan, far away from the imperial court at Kyoto, for his residence: the small fishing village of Edo in the Kantō Plain, which gave its name to this era, also referred to as the Tokugawa period. Ieyasu secured power with a series of measures that were to shape the political, economic, and social developments of the following 250 years.⁴⁰

Firstly, Ieyasu had the *tennō* formally confirm that the military title of Shōgun was to be inherited exclusively within the Tokugawa family.⁴¹ Secondly, he distributed the fiefs among his retainers in such a way that the feudal lords loyal to him were positioned in strategically important regions.⁴² He placed three special zones under the special supervision of the *shōgunate*: Kyoto – the residence city

39 The following explanations are based on Distelrath (2019), Nakane & Ōishi (1991), Sansom (1958) and Zöllner (2013).

40 The Shōgun did not have absolute power; he needed the support of the great feudal lords and that of the imperial court for a stable government. This balance had to be renegotiated in every generation, as the ideological guidelines could not be reconciled with economic developments, see Kreiner (2019c), p. 215f.

41 The title of Shōgun was a military one and thus not hereditary. When it was first introduced, heredity had already been established for direct descendants. This written confirmation by the *tennō* as the highest authority in the state also created clarity for future generations. However, the Shōgun now had to ensure that his family produced a male successor to whom this title could be transferred. An end to the Tokugawa line was associated with the end of the right to the title. To avoid disputes within the family, Ieyasu limited the succession to his own sons and excluded other relatives, such as brothers or uncles; see Zöllner (2013), p. 24. As early as 1605, Ieyasu handed over the office to his son Hidetada and controlled politics from behind the scenes; on this, see Kreiner (2019c), p. 185.

42 The fiefdoms, initially about 250 in number, varied in size, with a minimum income of 10,000 *koku* of rice (1 *koku* equals about 180 litres). Larger fiefs were worth about 500,000 *koku*, and the Shōgun ruled over lands worth two million *koku*. These fiefs were subject to taxes, which were collected by the feudal lords and paid to the Tokugawa *shōgunate*. The major fiefs or provinces were held by the 140 or so *daimyō* who had sided with the Tokugawa until the battle in 1600. Frequent transfers of feudal lords occurred at the discretion of the incumbent Shōgun, which was intended to scatter uncertainty among the feudal lords and ensure their loyalty. The defeated lords were not given offices in the Shōgun's court. The actual income of the fiefs usually differed from the official figures, as some income was paid directly to the samurai and was not included in the official statistics. Some of the fiefdoms earned additional income through monopolies, e.g. over salt extraction, mining, or fishing (Zöllner, 2013, p. 19f). These distinctions in alliances on the side of the Tokugawa or on the opposing side had considerable economic effects, which was one reason why the defeated feudal lords did not submit completely; after 250 years, the former opponents in particular advocated the abolition of the *shōgunate* (see Chap. 2.3.6).

of the *tennō* and the imperial court, Edo, and Osaka. Thirdly, he decreed the Edict of Alternating Residences, according to which feudal lords had to maintain a residence in Edo in addition to the castle in their fiefs.⁴³ The families of the princes had to live there as hostages. Fourthly, he reinforced the *shi-nō-kō-shō* division of the population into four occupational groups: samurai,⁴⁴ peasants, craftsmen, and merchants.⁴⁵ Fifthly, several decrees led to the commercial “closure” of Japan (1640)⁴⁶ and the prohibition of Christianity. All inhabitants had to register in a temple to ensure that they renounced the Catholic faith. The Buddhist temples thus received a politically legitimised mandate to oversee the communities’ cult of the dead and ancestors.⁴⁷ For families and family businesses, this meant a long-term commitment to the temple where they were registered, as the family grave was usually located there.⁴⁸ As a consequence of the Buddhist temples’ new engagement with this new task, their influence on political events declined. In the following centuries, neo-Confucians and Shinto theorists increasingly took over the ideological leadership in shaping the political system.⁴⁹

Ieyasu was prompted to enforce the separation of the professions primarily for political power and economic reasons. The samurai were subordinated to the *shōgunate* and the feudal lords; they alone had the right to wield two swords⁵⁰ and they had to settle in the castle towns in the immediate vicinity of their lords’

43 Japanese *sankin-kōtai*. These journeys had to be made with an appropriate retinue and were correspondingly expensive. This was intended to reduce the economic power of the feudal lords, which could have posed a threat to the *shōgunate*.

44 “Samurai” is derived from the verb *saburau*, which means “to serve”. The term *bushi* (“military task/work”) is also often used for the warrior nobility.

45 Japanese *shi-nō-kō-shō* or *mibunsei*. As mentioned above, the *tennō* and court nobility were not included in this stratification system because they were outside the Shōgun’s power.

46 On this, see Distelrath (2019), p. 216f.

47 The Buddhist temples were placed under the “Authority for Religious Supervision”, established in 1640 for this purpose; see Hall (1968), p. 186, and Kreiner (1979), p. 78.

48 The Buddhist monasteries, which had been opposed by Ieyasu’s predecessors, were thus given an important position in the Tokugawa system. Buddhist monks who were seconded to rural areas often also had to look after Shinto shrines. This mixing was not welcomed everywhere. An anti-Buddhist attitude was still to be found among the people, and centuries later the Meiji government was to exploit this in its ideology of state Shinto (see Kreiner, 1979, p. 78).

49 Their concepts of vassalage were particularly directed at the feudal lords and samurai. Peasants and townspeople encountered these concepts less frequently. Their everyday lives were shaped more by Buddhist and Shinto rituals. For more details on religious beliefs, see the following chapter.

50 The two swords, one long and one short, symbolised the status of the samurai. The long sword could only be carried by samurai, the short sword was used for ritual suicide (see Ikegami, 1995, p. 106f). Samurai who voluntarily gave up their social status to become merchants, craftsmen, or farmers “laid down their swords” or “exchanged sword for soroban” (for the Mitsui family, see Roberts (1991), p. 12). *Soroban* is the Japanese abacus, which became the symbol of merchants and money changers in the Edo period.

residences.⁵¹ The rest of the population was deprived of their weapons and divided into rural and urban populations: peasants had to tend the fields while craftsmen and merchants had to settle in the castle towns.⁵² In the following years, under the Tokugawa government, a form of surveillance system was established in the provinces through an administrative apparatus, severely restricting the migration of the rural population. In contrast, merchants and craftsmen were subject to few regulations, especially in the first decades of Tokugawa rule. Many samurai weighed the prospects for themselves and their families and, since it was foreseeable that military activities would decline considerably in future, opted to live as farmers, craftsmen, or merchants, despite the consequent social demotion.⁵³

The peaceful times that were now dawning led to an increase in the population, especially in the castle towns, and above all in Edo. Tokugawa Ieyasu had chosen a strategically favourable location for his new city of residence, in an area where two large rivers flowed into the sea. This meant that goods could be brought in from the hinterland or along the coasts from large parts of the island empire. He was interested in the long-term economic development of the country, and his residential city on the Kantō Plain offered sufficient space for an urban development that was unique in Japan up to that time. A “founding period” began, which was mainly directed toward the new urban centres of the country. Craftsmen were attracted to the castle towns and, like samurai, were supplied by the many small merchants. These formed the nucleus for many family businesses, and the division of society into estates also helped to make it profitable to pass on family-owned businesses. A trader's son took over his father's business or married into another trader's house. This allowed family businesses to develop in many areas, with assets in the form of real estate and knowledge held within the “house”.⁵⁴ Marriages were usually arranged within social classes, although people were anxious to make as good a match as possible and thus enhance their social position. The social classes were permeable in that a merchant could marry a daughter from a peasant household, or a second or third son of a craftsman could

51 Court and warrior nobility received a fixed income depending on their rank and office (Taranczewski, 2019, p. 103). The pay, which was paid to the samurai in the currency rice, it is also referred to in the literature as a “stipend”, see, for example, Beasley (1995), p. 6, or Kōzō (1971). This paper also refers to the economic dependence that arose from this separation of the estates.

52 In 1582, Hideyoshi had already begun to separate the population by occupational groups, in particular by releasing the peasants from military service and sending them back to the fields in their areas of origin. This meant that the peasants had to hand over all weapons of war, such as swords (*katana-gari*) and rifles, to the warrior class of the samurai (Kreiner, 2019c, p. 169).

53 Family businesses whose founders were formerly samurai include the House of Mitsui (Roberts, 1991, p. 9) or the Yamasa company presented in Chap. 5.3.

54 For the “house” and the family system behind it, see Chapter 4.

marry or be adopted into the family of a merchant. Where appropriate, the daughters of lower samurai were certainly married into families of wealthy merchants. Becoming a samurai was far more difficult: it was possible to enter the service of a lord of a castle at a lower rank, but after the unification the days of glorious battles were over and thus this option of a socially prestigious “career” for warriors was not promising.

Within the professions, people were very concerned about reputation and, once their class was determined, remained and socialised in it for much of the Edo period. Social divisions were certainly stricter in the large cities than in more rural areas, and pragmatic solutions were adopted where deemed appropriate. For example, a family could be “upgraded” socially by means of marriage or adoption. Adoption was, therefore, a welcome option in all strata of the population; it improved prestige and reputation, and also served to secure succession. Since, according to the Confucian view, the samurai and peasants were forbidden to engage in monetary transactions, alliances of convenience developed in the period that followed between feudal lords and merchants or between landed gentry, merchants, and large farmers.⁵⁵

2.4.1 Economic development in the provinces⁵⁶

Travel was strictly limited by the Tokugawa *shōgunate* to keep political opposition to a minimum and under control. While the system of changing residences between Edo and their respective castle towns imposed a considerable financial burden on the feudal lords, it also led to vibrant travel routes and brought about a corresponding improvement in the infrastructure throughout Japan. These travel routes developed into trade routes and the towns along them flourished to meet the increasing demand for overnight accommodation including meals. The five major trade routes (*kaidō*) had already been established in the 8th century for administrative purposes and had their starting points in the Nara/Kyoto region. With the beginning of the Tokugawa period, Edo, as the residence of the Shōgun, became the political centre and thus the starting point for travel, pushing Kyoto

55 Even Confucian scholars did not always agree on the separation by occupation and the importance of trade for the economy and well-being. Sokō Yamaga (1622–1685) also considered farmers, craftsmen, and merchants to be indispensable elements of society, who should regard their work as a “heavenly calling” (*tenshoku*), allowing neither selfishness nor greed. The neo-Confucian Norinaga Motoori (1730–1817), conversely, believed that samurai should also be allowed to pursue a trade; (Pohl, 2017, p. 54). There have been repeated cases of the sale of a samurai rank or its redemption, a prominent example being Iwasaki Yatarō, the founder of the Mitsubishi *zaibatsu*; on this, see Kobayashi (1986), p. 6.

56 Satō (1991), p. 37ff.

into the background in this respect. In addition, at least twenty other trade routes developed to the various provinces. Stations with inns and shops were built along the routes at intervals of a day's journey to provide the travellers with accommodation and food. As the landlords regularly travelled with a considerable entourage, the demand for food and goods increased. This ensured good business for the lodgings and shops along the travel routes, which were often family owned. In the inns in areas with hot springs, visitors such as notable princes, landlords or priests sometimes left written papers or calligraphy. It is these documents that help to prove the age of these establishments, which are today identified as among the oldest in the world.⁵⁷

Shrines and temples were also destinations for pilgrimages. They had the right to hold markets at the entrance to their sacred precincts. These markets were managed by wholesalers; retailers wishing to hawk their wares there had to register and pay a fee. The names of certain places go back to these markets.⁵⁸ As early as the 16th century, under the two generals Oda Nobunaga and Toyotomi Hideyoshi, work had begun to break the monopoly of the priests and wholesalers over these markets and place their administration in the hands of the feudal lords or their representatives in rural areas. The first of these "free markets" (*rakuza*) was established by Oda himself in Ohmi province in 1585.⁵⁹ At the beginning of the Tokugawa period, craftsmen and farmers were also allowed to offer their goods at these markets.

Not everyone was allowed to travel. Peasants, for example, were forbidden to move away from their fields and villages to ensure that they could fulfil their task of producing food for the other estates. The feudal lords paid their retainers out of the taxes paid by the peasants. From time to time, natural disasters such as earthquakes or typhoons led to crop failure. This frequently brought famine which, in turn, caused uprisings among the rural population against the imposed tax burden. In addition to tilling the fields, the peasants had to offer their labour for the village community, for example, in firefighting, constructing irrigation systems for rice cultivation or repairing communal village buildings as well as being involved in the joint organisation of village festivals. Additional tasks could be dictated by the respective feudal lords at any time. It is worth mentioning at this point that, during the Tokugawa period, the levy system was changed at village level: tasks or taxes were imposed not on the individual, but on the family or house (*ie*) to which the individual belonged. The *ie* was regarded as the smallest economic unit; in rural areas, it generally constituted a group of five

57 See the oldest Japanese inns, such as Keiunkan, Koman and Hōshi, Chap. 5.10.

58 The character "ichi" for "market" in the city name refers to the markets held; for example, *Yokkaichi* indicates that on "the four days" (*yokka*) markets (*ichi*) were held, i. e. on the 4th, the 14th and the 24th day of the month.

59 Ōishi (1991), p. 12f.

families, which were then collectively responsible for the provision of taxes or tasks. This innovation was economically and socially significant for two reasons: firstly, in terms of the responsibility of the respective head of the family for the well-being, and thus the cohesion, of the individual family; secondly, in leading to a larger collective being regarded as the unit to which individuals were collectively responsible. The individual became part of the context of the family, or the community to which the family belonged. Between the individual and the group, a structure of responsibility emerged in which the individual was seen as part of a larger unit; he or she was “*uchi*” (“inside”), or belonged to, a house or group, and was thus recognised as a member of a family or village. Outside these reference groups, it was difficult for the individual to lead a life and fulfil their obligations to the community.⁶⁰ In rural regions, the coordination of common tasks and responsibility for the inhabitants were delegated to the village chiefs, who took over more and more administrative tasks during the Edo period.

2.4.2 The heyday of castle towns and the prospering urban population⁶¹

Life in the castle towns developed in strong contrast to that of the peasants. Castle towns (*jōkamachi*) had existed since the 4th century but it was not until the mid-16th century in the “Period of Warring States” that the castles were fortified. The *jōkamachi* were divided into districts, with the settlements of the samurai gathered around the castle area, which contained the residence of the lord. At some distance were the districts of the general urban population (*chōnin*). The professions clustered together, and the districts were named accordingly: that of the tea merchants, for example, was known as “*cha-machi*”. Other quarters were named after the origin of the traders there, such as “*Sakai-machi*” for the people from the city of Sakai.⁶² Houses and shops could only be bought or sold with the consent of the entire district. Despite regulations on immigration, the number of people living in the cities increased, both among traders for the steadily growing demand for food and everyday necessities, and craftsmen for the brisk construction activity needed to accommodate the growing urban population.

During the Tokugawa period, the three large metropolises of Kyoto, Osaka and Edo developed. Kyoto was a cultural and religious centre, the city of the imperial court and many shrines and temples, where the court, nobility and part of the warrior aristocracy maintained residences. It was, therefore, mainly home to

60 For the Japanese budget, see in detail Chap. 4.

61 Moriya (1991), pp. 96–146, and Jinnai (1991), p. 124.

62 “*Cha*” is the Japanese word for tea and “*machi*” for city, thus “tea city”, see Sakudō (1991), p. 148.

businesses that produced handicrafts for use in court residences or for ritual acts and festivals. Osaka developed into a centre for trade and finance (see Section 2.4.3) and Edo into a military and political centre. Added to this was Nagasaki in the far West, which became a hub for foreign trade. In addition, smaller town centres developed in the provinces with markets offering local products.⁶³

Tokugawa Ieyasu had indeed shown foresight in choosing Edo as his seat of residence. If other cities, such as Kyoto, were reaching the limits of their growth due to their geographical location, Edo was able to expand into the Kantō Plain. By 1721, the Shōgun's city already had about one million inhabitants, making it one of the largest cities in the world at that time, although this fact was hardly known elsewhere due to Japan's isolation. Approximately half the population were samurai, whose residences extended over 65 per cent of the town's area. The other half shared about 15 per cent of the total area, with the remaining space occupied by shrines and temples (about 15 per cent) and paths and canals (about 5 per cent). A spatial separation of the urban population according to craftsmen and merchants, for example, as might be assumed with the four-class stratification system, did not exist and was not intended.

However, the extent of regulation of the urban population in Edo, for example, varied greatly and depended on the head magistrates appointed for the town who held the position for differing lengths of time. These head magistrates were responsible for a large number of the town's districts and were supported by administrative officers in smaller units and districts, down to the neighbourhoods, which were organised in a similar way to village communities in terms of community responsibilities. The affiliation of these urban dwellers derived from the household to which they belonged, which lived and worked in a particular neighbourhood. Individual professions organised themselves into guilds to control the influx of new firms or goods and to regulate prices. In addition, members helped each other in difficult situations. The *shōgunate* legitimised this form of organisation to guarantee sufficient distribution of trade goods.⁶⁴ Members had to pay a membership fee to the guild, from which taxes were paid collectively. Other tasks, such as the fire watch and the fire brigade, were also organised in the city quarters of the community. Fires broke out again and again in the wooden houses, with their open hearths and wooden basins for heating, and entire neighbourhoods quickly fell victim. Through this dependence on each other in the case of a recurrent and inevitable danger, a feeling of belonging and local community developed. A sense of a specific local togetherness also devel-

63 Moriya (1991), p. 96ff.

64 Guilds (*za*) for silk threads and gold were the first to be officially recognised; at the beginning of the 18th century, further guilds were then licensed, including for silver, copper and certain oils (Hall, 1968, p. 202ff).

oped through jointly celebrated festivals in temples and shrines, which can still be found today among long-established families and family businesses.⁶⁵

The growing urban population was supplied from the surrounding area, in the case of Edo from the Kantō plain, but also partly by water along the Japanese coast or via the various trade routes. The most important trade route was the Tōkaidō, a route of 40 days' march from the seat of the Shōgun in Edo to the seat of the *tennō* in Kyoto and from there on to Hakata/Fukuoka and Nagasaki in Western Japan. Merchants played an important role in supplying the urban population: while their activities were still primarily local at the beginning of the Tokugawa period, their trading activities developed and later often extended over several provinces.

2.4.3 Osaka as a centre of trade⁶⁶

In the Tokugawa period, Osaka rose to become a national centre for trade⁶⁷ because it was conveniently located between the various political centres of Japan and was also easily reached by water. Osaka's economic development was favoured by the fact that Edo was not yet sufficiently developed to take on this function. At the beginning of the Edo period, the coinage system was newly regulated, but the exchange values of the various coins varied in the individual provinces.⁶⁸ Thus, rice was the only means of payment used nationwide, tax revenue was measured in rice, and samurai also received their pay in the form of rice. However, since Confucianism forbade the samurai from trading in money and goods, rice merchants exchanged rice for coinage on their behalf. At the beginning of the Edo period in Osaka, one of the first places of exchange was a square in front of the Yodoya shop.⁶⁹ Its owner was a former samurai from

65 In the case studies in Chap. 5, the commitment of the long-lived family businesses to the local community is discussed. On the sense of belonging to groups (*uchi/soto*), see Chap. 4.3.

66 On this, see Sakudō (1991), pp. 147–166.

67 In the 7th century, the place was called Naniwa, and several *tennō* had their seat of government there. At the end of the 16th century, Toyotomi Hideyoshi built Ōsaka Castle, which was destroyed and rebuilt several times over the course of time, providing a livelihood for many traditional artisan families. In the Tokugawa period, Ōsaka developed into Japan's third largest city, after Edo (500,000) and Kyōto (400,000), with a population of 300,000.

68 Copper coins, mainly imported from China, were used as coinage from the 8th century. However, these only circulated among the upper classes; otherwise, barter was practised. The Tokugawa *shōgunate* did not start minting its own coins until the beginning of the Edo period. The name Ginza (*gin* means silver) of the now famous Tokyo district goes back to the mints for silver coins established there (Kreiner, 2019c, pp. 190–194).

69 Okamoto Saburōemon Jōan had accumulated a certain wealth through the construction of Fushimi Castle. His son Koan supported the expansion of the nearby port of Yodoya and helped to establish a transshipment point for rice and vegetables. Soon the place became the

Okayama, an area that had been conquered by Oda Nobunaga. As a masterless samurai, he had to find a new income and therefore started a timber trade in what is now the Yodoyabashi district. He soon took to exchanging rice for coin currency; in other words, he started running a form of currency exchange. Other merchants followed his example, and soon word spread that it was advantageous to have a place where such currency exchanges could operate uniformly. As time went by, more and more feudal lords started to build storehouses in Yodoyabashi and trade their rice there, which led to more and more exchange offices opening as well. The money changers founded a stock exchange in 1697 for about 1,300 rice traders, including 800 wholesalers (*tonya*) and 500 brokers. From about 1710, the latter began to issue so-called rice notes (*nobemai*) and to conclude forward transactions on the expected tax revenue of the coming harvest in rice. The prices determined at this rice exchange were recognised as valid nationwide and transmitted to the other parts of the country by courier or by flag. To participate in barter transactions, rice traders and brokers had to be members of the exchange.

The rules for trade in rice were transferred to other agricultural products in the following period. As the most important trading centre in Japan for foodstuffs, Osaka became known as the “kitchen of Japan” (*tenka no daidokoro*).⁷⁰ Money changers, goldsmiths, silversmiths, and similar professions increasingly performed “bank-related activities” and developed from a lower state into a kind of “Japanese high finance”.⁷¹

2.4.4 The economic importance of traders⁷²

Due to the strict division of professions, the *shōgunate* itself could not conduct monetary transactions. It therefore appointed ten merchant houses to conduct conversional transactions on its behalf. These transactions were not altruistic, as evidenced by the fact that the trading houses accrued considerable wealth. Since the ruling class had little concern with economic matters, they failed to tax the profit or turnover of merchants. This allowed merchants, for example, to set

main transshipment point not only for rice but also, for example, for imported raw silk (Sakudō, 1991, p. 150f).

70 For the history of the Japanese rice exchange Dōjima, see: www.jpx.co.jp/dojima/de/index.html (accessed on 20.5.2022).

71 Quoted from Pohl (2017), p. 58.

72 In Japanese, the term “kakun” or “kakin” are usually used for family constitutions, i.e. “house rules” or “codes”; see Yoshida (1976). The term “kaken” is used for formal documents in the sense of a “constitution”, such as that of the Mitsui house, as distinct from “rules for business” (*tensoku*) (Ramseyer 1979, p. 210).

interest rates at whatever level they deemed appropriate to the current economic situation and allowed merchants operating nationwide to vary the interest rate depending on the region. In times of crisis, however, the *shōgunate* or feudal lords could oblige these merchants to lend them money or cancel a repayment due.

In keeping with their status, the *shōguns* themselves usually had little knowledge of economic matters, and the administration of finances was left in the hands of *shōgunate* officials. One exception was the 8th Tokugawa Shōgun, Yoshimune,⁷³ who regularly asked for information on the finances of his estates or the national economy and made economic decisions himself. This distinguished him from his predecessors, who paid little attention to the finances of the *shōgunate*. Yoshimune, in contrast, initiated stronger controls over the merchants to standardise and stabilise prices for food across the country.⁷⁴ From then on, traders had to acquire licences, and professions had to organise themselves into cooperatives to reduce price fluctuations caused by regional events such as crop failure due to natural disasters. To stabilise the economic situation, Yoshimune not only introduced far-reaching reforms but also imposed a frugal lifestyle on the *shōgunate* and the vassals. Yoshimune's successors profited from the coffers he had filled and returned to a more dissolute lifestyle. With such role models as the head of state, it was difficult to demand an abstemious lifestyle from vassals. Many samurai lived beyond their means and were correspondingly indebted to merchants.

From time to time, rich merchants also tried to gain more privileges which they flaunted, even though their social position did not entitle them to do so. Their overly extravagant appearance could lead the Shōgun or feudal lords to intervene and order debt forgiveness for samurai, bringing more than a few merchants to the brink of ruin. To avoid such a fate, merchants developed a code like that of the samurai and wrote rules of conduct for their descendants as well as house rules for employees.⁷⁵ The House of Mitsui, for example, wrote in its family constitution that it would not accept public office, in order to be spared such financial obligations or unexpected debt cuts.⁷⁶ The Mitsui family constitution was one of the first and most comprehensive of its kind, and was later used by other family businesses to write down their house rules. It served to regulate their legacy as well as to record rules of conduct for everyday life. These included commandments to observe a modest lifestyle, Shinto and Buddhist rituals and

73 Yoshimune (1684–1751) was an experienced feudal lord in the Kii Province before he ruled as *shōgun* from 1716 to 1745. He was able to temporarily improve the poor financial situation of the *shōgunate* but not to stabilise it permanently (Hall, 1968, pp. 189ff).

74 Beasley (1963), pp. 24–25; Hall (1968), pp. 189ff.

75 For the Ohmi traders' codes, for example, see Suenaga (2019) or Najita (1987).

76 The Mitsui family constitution of 1722 set out, among other things, the hierarchy of family tribes for succession; see Roberts (1991), Appendix, p. 513ff, and Mitsui (1942) p. 4ff.

the veneration of ancestors.⁷⁷ Similar formulations can be found in other house rules, such as those of the Okaya family. Here, explicit reference is made to the division of society and the associated duties of the individual classes, whose allocation must be upheld and respected: “Samurai study the martial arts and work in the government. Farmers till their lands and pay their taxes. Artisans labour in their family industries and pass on to their children the family traditions. Merchants have trading as their duty and must trade diligently and honestly. Each of the four classes has its own way and that way is its true way.”⁷⁸

Due to the separation of the estates imposed by neo-Confucian ideology, relations between the *shōgunate* and feudal lords on the one hand and the merchants on the other were ambivalent. While involvement in finance was frowned upon among the samurai, they increasingly incurred debt to finance a lifestyle befitting their status. Financial hardship in individual provinces repeatedly led to landlords raising taxes, unilaterally dictating debt cuts, or issuing other economic policy edicts, such as devaluing the provincial currency. This led to inflation and caused discontent among the rural population, who had to bear the heaviest tax burden and whose discontent was repeatedly vented in revolts. In most cases, the feudal lords had to revoke these edicts after a short time. During the Edo period, therefore, the economic balance within the four-class system shifted in favour of the merchants, some of whom became as wealthy as the landlords of larger fiefdoms.⁷⁹

2.4.5 Contacts with foreign countries⁸⁰

In addition to domestic political developments, foreign policy also had a significant influence on the economy. As already briefly mentioned, the Japanese government's foreign policy commitment depended primarily on how relations with the Chinese empire were structured. Domestically, acceptance of any government depended on how credibly the impression could be conveyed that the Japanese empire was independent and not subject to tribute.

Trade with neighbouring countries was conducted mainly via Nagasaki in southern Japan. Foreign trade with the Korean peninsula took place via the island of Tsushima, and trade with China and Southeast Asia was conducted via the kingdom of Ryūkyū,⁸¹ a group of islands around Okinawa that extended south

77 The importance of religious beliefs is discussed in Chapter 3.

78 Article 5 of the Okaya Family Rules, see Ramseyer (1979), p. 229f; also Chap. 5.1.

79 Beasley (1963), p. 8, 27f.

80 Kreiner (2019c).

81 From 1609, the island kingdom of Satsuma (now Kagoshima Prefecture) was annexed, but it was largely allowed to retain its independence so that Japan could profit from trade. In 1871,

from Kagoshima to Taiwan. Ryūkyū was an independent kingdom that was a tributary of China, which allowed for indirect trade. Especially in the second half of the 14th century and the 15th century, it flourished through a triangular trade with Japan (silver, swords, lacquerware), China (copper coins, silk brocade, medicinal herbs) and Southeast Asia (spices, sugar cane, incense), as China had unilaterally broken off the exchange of legations with Japan and withdrawn from maritime trade in the region. In the mid-16th century, Portuguese – and, a short time later, Spanish – merchant ships arrived in Japan. They filled the vacuum left by China and brought competition for the Ryūkyū traders. In addition to their trade goods, the Portuguese and Spanish brought firearms to Japan for the first time, which considerably changed the political conditions as well as the warfare of the samurai.

Catholic missionaries also arrived in Japan on board these ships and were initially allowed to carry out missionary work. Christianity spread rapidly, especially after the baptism of the Prince of Shimazu in the province of Satsuma on the southern Japanese island of Kyūshū, as it was customary for the population to adopt the faith of the sovereign. However, Christianity's egalitarian treatment of people and god's claim to exclusivity were increasingly seen by the Shōgun as a threat to his own political and religious order. In 1637, Christianity was thus banned, and Portuguese and Spanish traders were expelled from the country.⁸² Only non-Catholic traders of the Dutch United East India Company were allowed to trade abroad; violation of this edict resulted in expulsion or the death penalty. The Dutch traders had to move to the island of Deshima in the port of Nagasaki and were only allowed to enter Japanese territory or move around the country under strict supervision. Some of their representatives had to bring the Shōgun information on the political situation in Europe and explain new achievements in military technology or medical knowledge⁸³, information made available by the Shōgun to only a very small circle of people. The pursuit of such knowledge of

the island kingdom of Ryūkyū became a prefecture and was administered to Kagoshima; it came under American occupation in 1945 and has been handed over to Japanese administration in 1972 and became Okinawa Prefecture.

82 The first expulsion of priests began as early as 1587 under Hideyoshi, who had issued a ban on the practice of the Christian faith. The 2nd Tokugawa Shōgun renewed the ban in 1612, and after 1640 Christians who did not renounce were executed or expelled from the country. Over 300 martyrdoms are recognised by the Catholic Church (Hall, 1968, pp. 185f). Until the beginning of the 20th century, the Japanese were denied the right to follow the Christian faith.

83 Almost all medical doctors aboard the trading ships from the Dutch Vereenigten Oostindischen Compagnie (VOG) were Germans, as e.g., Engelbert Kämpfer (1690–92 in service at VOG) or Philipp Franz von Siebold (1823–29 in service of VOG, 1859–63 clerk at a Dutch trading company in Japan and later also consultant to the Shōgun) who collected information on Japan and brought them to Europe; see Kreiner (1984), p. 28ff, and Kreiner (2019c), p. 150–54.

Western science was referred to in Japan as *rangaku* (literally, “Dutch studies”).⁸⁴ The *shōgunate* was better informed about the political situation and state of technology and science in Europe than vice versa.

2.4.6 The end of self-imposed seclusion

The American Commodore Matthew Perry, who anchored in Edo Bay in 1853 with his heavily armed “black ships” and demanded that the country open up to trade with America, caused a political earthquake in Japan. Some feudal lords wanted to expel these foreign “barbarians”, just as the Mongols had been expelled in the 13th century. Given the military superiority of the Americans and the technological backwardness of the Japanese, this was a naïve position. The Shōgun could not avoid agreeing to a partial opening up of Japan and signing the first American Japanese trade agreement in 1854. This Treaty of Kanagawa⁸⁵ ended almost 250 years of isolation for Japan. Domestically, the treaty considerably weakened the position of the Shōgun, who was unable to fulfil his responsibility of ensuring the country’s military security. A small group of feudal lords who had opposed the Tokugawa in 1600 took advantage of this opportunity and forced the 15th Tokugawa Shōgun, Yoshinobu, to give up his position in November 1867. In his place, a group of oligarchs from the court and Tozama feudal lords⁸⁶ took over leadership of the state. These oligarchs formed the new Meiji government, which acted in an advisory capacity to the *tennō*. On 3 January 1868, the *tennō* declared the restoration of his power. This so-called “Meiji Restoration” marked the beginning of a new era in Japan’s history.⁸⁷

84 It was not until 1820 that the ban on studying foreign books was relaxed, so that scientific achievements from Europe could also be used in Japan (Hall, 1968, p. 219f).

85 The Treaty of Kanagawa, or the Treaty of Peace and Amity, allowed American ships landing in the ports of Shimonoseki and Hakodate to take on provisions and trade. This was the forerunner of the first “American Japanese Treaty of Peace and Trade Treaty” (“Harris Treaty”), which was concluded in 1858. It was followed in the same year by treaties with the Netherlands, Tsarist Russia, France, and Great Britain, in 1861 by a treaty with Prussia and in 1868 by one with Austria. These “unequal treaties” contained clauses that worked to Japan’s disadvantage, such as a fixed exchange-rate ratio or the extra-territoriality of citizens of the signatory states living in Japan. The treaties were only fully equalised when Japan was internationally recognised as an equal great power after its victory over Russia in 1905.

86 The Tozama feudal lords were among those who had been subjugated by Tokugawa during the unification of the empire, for example in Satsuma (now Kagoshima), Chōshū (Yamaguchi), Hizen (Nagasaki or Saga) and Tosa (Kōchi).

87 Since the political upheaval was limited to the upper class of samurai, and most of the population was not involved in disputes over the balance of power, the return of power from the Shōgun to the *tennō* is referred to as a “restoration” of the old political system rather than a revolution.

The oligarchs received financial support from well-known merchant families. The connections of members of the young Meiji government to the Mitsui family, for example, are well documented.⁸⁸ Members of other (family) businesses, however, also had connections to the highest government circles at the height of the political upheaval.⁸⁹

2.5 The Meiji Period: The Dawn of Modernity in Japan⁹⁰

The Meiji period began with political upheaval: in 1868, the residence of the *tennō* was moved from Kyoto to Edo and the city was renamed Tokyo, literally “Eastern capital”. The members of the new government returned their fiefs and thus renounced a large part of their privileges. The division of society into four classes was abolished, making all the Japanese equal or socially equivalent subjects of the *tennō* with a free choice of occupation. Many of the former samurai were employed as civil servants, teachers or in the newly emerging police and military services. Whereas China had previously been the great role model, it was now the West that was considered “modan”, or modern. Legations were sent on behalf of the government to Western countries to study Western institutions and technologies and introduce the best of them to Japan. Members of these foreign missions later became members of the Meiji government or acted as its advisers.⁹¹ Japan adopted what was considered the most appropriate systems for the country at the time, combining the constitutional system of government from England and Prussia with military technology and organisation from France and Prussia,⁹² naval expertise from England and the USA, civil law from France⁹³ and medicine including technical terms from Germany, to name but a few examples.

88 Roberts (1991), p. 95, and Chap. 2.5.1.

89 Katsu Kaishū, for example, one of the central negotiators between the Tokugawa *shōgunate* and the *tennō* for the return of political power, received financial support from the owner of the Yamasa soy sauce brewery; see Ohara (2017), p. 7, as well as Chap. 5.3.

90 Mathias (2019), pp. 322–380, Allen (1981) and Beasley (1963).

91 The first missions travelled to Europe and the USA from the middle of the 19th century, when the seclusion policy had been relaxed to some extent; see Hall (1968), pp. 278–280. The Iwakura Mission (1871–1873) was assembled and financed by the Meiji government; it met foreign governments (including the German Emperor and Reich Chancellor Otto von Bismarck) and visited major industrial sites (e.g. the Krupp factories in Essen in March 1873) and kept a meticulous diary. In Frankfurt, it visited the Dondorf & Naumann printing works, which printed the first Japanese banknotes; see Wattenberg (2002), p. 106.

92 In 1872, a standing army was established, and Prussian military advisors were brought in for training (Krebs, 2002).

93 The constitution was formulated according to the Prussian model, to which end Herrmann Roesler, a student of Freiherr von Stein, was brought to Tōkyō (Andō, 2002; Röhl, 2002).

Foreign advisers were brought to Japan to help the government in its efforts to modernise the country in many different areas.⁹⁴

In 1890, the first constitution of the Japanese Empire came into force, under which Japan became a constitutional monarchy with the *tennō* as head of state and a bicameral parliament based on the Prussian model.⁹⁵ The desire to place the country rapidly on a par with Western nations was a major undertaking. Scholars agree that Japan's modernisation could only take place so quickly because the foundations for it had already been laid in the previous Edo period.⁹⁶ The removal of the restrictions imposed by the division into estates created the opportunity for entrepreneurial activity. Experience from former business areas could be transferred to new ones. The credit system, for example – the lending of money to or the exchange of money between fiefdoms – formed the basis for an early banking system that provided the financial resources for entrepreneurial activities in new business areas. State investments flanked these early developments. However, they also led to economic policy mistakes that could only be corrected slowly. Land reform, for example, was intended to regulate land ownership and help farmers earn more income. In practice, however, the plots were too small to enable the farmers to pay the high taxes, and many small farmers therefore sold their land and became dependent tenant farmers instead of gaining the capacity to farm independently. In contrast, large farmers were able to increase their holdings and were also given financial opportunities to invest in rural industrialisation. They were also now able to engage in trade and the supra-regional distribution of their products, which had been denied them under the feudal system of the Tokugawa government. For example, after the Edo period, when rules restricting the wearing of silk and cotton to the nobility, clergy and samurai were dropped, demand for both fabrics rose sharply, creating new jobs in the rapidly expanding textile industry.⁹⁷

94 According to Philipp Franz von Siebold, see footnote 83. Several medical terms were adopted from the German and are still in use today. By 1900, about 3,000 foreigners were employed at the expense of the Meiji government, consuming up to one-third of the state budget; see Hall (1968), p. 280f.

95 See Ando (2002) for the drafting of the Japanese constitution and Röhl (2002) for the influence of German law; on the emergence of political parties, see Oberländer (2019), p. 300f.

96 The market-oriented production of the sake and soy sauce breweries required the development of special technologies, for example in the production of barrels or in the management of storage facilities, from which “modern” business areas could develop further (Pohl, 2017, p. 59f).

97 Silk soon became a popular export to Europe, where diseases among silkworms had brought production in Italy and southern France to a standstill around 1860. Since production in China had collapsed after the Opium Wars, Japanese silk was able to fill this gap and exports expanded rapidly. However, the expansion in cotton and silk came at the expense of ramie and hemp production, which until then had provided an income for many farmers and craftsmen. One of the few businesses that survived this period is presented in Chap. 5.6.

The greatest difficulties for the Japanese government were financial. The Tokugawa *shōgunate* had already been permanently underfunded. The young Meiji government, wanting to strengthen the power of the central government, transformed the fiefdoms into provinces.⁹⁸ With this move, it cancelled the debts of all noble families and feudal lords, bringing some banking houses into ruin. At first, the feudal lords insisted on retaining the currencies and coinage rights they had received in the Tokugawa period. As these multiple currencies had to be converted laboriously between regions of origin and destination, the Meiji government pushed for rapid standardisation and began issuing banknotes⁹⁹ in a uniform national currency, the yen. Minting rights and coins were also brought under the control of the central government in 1871. At the same time, the government had to deal with the consequences of clauses in the “unequal treaties” with Western powers, in which the international exchange rate of the Japanese yen had been fixed to Japan’s disadvantage.¹⁰⁰ The different exchange rate systems for silver and gold abroad led to an uncontrollable outflow of gold reserves from Japan within a very short time. The Japanese government was slow to get a grip on the financial system. Due to a lack of funds, state investment in the development of infrastructure could only take place on a small scale in the form of pilot projects. Therefore, the Meiji government used its relationships with the trading houses that had become wealthy¹⁰¹ to encourage them to use their resources to expand international trade, invest in new technologies and build up new industries in Japan.

The first decades of the Meiji period were once again a kind of “founding era” in which many of the family businesses that are now over 100 years old were formed. New technical achievements and scientific knowledge led to an increase in agricultural production,¹⁰² and better nutrition combined with the spread of Western medicine improved hygiene and living conditions, which helped to reduce infant mortality and extend life expectancy. Knowledge of how to improve hygiene through using sterilisation in the bottling process, for example,

98 The transformation of the fiefs lasted until 1888. A hereditary nobility system, based on the Chinese nobility system and expanded to include elements of the British peerage system, was introduced for court nobility and feudal lords and lasted from 1869 to 1947. The practice of adoption meant that to continue the family, adopted sons could also enter the peerage. Since 1947, only members of the imperial family have borne titles of nobility. Daughters who marry into the bourgeoisie leave the family and lose the title (Wakabayashi, 1991, pp. 25–57).

99 The first banknotes of the Japanese central currency, the yen, were printed in Frankfurt, see footnote 91.

100 On the exchange rate system during this period, see Distelrath (2019), pp. 255–259.

101 On the Mitsui connections, especially with Prime Minister Inoue Kaoru, see Roberts (1991), p. 95ff. Inoue lobbied for Mitsui to be given supervision of the mint after 1871, which, for example, oversaw the exchange of the old yen for the new yen.

102 The production of rice, for example, doubled in the period 1900–1930, although the number of people employed in agriculture fell from 15.8 to 13.7 million; see Beasley (1995), p. 119.

which came to Japan after the opening up to the West, was used in the production of soy sauce or sake. Products could now be preserved for longer and thus transported to more distant regions, which meant for the family businesses concerned that their brands became known across the country, and they were able to increase sales to meet expanded demand.¹⁰³

Western products also enjoyed increasing popularity among the Japanese population. These included not only clothing, food, and beverages, but also pharmaceutical products and everyday items.¹⁰⁴ In the area of food and beverages, for example, the import of wine, beer and spirits was expanded, stimulating entrepreneurial attempts at domestic production.¹⁰⁵ Over time, expensive imports were replaced by domestically manufactured products which were later exported. The state created favourable conditions for the development first of light and later of heavy industry. Even if these changes did not always occur smoothly, this “revolution from above” was for the most part peaceful, and the transformation from feudal governance to modern state was achieved in an astonishingly short time. Within a few decades, Japan had caught up with its Western counterparts in terms of industrialisation.

2.5.1 The large family businesses of the *zaibatsu*¹⁰⁶

Bringing the individual feudal lordships together into a central economic system with a financial system that was also compatible with international practices was one of the great challenges for the new Meiji government. In this regard, the merchant families who were experienced in these matters – and who provided a substantial proportion of the financial resources with which a banking system could be built up and new branches of industry established – were important partners. Some of these merchant families, such as the Mitsui and the Sumitomo, could already look back on centuries of family history by that time. The history of the four major *zaibatsu*¹⁰⁷ is briefly outlined below, as they played a major role in

103 See the case study of Gekkeikan in Chap. 5.2.

104 For example, toothpaste, see the case study of Shiseido in Chap. 5.8.

105 In the mid-19th century, beer was consumed mainly by foreigners in Japan. Production in Japan was started in Tokyo, Osaka and Sapporo by foreign experts or Japanese who had learned abroad. It was only after 1890 that significant demand developed in Japan and companies such as Kirin, Asahi and Sapporo Beer flourished; see Fuess (2006), p. 45ff. For Suntory's activities in the production of beer and wine, see Chap. 5.9.

106 On the development of *zaibatsu*, see Allen (1981), p. 136ff, Beasley (1995), p. 114ff, and Okazaki (2000), p. 352ff.

107 The Big Four *zaibatsu* are Mitsui, Mitsubishi, Sumitomo, and Yasuda; in banking, the “First Bank” of Japan, Dai'ichi, founded with the support of Shibusawa Eiichi (see Excursus II), is

Japan's economic development during this period. These examples are also important for understanding longstanding family businesses because they transferred the family systems of *ie* and *dōzoku* to business and thus shaped the image of family businesses in Japan. With their organisational form of a main house with branch shops, the merchant families of the Tokugawa period were forerunners of the holding companies that were able to operate nationwide as well as internationally after the Commercial Code came into force in 1891.¹⁰⁸

The Mitsui had become wealthy in the Tokugawa period through the trade of textiles and financial services. Originally samurai from Ohmi province, they had escaped the threat of defeat at the hands of Oda Nobunaga by fleeing with their belongings to Matsusaka on the Kii Peninsula. There Mitsui Sokubei Takatoshi decided to abandon the sword in exchange for the soroban and to start trading in sake and miso.¹⁰⁹ His son, Takahiro, opened a haberdashery shop called Echigoya in central Edo in 1673, which is considered the cornerstone of the family business. Takahiro was assisted by his younger brother Takatoshi, who proved to be more capable and took over the management of Echigoya, later opening a currency exchange office with branches in Kyoto and Osaka.¹¹⁰ In order to regulate his own succession and ownership of the business, Takatoshi wrote down his ideas on a desirable way of life and the organisation of the family business. This document was passed on to Takatoshi's son, Takahira, in 1722 as the family constitution of the House of Mitsui. It regulated in detail which of the branch families were included in the Mitsui clan and entitled to inheritance (*dōzoku*), what rights these individual branch families had and how the financial resources were to be distributed within the family lines.¹¹¹ The structure of the family business, with its human and financial resources, was similar to a holding company; it was centrally managed and administered by the head of the main line

also counted among the Big Five, although it was not a family business; see Beasley 1995, p. 116f.

108 Okazaki (2000); Staden (2008).

109 Mitsui Sokubei Takatoshi (year of birth unknown–1633) renounced his status as a samurai and as head of the provincial administrators in Ohmi province in 1616. His fourth son, Hachirobei Takatoshi, (written with different characters) is the founder of the House of Mitsui, (Roberts, 1991, p. 11f). In subsequent generations, successive heads of the main line of the Mitsui family holding the position at the top of the House of Mitsui also took the name Hachiroemon. The first names of all the sons include the *kanji* for “Taka” as the first character. See also Excursus IV.

110 Mitsui Hachirobei Takatoshi expanded the business by attracting townspeople as well as the aristocracy as customers; he was also one of the first merchants in Japan to implement the business strategy of buying goods on credit and selling them for cash; Roberts (1991), p. 17.

111 The family constitution outlines the succession arrangements and endows the head of the main line of the family with extensive rights, including the power to decide on the choice of marriage partners; on this, see Roberts (1991), pp. 513–517, and Horide (2000), pp. 32f. On the family structure of stem and branch families, see Chapter 4.

of the family but gave individual branch families or their branch businesses a certain degree of independence in terms of economic management. During the Edo period, the Mitsui benefited from their business presence in the country's major economic centres, as they were able to balance profits and losses between individual regions and exploit the information they gathered about market developments to their economic advantage. At the beginning of the Meiji Restoration, when the feudal domains were abolished, Mitsui Hachiroemon Takayoshi¹¹² advised the Meiji oligarchs and supported them in, among other things, founding the first Japanese bank. His son, Saburosuke Takaki, became the first "treasurer" of the Meiji government.¹¹³ The Mitsuis used their contacts in government circles to invest and diversify into many of the new industries. By the 1920s, Mitsui had become the largest of the four *zaibatsu*, an industrial conglomerate with trade and production in various industries such as mining, shipping, railways, construction, engineering, and paper, financed by a house bank headed by the respective head of the main line of the family.

Sumitomo's origins also date back to the early Tokugawa period. The founder, Sumitomo Masatomo (1585–1652), started trading in medicine and books in 1615. His friend Soga Riemon owned a copper smelter and forge and, based on information about Western smelting techniques, had developed a process for separating copper and silver that was unknown in Japan until then (the Nanbuki process). Riemon's son, Tomomochi, took the family name of Sumitomo after marrying Masatomo's daughter. This brought knowledge of the Nanbuki copper process into the Sumitomo family.¹¹⁴ Tomomochi also introduced the process to other Japanese mines and succeeded in persuading the *shōgunate* to issue an order that only copper obtained by this process could be exported, for quality reasons. In the Tokugawa period, copper – along with camphor and silk – became Japan's main export goods, shipped by Dutch and Chinese traders to all parts of the world, including Europe. Sumitomo alone was responsible for about 60 per cent of this copper trade during the Edo period. At the beginning of the Meiji period, the expansion of the port facilities in Kōbe contributed to a shift in international trade from Nagasaki in Western Japan to the central region. Sumitomo benefited greatly from this shift and diversified into coal mining, mechanical engineering, and forestry.¹¹⁵ In addition, the family business supported

112 Mitsui Takayoshi (1808–1885) led the family business in the 8th generation "much like a Shōgun" (Roberts, 1991, pp. 5 f.); Mitsui adopted the legal form of a holding company in 1909 (Okazaki, 2001, p. 6).

113 Roberts (1991), p. 82f.

114 Riemon's eldest son Tomomochi (1607–1662) joined the Sumitomo family as son-in-law (*yōshi*, see Chap. 4.2); www.sumitomo.gr.jp/english/history/s_history/japan_co/, last accessed 21.5.2021.

115 www.sumitomo.gr.jp/english/history/s_history/entury/, last accessed 21.5.2021.

the development of the Japanese financial system and provided capital for the establishment of Japan's first bank.

Other *zaibatsu* emerged in the period of upheaval after the Meiji Restoration. Mitsubishi, for example, was founded in 1873 by Iwasaki Yatarō,¹¹⁶ who came from the province of Tosa in the south of Shikoku. When the feudal lords had to return their privileges to the Meiji government, Yatarō took over from the local clan the monopoly rights for camphor, tea, timber, and coal mines, as well as eleven ships. After initial difficulties in holding his own in the maritime trade, he found a lucrative opportunity transporting troops for the new Meiji government.¹¹⁷ In shipping, he skilfully took over trade routes previously dominated by foreigners, became involved in the construction and repair of ships, and developed the docks in Nagasaki to become the largest shipyard in Japan. Within a very short time, Yatarō was able to build up a shipbuilding empire that included over 80 per cent of Japan's coastal shipping or merchant ships registered under the Japanese flag.¹¹⁸ Using, when needed, aggressive "wining and dining" negotiating tactics to advantage in later business deals,¹¹⁹ he diversified into other industries such as mining and finance, and soon became Mitsui's biggest rival. After his untimely death in 1885, his brother Yanosuke took over the company, followed by Yatarō's son Hisaya. Both were able to build on their close contacts with the government to further expand the business conglomerate.

Yasuda was the fourth of the great *zaibatsu*. Its founder, Yasuda Zenjirō, came from a low-ranking samurai family in Toyama province on the Sea of Japan. Apprenticed to a money changer in Edo at the age of 17, he started his own business, Yasuda-ya, in 1864 and became wealthy at the beginning of the Meiji period because of the changeover from the monetary system of the Tokugawa period. Among other activities, he bought undervalued yen banknotes and exchanged them with the Meiji government at face value. With the capital thus gained, he was one of the founders of the Third National Bank and took on financing assignments for the Meiji government. In 1880, he founded his own banking house, specialising in the financing of medium-sized businesses and industrial plants. At the same time, Zenjirō entered the insurance business and expanded into a range of insurance sectors, including real estate and shipping. In

116 Iwasaki Yatarō (1835–1885) initially called his trading company Tsukumo Shōkai; when he changed the name to Mitsubishi Shōkai, he also changed the logo with the three diamonds converging in the middle, which is still used as Mitsubishi's trademark today; Yamamura (1967), p. 146; Beasley (1963), pp. 145f.

117 The government troops that Yatarō transported to Kyūshū in 1877 ended the rebellion of Saigō Takamori of Satsuma, who had opposed the opening of Japan; Yamamura (1967), p. 151.

118 Yamamura (1967), p. 151.

119 Yamamura (1967), p. 152.

1913, he merged his financial businesses into the Yasuda Bank, which thus became the largest of all *zaibatsu* banks. At Zenjirō's death in 1921, Yasuda was the fourth-largest *zaibatsu* and he was the richest man in Japan with an estimated fortune of 18 million yen.¹²⁰ The company shares were held entirely by the Yasuda family. Zenjirō had three sons and two daughters and was succeeded in the company in 1921 by his eldest son, who changed his name to Zenjirō II on taking over the business. The other two sons and the two sons-in-law also held senior positions in the various *zaibatsu* companies.¹²¹ Despite his initial closeness to government circles, Zenjirō gradually distanced himself from the political elites. With his fortune, he restored an old 17th-century *daimyō* residence with a famous Zen Garden which is open to the public. He also endowed a high school, the Hibiya Public Hall Kōkaidō at Hibiya Park, and the Yasuda Auditorium of the present-day Tokyo University.

These accounts are intended to show, by way of example, the different backgrounds of the individual *zaibatsu* and the entrepreneurial opportunities available amid the political and economic upheaval of the late 19th century. The great entrepreneurs of the Meiji period were said to have a “business patriotism” based on the spirit of the samurai, emphasising their commitment to society by putting their business acumen at the service of their country.¹²² They developed strategies for promoting industry and trade to enhance Japan's standing on the international world stage. The methods by which the businessmen prospered did not, however, always conform to the “virtues of the merchants” propagated in the Edo period, nor those included in many family rules, namely modesty in appearance and sincerity towards the customer. The aggressive business practices of Iwasaki Yatarō were also viewed critically, as they showed the negative sides of capitalist trade. The dispute between Iwasaki Yatarō and Shibusawa Eiichi, who had a different concept of capitalism (*gappon-shugi*), namely using capital for the good of society, shows that ideological differences divided opinion. Although Shibusawa Eiichi did not run a family business in the definition followed here, his work will be discussed at this point.

120 Yasuda Zenjirō (b. 1838) was assassinated by an ultra-nationalist in 1921 because he did not want to make a donation to the latter's political aims; www.ndl.go.jp/portrait/e/datas/343/ (last accessed 30.9.2022).

121 Yasuda Zenjirō's second eldest daughter, Teruko, married the second son of the Itōchū house, who then took the family name Yasuda and renamed himself Zensaburō to express that he felt he was the third son of the founder Zenjirō (Excursus IV on naming in Japan) and was committed to the founder and the family business. The granddaughter of Yasuda Zensaburō and Teruko is Ono Yōko, the widow of John Lennon.

122 See Kimura (2021), p. 139f. and Friedson & Kikkawa (2013), Jones (2013) and Sagers (2018).

Excursus II: Shibusawa Eiichi, the “Father of Japanese Capitalism”

SHIBUSAWA EIICHI (1840–1931) was one of the few financial experts of his time and had a decisive influence on the economic development of the Meiji era. Eiichi came from a farming family in the north of Tokyo that had achieved prosperity by dyeing cotton cloth with indigo and cultivating mulberry trees. He was born the third son but became the ‘eldest’ son¹²³ after his two older brothers died young.

He had at an early age attracted attention for his diligence and skill in financial transactions. At the age of 16, he entered the service of the noble Hitotsubashi Keiki, who was to become the last Tokugawa *Shōgun*. Eiichi helped the Hitotsubashi family to build the financial foundations from which to raise their own troops, as the feudal class system did not allow samurai to handle finances. In 1867, shortly before the Meiji Restoration, Eiichi was given the opportunity to accompany Keiki’s younger brother in Japan’s official delegation to the World Fair in Paris. On this trip, he devoted himself with great zeal to the study of Western banking and finance. It is said that Eiichi was very impressed by a conversation between a French banker and a high-ranking officer, who talked as equals; the banker experienced none of the condescending treatment that Japanese merchants had previously had to endure from samurai.

This experience drove him to advocate that everyone in Japan should have equal rights and live in prosperity. The understanding of a social order (*kanson minpi*) based on Confucian teachings and divided into an honourable upper class (the sword-carrying nobility or government officials) and a subordinate class (farmers, craftsmen, and traders) was to be overthrown. During his stay, Eiichi developed his own ideas for the organisation of limited liability companies. Shares in these companies were to be open to all strata of the population, and the capital accumulated in this way was to be used for investment in areas of public interest, for example for the development of infrastructure, so that resources could be used for the common good (*gapponhō* or *gappon-shugi*).

After his return, Shibusawa Eiichi joined the Meiji government’s newly established Ministry of Finance. The introduction of the US banking system with a central bank and regional banks that could also issue banknotes was his initiative. He considered this structure more suitable than the British system with a strong central bank, since the central government still had too few resources of its own to be able to use financial policy means effectively. In 1873, together with Iwasaki Yatarō (Mitsubishi) and capital from Mitsui, he organised Japan’s first national

123 This was accompanied by a change in his first name; his name at birth was Saburō (given to the “third son”, Excursus IV), www.shibusawa.or.jp/english/eiichi/biography.html (last accessed 30.5.2021).

bank as a joint-stock company which also had the right to issue banknotes. Eiichi soon left the Ministry of Finance, as he saw more opportunities in the private sector to put his knowledge and skills to good use. He participated in the establishment of approximately 500 limited liability corporations, advised about 600 other private organisations in the fields of education, social welfare, and international exchange, and encouraged the establishment of the first Chamber of Commerce and Industry in Japan, which he chaired for many years. Eiichi can be considered one of the founders of modern Japan. Unlike other entrepreneurs of the time, he had little personal wealth. In his understanding of *gappon-shugi*, economic activity should be in harmony with an ethic that focuses on the well-being of society.¹²⁴

It is less well known that he was also involved in the reorganisation of administration in the early years of the Meiji period, after which, for example, family registers (*koseki*) were no longer kept in temples but by local authorities. His commitment to the development of the Japanese economy during the Meiji period earned him the epithet “the father of Japanese capitalism”.¹²⁵

2.5.2 The economic development of the 1920s and 1930s

In the late 1920s, the term *zaibatsu* (literally, “financial clique”¹²⁶), came to be used for these conglomerates. By far the largest was Mitsui, with about 120 separate corporations in various industries, which were either owned or controlled through share ownership or the appointment of directors. Mitsubishi was the second largest *zaibatsu*, diversified to a similar degree, and Yasuda was the largest *zaibatsu* in banking and finance. These three family-owned companies had their headquarters in Tokyo. Sumitomo, in contrast, was based in Osaka. Other *zaibatsu*, such as Ōkura, Furukawa or Nakajima, were much smaller and mostly active in only one industrial sector. What they all have in common is that their capital was under the control of one family and that several male family members were actively involved in the management of the individual branches. These so-called “old *zaibatsu*” are distinguished from the “new *zaibatsu*”, which

124 Shibusawa gave several lectures on his concept of economic action for the good of society and published them under the title “Rongo to soroban”; see Moriya (2010) for a translation into modern Japanese.

125 Shibusawa Eiichi also introduced double-entry bookkeeping in Japan. In 2024, 10,000-yen notes with his likeness will be put into circulation.

126 Beasley (1995), pp. 116–118.

were founded as corporations in the first two decades of the 20th century and whose shares were no longer majority-owned by one family (e.g. Nissan¹²⁷).

The *zaibatsu* are emblematic of Japan's rapid industrialisation. Also linked to the rise of the *zaibatsu* is the emergence of the "dual economic structure" – comprising a few large companies and many small and micro suppliers – that characterises the Japanese economy to this day.¹²⁸ In 1930, for example, more than half of those employed in the manufacturing sector worked in one of the approximately one million companies with up to five employees, most of which were family-run.

The 1920s and 1930s saw a rapid increase in the population, which settled mainly in the cities and found employment in the new light and heavy industry enterprises there. Life in the city brought with it a separation of living and working; families became smaller and financially more independent of the family unit. A "modern" new lifestyle began to take hold in the big cities, with Western furniture, crockery, and clothing, spreading soon afterwards to the rural regions.¹²⁹

By 1920, the economic boom from which Japan had benefited following the First World War had stalled. In addition, natural disasters repeatedly caused economic hardship. The great Kantō earthquake destroyed large parts of Tokyo in 1923¹³⁰ and caused extensive damage in the surrounding regions. Many family businesses also suffered significant losses. Shipping and mining recovered only slowly, and imports soon outstripped exports. Attempts to stabilise the economy after the earthquake were slow to take hold, while an increasing interdependence with international exchanges of money and goods also meant that crises in these markets spread to Japan. "Black Friday" on the New York Stock Exchange in 1929 led to a wave of bankruptcies among Japanese banks and traders engaged in international business. The global financial crisis finally plunged Japan into a severe depression.¹³¹

127 Nissan was not a family business according to the definition that a single family held the majority of the shares. However, the Aikawa family is said to have had decisive managerial influence until the end of World War II; see Morck & Nakamura, 2003, p. 375.

128 The few *zaibatsu* dominated much of the banking business and foreign trade. The five largest banking houses – Mitsui, Mitsubishi, Yasuda, Sumitomo and Dai'ichi – held about 19 per cent of private banking capital in 1927; see Beasley (1995), p. 117f.

129 Although families were still legally integrated into the extended family, in the larger cities in the 1920s and 1930s, workers and employees in particular were already living predominantly in nuclear families. In contrast, in artisanal businesses the living quarters and workshops remained under one roof; see Mathias (2019), p. 365f.

130 The Kantō earthquake hit family businesses in this region particularly hard. In other regions, repeated earthquakes also plunged local and family businesses into serious crises; see for example Koman (Chap. 5.10.2) or Awazu Onsen Hōshi (Chap. 5.10.3).

131 Allen (1981), pp. 103–106.

These economic crises hit the rural population hardest. Since many sons of peasants were now serving in the army, discontent over the economic situation was politicised and discussion of it extended into the military, contributing to the rise of militarism in the 1930s.¹³² The large corporations of the *zaibatsu* profited from arms procurement for the military, which dominated the elected political leadership from the early 1930s. From 1931, this militarisation led imperialist Japan in the name of the *tennō* into a war on the Chinese mainland, where the Japanese shadow state of Manchukuo was established and, from 1941, into the Second World War after the attack on Pearl Harbour.¹³³

2.6 After the Second World War¹³⁴

Following four years of losing battles in Asia and after two American atomic bombs were dropped on Hiroshima and Nagasaki, Japan surrendered on 15 August 1945. Under General Douglas MacArthur, the Supreme Commander of the Allied Powers, a policy of demilitarisation and democratisation began, under which the *zaibatsu* were broken up and the holding company structures banned. This experience led to the term “family business” becoming associated with the *zaibatsu* and the consequent negative connotations it gained in the following decades. The terms *ie* and *dōzoku*, the family tree and its branch families also had negative connotations and were not readily discussed. Henceforth, when people spoke of family businesses, many thought of the very small “corner shops”.¹³⁵

When war broke out on the Korean peninsula in 1950, the USA changed its policy to make Japan a close ally in the Pacific. The revised Japanese constitution had already come into force in 1947, according to which the role of the *tennō* was reduced to representative functions. In 1952, Japan gained its independence and an economic upswing followed, offering many opportunities for Japanese family businesses. The 1950s, therefore, saw a wave of founding companies, just as at the beginning of the Meiji era.

One of the characteristics of successful Japanese companies after the Second World War was the development of horizontal and vertical networks with “family-like” structures. In the management of large Japanese companies, the socio-emotional understanding of the “company as a family” was transformed

132 On political developments, see Klein (2019), p. 381 ff; on economic development Beasley (1995), pp. 132 ff and 184 ff respectively.

133 Klein (2019), p. 398 ff; Beasley (1995), 199 ff; on Japan under the war economy, see Okazaki (1996).

134 On economic development in the post-war period, see Allen (1981), p. 187 ff, and Klein & Kreiner (2019), p. 419 ff.

135 Gotō (2006, 2014).

into a functional role by means of a “lifelong” company affiliation.¹³⁶ Cross-shareholdings created horizontal network structures¹³⁷ and vertical networks emerged through the structured organisation of supplier relationships.¹³⁸ The economic upswing brought Japan double-digit growth rates in the 1960s and 1970s, and the inter-industrial network relationships earned the country the reputation of an economic power¹³⁹ in the 1980s.

After the bursting of the real estate bubble in 1989, Japan experienced another turnaround in the mid-1990s when, spoiled by growth, it slid into a deflation from which it has still not fully and sustainably recovered, despite several large financial packages.¹⁴⁰ Post-capitalist Japanese society faces new challenges. One of the countries with the highest life expectancy, it also has one of the lowest birth rates in the world. Immigration and naturalisation are still difficult in Japan today; only about four per cent of the total population of 128 million¹⁴¹ have a migration background. The challenges this poses for family businesses are discussed in more detail in Chapter 7.

In summary, Japan’s history can be divided into distinct periods in which the development of family businesses was favoured:

- Company foundations from the 8th century to the “Warring States Period” (15th to 16th centuries), as evidenced by surviving documents;
- Company foundations in the Tokugawa or Edo period (from 1600), when family businesses were able to develop amid political stability;
- Business foundations in the Meiji period, a time of modernisation in Japan after the opening up of the country (from 1868) in which, firstly, many of the *shōgunate*’s regulations were lifted; secondly, the population growth within Japan made new economies of scale possible and, thirdly, new products and technologies entered the country;

136 See Aoki & Dore (1996), Asanuma (1996), Dore (1987) and Goydke (2016).

137 After holding structures were banned, Japanese companies developed a different structure, the “*keiretsu*”, (literally, “business lines”), namely company networks in which companies within the network were given preference in the awarding of contracts or loans, or managers were reciprocally sent to supervisory bodies. Regular meetings of company heads were also held; see Caspary (2003a, 2003b), Eli (1988), Gerlach (1992), Hoshi (1996), Sheard (1996) and Waldenberger (2016).

138 See Eli (1988), p. 19f, and Moerke (2006), p.75ff, as well as Caspary (2004), Clark (1979), Ohsono (1995) and Pascha & Storz (2000).

139 On the Japanese economic miracle, see Klein & Kreiner (2019), p. 442ff, and Vogel (1979), and on the expression of the Japanese firm (*kaisha*) Aoki (1996), Whittaker (1996) and Yoshimura & Anderson (1997).

140 Also called “Abenomics” after the then Japanese Prime Minister Abe Shinzō, see Klein & Kreiner (2019), p. 474.

141 See Table 4.

- Company foundations in the first three decades of the 20th century, when Japanese companies became increasingly active abroad;
- Company foundations after the Second World War (from 1945).¹⁴²

Since this volume looks at longstanding family businesses, the presentations and analyses refer primarily to developments in the first four periods. As mentioned in the previous chapter, approximately 22,500 family businesses in Japan today are more than 100 years old. They have experienced some of the historical milestones described here, survived various crises caused by political events, and received new impetus in times of upheaval. In the description of the companies presented in Chapter 5, many of the events mentioned here are discussed further in terms of how they have specifically influenced the development of family businesses.

Table 4. Population of Japan

1880	approx. 38 million
1930	approx. 57 million
1960	approx. 82 million
1985	approx. 120 million
2010	approx. 128 million (maximum)
2019	approx. 126 million
2025	approx. 123 million (forecast)

Source: Statista 2021

142 We do not elaborate on the “wave” of starting business which began after the Plaza Accord of 1985, when major industrialized countries agreed on ending the system of fixed exchange rates which was in place since the 1950s. The appreciation of the Japanese Yen against the US Dollar which followed allowed many (family) firms to expand domestically and internationally. We neither cover business foundations of the 21st century as they cannot be considered ‘longlived family firms’, the topic of this book.

Chapter 3. Religion and Ritual in Japan

Having provided an overview of the milestones in the historical, political and economic development of Japan, this chapter addresses in more detail the religious beliefs mentioned above. This is relevant to the development of family businesses in several ways. Religious beliefs have given rise to rituals that have shaped the moral concepts¹ that guide Japanese families, and hence Japanese society, for centuries. Rituals form the basis for forms of interaction within the family and the company, beyond purely religious meanings and ties, as an expression of the unique Japanese culture. The distinction between ritual and religion is central to the Japanese context. Since the end of seclusion and a new, intense contact with the West towards the end of the 19th century, successive Japanese governments have emphasised precisely this point and implemented it in law. In the Japanese view, the Shinto in particular is a ritual with a moral character, not a religion in the sense of the European confessional religions.²

3.1 The importance of rituals

As will be explained in 3.2, many of the rituals to be found in the everyday life of long-lived family businesses can be traced back to Shinto rituals derived from the annual cycle of nature and the life cycle of humans. Over the centuries, such rituals have repeatedly faced the influence of beliefs from abroad, but their core implementation has been preserved as traditional Japanese culture. If we look at the ceremonial functions of the Japanese imperial court as an example, the *tennō* is today a political institution with representative functions only. The Japanese constitution of 1947 stipulated the separation of state and religion. As a result of this clear legal requirement, the rituals performed by the imperial family were

1 Kawano (2005), p. 54f, speaks of the “moral order” of rituals, in which the aspect of ritual purification is central, as it contributes to hygiene in social relationships.

2 See Horii (2018), pp. 4, 53; Hardacre (1991), p. 18.

stripped of their religious character. They are now referred to as “traditional culture”,³ derived from rituals from the Yamato and Heian periods. The Shinto rituals of the Japanese Imperial family took place in public then as now, in the sense that they were held in front of the members of the court, but without the participation of the public, or only in the role of spectators.

In connection with the institutionalisation of the Japanese state in the 7th century, an office of cosmology (*onmyōdō*) was established in the Ministry of the Interior to oversee the correct practice of Daoist and Shinto rituals.⁴ The rituals based on Confucian ethics that arrived in Japan at this time were acceptable because of their moral structure but not with the strict views on family ties and ancestor veneration that prevailed in China.⁵ Buddhist beliefs that came to Japan during this period initially appealed to the ruling class and were adapted to existing Shinto traditions.⁶ The imperial court office of cosmology ensured that the rituals continued independently of Buddhist influences over the centuries.⁷ In the period after the Meiji Restoration of 1868, and particularly from the 1930s until the end of the Second World War, Shinto rituals were loaded with the ideology of nationalism.⁸ However, the *tennō*'s renunciation of his divinity at the promulgation of the post-war constitution of 1947 brought the moral moment of the rituals back to the fore. They are performed to confirm the social order codified within them.

Core elements of the rituals are the bowing to higher or superior beings (ancestors, spirits, persons), the cleansing of places and the purification of body and soul, as well as the offering and sharing of offerings.⁹ Bowing expresses the hierarchical order of the individual in the cosmos. Adopted in everyday ritual, bowing, by being performed with the body, physically expresses the hierarchical

3 Bernstein (2008), p. 67f, Hardacre (2017) and Teuween (2020), p. 64; see the official website of the Imperial Court Office at www.kunaicho.go.jp/e-about/activity/activity02.html (last accessed 21.5.2021).

4 The Office of Cosmology represented an antithesis to the Buddhist schools that sought to influence the *tennō* family, see Hall (1968), p. 56f. On the yin-yang doctrine, see www.uni-vie.ac.at/rel_jap/an/Denken/Yin_und_Yang (last accessed 21.5.2021).

5 Confucius had himself emphasised the ritual character of his teaching and rejected the religious ancestor worship practised in China in his time.

6 See Kreiner (1979), p. 75f.

7 The Meiji government, lacking its own references, built up the *tennō* as a unifying institution of the state vis-à-vis the Western nations and used its rituals of ancestor veneration in its ideology of state Shinto; on this, see Horii (2018), p. 55f. Since the rituals had different origins, it was not possible to rededicate them exclusively to the *tennō* in the long term. After the end of the war, though, this made it easier for the population to continue some of the everyday rituals, precisely because they were not connected to the *tennō* in their performance. After 1947, the Office of Cosmology was incorporated into the Kunaichō Imperial Court Office.

8 See Kawano (2005), p. 10, and Kreiner (1979), p. 75.

9 For the following descriptions, see Kawano (2005), pp. 40–48.

position of one's person in relation to the counterpart or the environment. It is also an expression of gratitude and respect towards the other party. To this day, bows follow special rules that are hardly comprehensible to those who have not been brought up with them.¹⁰

Likewise, cleaning the house or workplace is not only motivated by hygiene; it is a cultural act, an internal tidying conducted to feel better about oneself and thus includes a moral component of self-education in orderly behaviour towards society. External tidying also serves this purpose,¹¹ intended to create a feeling of well-being for the environment through the order created. These feelings of cleanliness and freshness are also evident in cleansing rituals. The concept of cleansing the body and mind stems from the idea of dividing the world into the "pure" and "impure" rather than "good" and "evil". It involves a demarcation between two poles, which can also be expressed as "up/down", "front/back" or "inside/outside".¹² Offering and sharing in ritual acts express moral notions of interdependence and reciprocity. The individual exists only in the context of those around them, from which they develop a sense of gratitude that is affirmed by establishing and maintaining good relationships with others, and expressed through greetings, favours, or gifts¹³ as well as eating and celebrating together.

In the WIFU research team's interviews with the longstanding Japanese family businesses, Shinto and Buddhist rituals were frequently mentioned in connection with family celebrations. Their importance for the family as well as for the family business was highlighted, as certain rituals are celebrated together with employees. This joint ritual practice strengthens the sense of belonging in the company and also has an effect on the local community, which is also involved in certain celebrations.¹⁴

10 On the "embodying" of the rituals, which also include the "kokoro" (heart, mind, spirit), see Kawano (2005), pp. 40f, 47.

11 Tidying up encompasses many areas: the workplace, the home, the tombstone and, especially, the "big clean-up" (*ō-sōji*) at New Year, see Kawano (2005), pp. 42–44.

12 E.g. Kawano (2005), p. 116; see also Chap. 4.3.

13 When exchanging gifts on specific occasions, the feeling of freshness and newness is an important aspect; see Kawano (2005), p. 46, also the list of occasions in Hamabata (1990), p. 19f.

14 In connection with a rather large Shinto shrine in a meeting room, the family entrepreneur hastened to point out to the WIFU research team that this shrine had "no [religious] significance at all".

3.2 Religion and Religiosity

As described in the previous paragraph, the use of the term “religion” in Japan and Asia is based on a different understanding of religiosity than seen in the German or European context.¹⁵ The Japanese population tends to adopt a reserved, even dismissive, attitude towards the topic of religiosity. When asked if they are “religious”, most Japanese answer “no”,¹⁶ which is surprising given the many visitors to the thousands of shrines and temples across the country. At New Year alone, more than four million people visit the Meiji Shrine in Tokyo, and other shrines and temples are also visited in the first days of the New Year by millions of people asking for luck, health and success in the upcoming year. This discrepancy between statements about “religion” and actions needs further explanation.

The Japanese term “shūkyō”, meaning “religion”, was created by Japanese intellectuals for use in the first Japanese constitution of 1889, as it became necessary to distinguish between “religious” and “secular” matters, according to the thinking of Western nations.¹⁷ Until then, the term “kirishitan” had been used for Christians in Japanese, denoting the faith of the Roman Catholic Church which had been brought to Japan by the first Catholic missionaries in the 16th century.¹⁸ After the opening up of Japan in 1868, the Americans, Prussians and Russians brought other faiths to Japan. The Western powers demanded the free practice of their Christian religion, and since the Meiji government wanted to enact a “modern” constitution to express an understanding of Japan that was close to the thinking of the European Enlightenment, it was decided to use the term *shūkyō* for “religion”.¹⁹ In this way, the “foreign” faiths were conceptually distinguished from the Shinto-Buddhist tradition of Japanese influence.²⁰

15 For discussion, see Kawano (2005), p. 9. Horii (2018), p. 1, therefore suggests not applying the term “religion” to Japan. See also Gnam (2021). For an overview of “Religion in Japan”, see the digital handbook of the same name maintained by Bernhard Scheid since 2001: www.uni-vie.ac.at/rel_jap/an/Religion-in-Japan.

16 The Japanese term for “non-religious” is “mushūkyō”. Figures according to the *Japan Statistical Yearbook 2021*; see also Hendry (2019), p. 158, or LeFebvre (2015), p. 190f.

17 See Horii (2018), p. 53f, Josephson (2012) and Iwasa (2018), p. 144f.

18 As outlined in the previous chapter, the practising of Christianity was forbidden in the Tokugawa period on pain of death; Dutch people did not consider themselves “kirishitan” because (as Protestants) they did not adhere to the Catholic Christian faith of the Spanish and Portuguese missionaries.

19 This term “shūkyō”, which is primarily used for Western confessional religions, has subsequently also been adopted in Korean and Chinese, see Fitzgerald (1993), Hardacre (1991).

20 Nevertheless, the constitution of 1889 was unable to prevent the deification of the *tennō*, as happened in state Shinto. In 1947, the *tennō* renounced his divinity; this topic has been tabooed ever since, see Kawano (2005), p. 10.

Discussions about the use of the term “religion” for the equivalent practices in Japan continue to this day.²¹ The term has gained acceptance insofar as it has been used since the Second World War by the Japanese Ministry of Culture for surveys on religious behaviour.²² According to these surveys, the majority of all Japanese consider themselves “non-religious” and only about ten per cent say they belong to a religious organisation.²³ Nevertheless, today more than 87 million of the total of about 126 million Japanese feel they “belong” to Shinto, 84 million to Buddhism, just under two million to Christianity and 7.8 million to others, including the so-called “new religions”.²⁴ It should be noted that Japanese religious organisations rely entirely on donations. Information on affiliation to shrines and temples in these and similar surveys is based on reports to the statistics office of how many ceremonies were performed for naming, marriage, or burial.²⁵ However, these data do not necessarily correspond to Western notions of belonging to a religious organisation among the believers who perform the ceremonies. For the Japanese, there is no contradiction in a child being named in a Shinto ritual, marrying in a Christian ceremony, and being buried according to Buddhist ceremonial rites. The ceremonies performed over the course of a life do not have necessarily to follow the rituals of the same religious organisation,²⁶ nor do they necessarily have to involve a visit to a sacred building. Many rituals that are firmly anchored in Japanese everyday life are those performed at home. Traditional households often contain both a Shinto and a Buddhist house altar. The Shinto home altar (*kamidana*) is placed up high, beneath the ceiling, to express spatially the “higher” nature of the deity worshipped there.²⁷ *Kami* (deities)²⁸ protect the space that is most important to the individual or family. Therefore, *kamidana* are installed in the room where guests

21 However, these formulations offer little help in distinguishing between “religious” and “secular” in the Japanese context; Horii (2018), pp. 4, 10ff.

22 Horii (2018), p. 4.

23 On “nonreligiousness” in the context of marriage ceremonies, see LeFebvre (2015), p. 190.

24 On the historical development of the sense of belonging to Shinto, Buddhism and, after the war, the “new religions”, see Kawano (2005), p. 11f.

25 Kreiner (1979), p. 63; Kawano (2005), p. 9f.

26 Wedding ceremonies may be non-denominational, Christian, Shinto or Buddhist. They are performed in the corresponding denominational sacred buildings but are now also offered by agencies in specially equipped premises, see LeFebvre (2015), p. 191.

27 See Kawano (2005), p. 26; Hamabata (1990), p. 13f.

28 “*Kami*” literally means deity or superior being (see Havens at <http://www2.kokugakuin.ac.jp/ijcc/wp/cpjr/kami/havens.html#para0024>, last accessed 15.4.2020); the character “ue” for “above” can also be read “*kami*”. In a ceremonial or training hall (*dōjo*), *kami-za* often denotes both the seat (*za*) of the deities, often marked with a small house altar (*kamidana*), or the higher-ranking beings such as teachers or guests of honour. The lower-ranking persons take their place on the side “*shimo-za*”. See also the structure “outside/inside” (*ura/omote* or *uchi/soto*), Chap. 4.3.

are welcomed, to place these people also in the care of the *kami*. Depending on the profession of the family head, they are also installed in the rooms where the most important activity of the family business takes place: in the business rooms of traders, facing the street, in the workshops of blacksmiths and carpenters, or the brewing rooms of sake and soy sauce brewers. The rituals usually take place daily and ask the *kami* for protection or integrity in the daily activities to be performed in the house. In the case of a family business, its activities are included in the rituals. These rituals are performed by all family members and, if applicable, also by the employees.

In contrast, Buddhist home altars (*butsudan*) are only located in the family's living area; they are used for rituals for the deceased parents and grandparents. Some rituals are performed exclusively by the head of the household, others according to the hierarchical order of family members.²⁹ These rituals are performed for the salvation of the ancestors, that is, for others, not oneself. It is unusual in Buddhist ceremonies for the salvation of ancestors to ask them for help with one's own requests.³⁰ Personal requests are made to the relevant *kami* during a visit to the shrine.³¹ Ritual acts in the home are thus primarily performed for others, for example, ancestors, or as a purification ritual to create harmony in the cosmos and protect oneself against harm.

Rituals have an ordering character that relates to the positioning of the individual in relation to their social environment. They are performed for the "well-being" of the person and the community.³² They are less about personal faith in the relationship between the believer and a higher being, and rather about the practical performance of a ritual. It is not considered contradictory to perform Shinto rituals for one occasion and Buddhist rituals for another. This understanding of ritual helps us to understand why many Japanese describe themselves as "non-religious" in the surveys cited above.³³

29 This may also include visitors who are not blood relatives. Other rituals take place at the family grave.

30 However, one can talk to ancestors in front of the ancestral altar, as it is considered irrelevant whether one believes at that moment that the ancestors are present or not; Hamabata (1990), p. 82f.

31 Depending on the request, people can go to different shrines or temples, e.g. for school exams, for a safe birth, for a happy relationship, etc. If these wishes are fulfilled, the relationship with the shrine or temple to which one has appealed deepens. If not, one may seek out another deity; Kawano (2005), p. 27.

32 Kawano (2005), p. 21, cites the concept of "well-being" as a common justification for why someone who does not identify as being religious still performs ritual practices. The "well-being" of the community is often included.

33 Horii (2018), p. 200, gives as a justification that one is "normal" (*futsū*) and not "religious" in the sense of a faith which is assumed for priests or nuns. Other reasons for "non-religiosity" include the rejection of the claims of exclusivity of monotheistic religions or a reluctance to be associated with the fanaticism that potentially arises from religion. Some people consciously

Everyday ritual practices serve as a manifestation of both internal and external bonds.³⁴ They are performed to position the individual within their own group, but equally to position the individual within a group in society. This includes spatial bonding with the local community.

It is, therefore, difficult to grasp correctly the many different religious elements encompassed within the term “religion” in Japan.³⁵ More important than the beliefs assumed behind them is the performance of the ritual practice, by which the practitioners of the ritual acknowledge the social order and the position of the higher beings in life who are asked for support.³⁶ Having said this, a brief overview of the main beliefs in Japan follows below.

3.3 Shinto, the indigenous belief of the Japanese

Shinto is often referred to as the original Japanese belief, but it is difficult even today to give a comprehensive definition of what the term encompasses.³⁷ It was first used in ancient Chinese and Japanese sources to distinguish the beliefs prevalent in the Japanese island kingdom of that time from the Buddhist teachings (*buppō*) that spread to Japan from the 7th century onwards. It can be assumed that there were early connections between Japanese Shinto and the Chinese Daoism of the time. Literally translated, *shin-tō* (which also can be read as *kami-no-michi*) means “way of the gods”.³⁸ Shinto developed in Japan out of the people’s close relationship with their environment, which was repeatedly struck by natural disasters that threatened and destroyed their lives. The *kami* were originally protective deities worshipped in natural phenomena, such as

do not want to commit to a religion in order not to have to exclude other religious directions for further rituals in the life cycle.

34 In addition to this inside/outside positioning (*uchi/soto*, see Chap. 4), rituals have inferior and superior positions in terms of hierarchical order as well as spatial arrangement, see Kawano (2005), p. 43, and footnote 28 of this Chapter.

35 For a detailed discussion of this, see Horii (2018), p. 229, who suggests that the use of the term “religion” for Japanese beliefs should be completely abandoned.

36 In this sense, it is also considered useful to include the geographical environment when analysing people’s religiosity; see Matsui (2014), p. 36f.

37 For an overview of the different directions of Shinto, see Kreiner (1979), pp. 63–74. For a discussion of the understanding of Shinto and its historical derivations, see Pye (2020), p. 5ff, and Teuween (2020), p. 57ff.

38 The term comprises two Chinese characters: the first stands for god, goddess, deity, divinity or spirit and is read in Sino-Japanese as “shin” and Japanese “kami”; the second means “way” in the sense of (a) road, (b) course of things and (c) of the moral principle of the doctrine designated by *dō* (for example *Cha-dō*, the tea ceremony; see Excursus III on the *iemoto system*) and is read in Sino-Japanese as “tō” or “dō” and in Japanese as “michi”. *Kami*, written with a different character, also means “the superior”, “the elevated” in the sense of “standing above oneself”.

volcanos or trees, through which they seek a connection with people. For this reason, shrines are often found in high places or those believed to have a special spirituality. These places with sacred buildings are surrounded by a sacred precinct, the access to which is marked by a gate³⁹ (Shrine-Shinto). After their demise, people can also become *kami*, for they are, according to the original myth, “creatures of the deities”.⁴⁰ In early times, the founders of a clan (*uji*) were often worshipped as *kami* in the region in which they lived and worked, having been granted a protective function after their death (Clan-Shinto). Thus, the ancestral function of the head (*uji-gami*) extended to the region over which the clan ruled.

In the first Japanese Chronicles, *Kojiki* and *Nihonshoki*, we find the mythical story of the creation of the Japanese empire, which structures the pantheon of deities. The god couple, Izanami and Izanagi, fished the Japanese islands out of the sea. Their first child was the sun deity Amaterasu, who brought light into the darkness of the world. She stands above all for harmony between the forces of nature as well as between people; she is worshipped at the Great Shrine of Ise, and the genealogy of the *tennō* can be directly traced to her.⁴¹ Her siblings are the silent Tsukuyomi – the god of the moon – and the whimsical Susanoo, god of the wind and the sea, who is also responsible for thunderstorms.⁴² There are many other deities too,⁴³ some of whom are also worshipped as animals, such as Inari – the fox and the deity of rice,⁴⁴ as well as numerous representations of dragons, which go back to the dragon king at the bottom of the sea.⁴⁵

39 On elements of the Shinto shrines, see Kreiner (1979), pp. 68–70.

40 Kreiner (1979), p. 68.

41 From this view, the “State Shinto” developed after 1868, in which the *tennō* was regarded as the divine head of all Japanese, with the attribute “divine” being understood as “above all”, but not as “infallible”. After 1945, State Shinto was dissolved and reorganised into the hierarchical structures of “Shrine Shinto”. In addition, there are many places of worship without organisational ties (folk Shinto); see Kreiner (1979), pp. 65–67.

42 Since the chronicles were written to consolidate the Japanese imperial house’s claim to power, the description of the Japanese creation story may also have been an attempt to strategically structure existing deities; see Kreiner (1979), p. 62f. See also Scheid, www.univie.ac.at/re_l_jap/an/Mythen/Goetter_des_Himmels.

43 Amaterasu’s sister, Ame-no-uzume, is worshipped at the Atsuta shrine in Nagoya, where one of the three imperial insignia, the sword, is kept. The seven gods of fortune have Daoist, Shinto and Buddhist characteristics, see Scheid, www.univie.ac.at/re_l_jap/an/Ikonographie/Glucksgoetter.

44 The best-known Inari shrine is the Great Shrine at Fushimi, Kyōto; see Scheid, www.univie.ac.at/re_l_jap/an/Bauten/Bekannte_Schreine/Inari. However, there are also Buddhist temples dedicated to Inari – a phenomenon of the syncretism of Shinto and Buddhism. The Gekkeikan company (Chap. 5.2) has a branch shrine of the Inari shrine of Fushimi on its site, where rituals are held regularly for a successful outcome of the sake brewing and for the prosperity of the family business.

Shinto is a life-oriented religion without founder, sacred scripture, or dogmas. The *kami* create order and harmony in a chaotic world.⁴⁶ In the event of a disruption to the order, whether through a thunderstorm or illness, purification rituals are held to restore harmony within the individual and with the social environment or nature. In Shinto, the focus is on ritual actions, rather than belief.⁴⁷ The *kami* are asked for protection or good outcomes before specific events. Ceremonies and rituals are held in shrines surrounded by sacred precincts or in front of the small house shrines already mentioned above. They are performed by *kannushi* (Shinto priests), and the people come to the shrine to attend the rituals. On certain occasions, priests also come to a specific place, such as for the consecration of a building, a ship, or a new car. The *kami* visit their district once or twice a year, when a portable shrine is carried through the area (*matsuri*) on which the deity is supposed to have taken a seat.⁴⁸ These shrine festivals have repeatedly reignited debate: should they be considered as religious or as a traditional cultural asset?⁴⁹ They are organised by the local community in whose vicinity the shrine is located, but many family businesses are involved in them financially as well as in terms of personnel, thus helping to preserve the festivals and their traditions.⁵⁰

Ritual contacts with the *kami* are based on annual and life cycles, that is on key events in people's lives and social interactions: birth or naming, the "coming of age" ceremony (in the past at 13 or 14, today at 20), marriage and death, as well as certain special birthdays, such as the 60th birthday (*kanreki*), which marks the beginning of the "second" phase of life, or the 77th, 88th, 99th and 100th birthdays, which are specially celebrated. These dates are based on the Daoist understanding of life cycles with its twelve signs and five elements, a calendar adopted from China. Its cosmological ideas of heaven and earth (*onmyōdō*) have shaped Japanese life in many areas and continue to do so today.⁵¹ In this respect, Daoism is also important for a religious understanding of Japan. The calendar

45 The dragon god is known from the oldest myths in the Asian region; see Scheid, www.uni-vie.ac.at/re_l_jap/an/Mythen/Goetter_der_Erde. Tigers are also symbolic animals, they are often used for emblems and logos, as in the case of Toraya (Chap. 5.5): The traditional tea shop has the tiger (*tora*) in its business name and logo.

46 Fitzgerald (1993) and Nelson (1992).

47 "Shinto is not interested in credenda but in agenda", quoted from Picken (1994), xxxii.

48 These festivals express people's attachment to 'their' local deity, to the region, and to the forces of nature, serious in ritual and exuberant in procession – which is not a contradiction but combines both elements of life; see Hardacre (1991), Hendry (2019) as well as Pye (2020).

49 Fitzgerald (1993).

50 For example, the Gion Festival in Kyōto is supported by Horikin (Chap. 5.7) and the Awa Odori in Tōkyō by Shiseido (Chap. 5.8).

51 The cosmological ideas derive from the principles of *yin* and *yang* described in the I'Ching. The importance of the Japanese *onmyōdō* cosmology for the destiny of the state, which the Office of Cosmology had to watch over, was highlighted at the beginning of this section.

makes a distinction between lucky and less lucky days. Days for certain rituals, such as weddings or funerals, are chosen according to this calendar. Other days for festivities are fixed, such as those for the equinox or 3 March for the festival of seven-, five- and three-year-olds, or 5 May for the boys' festival, all of which are celebrated with visits to Shinto shrines.

In addition, there are festivals for rituals according to the calendrical division of nature into the four seasons and, thus, for sowing and harvesting. The *kami* were and are worshipped as deities protecting economic activities in agriculture. Purification rituals play a major role, as do rituals that, as described above, take place on specific occasions, or are performed before a specific action, such as the sowing of rice or the start of the brewing process for sake or soy sauce. Such on-site rituals are often complemented by rituals at a shrine. Other occasions for shrine visits include the beginning of the New Year, the first work of the year, the first fishing expedition, or the first planting and harvesting of rice crops. These important events in the annual cycle are still observed today.⁵² In traditional family businesses, some of these rituals and festivals are celebrated together with the employees, who are also presented with gifts on specific occasions such as childbirth or marriage.⁵³

Shinto is dedicated to people in this world. Death is considered impure and is, therefore, taboo. People who pass away from this life become *kami*. To prevent these spirits from disrupting life in this world, the dead were sent to their final resting place with special ceremonies, from which the recurring rituals of ancestor veneration derive. People who encounter death, for example through the death of a close family member, withdraw from the community for a certain period.⁵⁴

52 In human life there are certain "calamitous years" (*yakudoshi*). For men, these are the 25th, 42nd and 61st year and for women the 19th, 33rd and 39th year of life. In these years, as well as the years before and after, it is believed that specific cosmic forces are at work, so people should be more mindful of themselves as they are more susceptible to danger, illness or other crises.

53 Specific examples are given in the cases on family businesses presented in Chapter 5, for example for Okaya (Chap. 5.1) or Gekkeikan (Chap. 5.2).

54 Until the 7th century, the palace was abandoned upon the death of a *tennō* and rebuilt at some distance. The idea that the death of a close person brings "defilement", which is countered with purity rituals and abstinence (for example, not participating in festivals so as not to disturb the happiness of others), is still found today. In the case of a death in the immediate family, for example, people refrain from sending New Year's greetings and instead make an appropriate announcement at the beginning of November. Rituals of ancestor veneration are discussed in Chapter 4.

3.4 Buddhism as a belief complementary to Shinto⁵⁵

With Buddhism, a new concept of life after death came to Japan in the 6th century, which could be integrated into the existing Shinto world of ideas. The rapid spread of Buddhism stemmed from the fact that the Yōmei *tennō* himself had advocated it. He had fallen ill in 600 AD and had taken a vow: if the worship of Buddha helped him to heal, he would recognise this as a sign of Buddha's spiritual power, which would also benefit his people and the prosperity of his country. After his recovery, he commissioned temples to be built all over Japan. When Yōmei died shortly afterwards, Prince Shōtoku continued this task, dedicating the Shitennōji in Osaka and building the Hōrūji in Nara.⁵⁶ However, Buddhism did not gain complete control over the imperial house; the *tennō* continued to follow the *onmyōdō* rituals and remained supreme priest at the Great Shrine of Ise.⁵⁷

The Buddhist ideas that found favour in Japan at that time came from Mahayana Buddhism, according to which enlightenment can be attained solely through invocation and prayer, without any special education in Buddhist teachings. Mahayana Buddhism was able to connect to Shinto ideas because it was argued that Buddha-nature was a further development of the *kami*. A man could now become a Shinto *kami* or Buddhist *hotoke*⁵⁸ after death, on the path to enlightenment or nirvana. The concept of rebirth was also accepted because it offered a different perspective on the afterlife from Shinto and gave people the opportunity to do something in their earthly life to reach the stage of Buddha in the afterlife.

In this life, the Buddhist principle of *on* also fitted with Shinto. *On* refers to a form of mutual obligation derived from interpersonal relationships. The strength of such feelings of obligation to the people around oneself is context-dependent; such feelings towards parents differ from those towards siblings or children, or towards more distant relatives, superiors, teachers or neighbours, and so on. Inherent in this sense of obligation is a sense of gratitude felt in the relationship,

55 For an overview, see Kreiner (1979), pp. 74–79, and Scheid, www.univie.ac.at/rel_jap/an/Grundbegriffe/Buddhismus (last accessed 22.5.2021).

56 The origin of the oldest Japanese family business, Kongō Gumi, in this context is also referred to again here, see Chap. 5.10.1.

57 In the Ise Grand Shrine, an unmarried female member of the imperial family still presides over certain rituals as a priestess (*miko*). In 1675, Buddhist monks were banned from entering the Ise Grand Shrine, and in 1871 the facility was remodelled for *tennō* rituals to emphasise the renewal of Shinto; see Teuween (2020), p. 73. The Okaya family business (Chap. 5.1) was one of the first private-sector companies involved in these remodelling activities at the Ise Shrine.

58 *Hotoke* means Buddha and includes the ancestors who are already on the path to Buddha-nature, see Kawano (2015), p. 1.

which is expressed on various occasions.⁵⁹ These notions were compatible with Shinto notions of gratitude for what the gods and nature provide for human life. They were also compatible with Confucian ideas on interpersonal relationships, which will be addressed in the following section. When Buddhism was declared the state religion in the 7th century, temples and monasteries were built throughout the country as centres of Buddhist teaching. A pragmatic approach was taken to propagation, with Buddhist elements added to Shinto shrines in some rural areas.⁶⁰ In the following centuries, a unique symbiosis, a “syncretism”, developed between Shinto and Buddhism, which may answer the question posed at the beginning of this chapter as to why Japanese people today feel that they belong to both beliefs.⁶¹

The spread of Buddhism initially influenced the ruling elite but, through various edicts, increasingly also affected the everyday life of the population. The edict of the Tokugawa *shōgunate* of 1637, for example, required the registration of all Japanese in Buddhist temples (*tera-uke*) to expel Christianity, which had arrived in Japan in the mid-16th century and threatened to destabilise the political balance of power. The Buddhist temples were entrusted with keeping the family books (*koseki*), which provided them with a certain control over the practice of the faith.⁶² This increasing preoccupation with the people in their immediate monastic environment shifted the monks’ activities away from the political elites. In turn, it also ensured a good living for the temples and monasteries: as they were responsible for keeping records of all Japanese people, the number of people making donations increased dramatically. Donations were made for the performance of Buddhist rituals on various occasions in the life

59 A “relationship of indebtedness” (*on*) arises from a specific act of obligation, favour, or care received. Depending on the amount of *on*, such feelings of indebtedness or gratitude to the benefactor may persist over the entire life of the recipient, sometimes passing on to the next generation. The way of returning such an obligation is called *on-gaeishi*; see Hamabata (1990), pp. 18–24. For a feeling of obligation in a parent-child relationship (“filial piety”), see the next section.

60 One example is the Yamabushi, the “mountain warriors” who live in seclusion in remote mountains: their beliefs and ascetic rituals combine Buddhist, Shinto and Daoist elements, which date back to the Heian period, i. e. to the 7th century. See Scheid, www.univie.ac.at/rel_jap/an/Alltag/Yamabushi; see also the founding of the Hōshi (Chap. 5.10.3).

61 Ancestral rituals nowadays, as already noted, take place predominantly according to Buddhist rites; in rural regions and in traditional families, both can also be found.

62 Control over religious practice was once again strengthened in the Tokugawa period to limit the mobility of the peasant population. However, the political elite increasingly embraced (neo-)Confucian writings during this time. With the return of political power to the *tennō* after 1868, the ideological school of Shinto (*kokugaku*) was also strengthened. The Meiji government decreed a separation of Shinto and Buddhism (*shinbutsu bunri*) and the transfer of family registers to Shinto shrines. When considerable resistance to this decree grew among the population, the keeping of family registers was handed over to the local administrative units in 1871.

cycle, as well as for the recitation of sutras to venerate the souls of the deceased during funeral rituals and at appropriate intervals afterwards. They were a source of income for monks and nuns and were used to construct or repair sacred buildings and temple schools.

In this period, Japanese monks who had been educated in China brought new ideas for the development of the theoretical framework of Buddhist thought in Japan. In 804, the monk Kūkai, for example, introduced Mantric Buddhism (*Shingon Buddhism* or *mikkyō*) following a stay in Chang'an, the then capital of China.⁶³ A year earlier, the monk Myōan Eisai had already brought Tendai Buddhism to Japan; this also followed esoteric teachings but advocated a more ascetic path to enlightenment. Tendai's main temple was the Enryakuji on Mount Hiei in the north-east of the then capital Heian, today's Kyoto. This school of belief became widespread in Japan because it allowed the mountain god Hiei (*san-ō*) to be worshipped both as a Buddha statue and as a Shinto *kami*.⁶⁴

Both great schools received support from the imperial court but, over time, became more independent from governmental control. They competed as to the correct belief or path to enlightenment, and further sub-schools developed under the successors of Kūkai and Eisai. The Jōdō school of the "Pure Land", for example, gave rise to the school of Nichiren (1222–1282), which focuses on the Lotus Sutra.⁶⁵ A total of six different Buddhist schools emerged which influenced the religious orientation of the respective temples and, through the affiliation of

63 The monk Kūkai (later called Kōbō Daishi) founded the temple of Mt. Koya in 835, which is still a magnet for followers of Shingon Buddhism today. The mausoleum of Kūkai and the temple complex are surrounded by Japan's largest forest cemetery. In the 1950s, large (family-owned) companies such as UCC Coffee, Yakult or Shinmeiwa increasingly built graves for their company employees there. These companies thus offered to take care of the observance of Buddhist rituals and grave maintenance, which was particularly attractive to (single) persons who, for various reasons, could not or no longer wished to use the burial place of their family of origin after World War II; see Nakamaki (2019).

64 All Buddhist schools had "monk soldiers" (*sōhei*) who repeatedly fought among themselves from the 11th century onwards, mostly over land ownership rather than religious content. The imperial court could do little to counter them for religious reasons and repeatedly called on the warrior class (*daimyō* and samurai) for help. It is estimated that at times two-thirds of the monks were armed and trained in naginata and sword fighting. The bloody conflicts between the Buddhist schools, along with the Mongol invasion, are seen as another trigger for the period of fighting provinces in the 15th and 16th centuries. The three empire unifiers (see Excursus I) also fought the monk soldiers and thus tried to push back against the influence of Buddhism on the political elite. Only after the pacification of the country by Tokugawa Ieyasu in 1603 did the *sōhei* disappear, see Taranczewski (2019), pp. 145ff.

65 After the Second World War, the conservative lay organisation Sōka Gakkai, the largest of the so-called "new religions" in Japan, was derived from Nichiren Buddhism. Its offshoot, the Kōmeitō, entered parliament as the "Party of Public Cleanliness", but is now organisationally separate from the religious community. One of the internationally better-known representatives is Ikeda Daisaku (Klein & Kreiner, 2019, p. 444).

the local populations, the entire regions surrounding them.⁶⁶ To distinguish them from the old teachings, these schools are known as the “New Buddhist Schools” of Japan. For reasons of space, a more detailed description of the individual schools cannot be given here.

In the 13th century, Zen Buddhism came to Japan through the monk Dōgen Zenji. Dōgen (1200–1253) rejected the syncretism that had developed in Japan between Shinto and Buddhist ideas and instead advocated a pure form of teaching. He was, thus, in conflict with other Buddhist schools. According to his doctrine, every human being has a destiny that determines his or her place in the fabric of the community of life. The task of the individual is to become immersed in the work of everyday life, each according to their destiny. Through daily repetition, the individual becomes one with their actions and can achieve enlightenment (*satori*) through the surrender of the self. Another path to enlightenment is through meditation, which can take place while sitting (*za-zen*) or walking. The Zen Buddhist philosophy of bringing one’s own feelings under control through meditation exercises became widespread among the samurai. These Zen practices were also incorporated in the development of schools such as those for the tea ceremony, and increasingly spread to other areas of Japanese society as a result.⁶⁷

3.5 Confucian ethics and education

The ideas of loyalty and discipline preached in Zen Buddhism reflected the relationship between lord and followers in Confucian ethics, which, as mentioned, had arrived in Japan in the 7th century. Confucian ideas were taken up at that time insofar as the emphasis on loyalty in interpersonal relationships enabled the state hierarchisation of the Japanese population. When using the term Confucianism, it is important to note that it should not be understood as a uniform concept adopted consistently, or persistently, in Japan. Like Shinto and Buddhism, the ideas must be seen in the context of the time in which they were disseminated. Confucianism’s references to Chinese folk religion, for example, received little attention in Japan.⁶⁸ Conversely, the Book of Rites, which is at-

66 A law of 1613 secured Buddhism’s responsibility for family graves and ancestor worship until 1868. Since the family registers were kept in local temples, it could happen that when a person changed to another family register, they also had to move to another Buddhist school. See Osumi & Dobbins (1999).

67 Collcut, 1990; Dobbins 1991.

68 The understanding and interpretation of Confucian ideas in China, Korea and Japan differ considerably, see Ko et al. (2003), p. 4ff, and should always be placed in the historical context of the respective time. Ancestor worship as a folk cult in China is older than Confucian ideas

tributed to Confucius and counts as one of the so-called “Chinese classics”,⁶⁹ had a decisive influence on the understanding of Confucian ethics among the political elite at the Japanese imperial court and, later, the *shōgunate* governments.

The philosophical conception of man in these Chinese classics proved to be compatible with the Shinto ideas prevalent in Japan. According to Mengzi,⁷⁰ every human being has the natural ability to distinguish between good and bad and can righteously follow the path of goodness, learn the rules of justice, and apply what they have learned to attain the “full humanity of real goodness”.⁷¹ The aim is to follow a path to the attainment of the virtues, which can be acquired through strict self-discipline and gentleness and goodness towards one’s fellow human beings. The noble virtues can be attained through constant reading and learning as well as the permanent repetition of rituals.⁷² The veneration of parents and ancestors, which Mengzi emphasised as an important duty of every human being, became the central element in Japan for the continuation of the “house” with its name and social status. The principle of “filial piety”,⁷³ which exists between parents and children, describes their mutual obligations: that of parents to educate their children in morality and virtue, and that of children to behave virtuously and honour their parents and ancestors. This concept, in turn, fitted well with that of benevolence in Buddhist beliefs, from which a practice of altruism developed that is found in many Japanese family businesses.⁷⁴ Out of a sense of

and should therefore be considered separately. Confucianism in the sense of veneration of the person of Confucius is not found in Japan.

69 A digital version can be found at www.zeno.org/Philosophie/M/Anonym/Li+Gi+-+The+Book+of+Rites,+Customs+and+Breeds%C3%A4uche.

70 Mengzi (or Mencius, 370 BC–290 BC), the most important disciple of Confucius, was committed to spreading the ideas of his teacher and to elevating Confucianism to the status of Chinese state religion under the Han dynasty.

71 Confucius himself came from the upper class, the only class to be granted the right to education and the intellectual ability to govern. From this he also derived a subdivision of people according to their abilities and thus into occupational groups. For the teachings of Confucius and the Chinese classics, see www.zeno.org/Philosophie/M/Anonym/Li+Gi+-+The+Book+of+Rites,+Customs+and+Brooks/To+Introduce%C3%BCto/1.+The+Meaning+of+the+Records+%C3%BCabout+Customs (last accessed on 20. 5. 2022).

72 The Japanese family businesses presented in Chapter 5 quote from the “Chinese classics” mentioned here.

73 The concept of filial piety, *kō* in Japanese, was not transmitted via Confucianist thought, as was the case in China, but via Buddhism, which transferred it to the veneration of ancestors. In the case of Japan, the religious component seems to have been lost in this relationship, (Horii, 2018, p. 91). It should be emphasised that the concept applies to all children, regardless of their gender.

74 This Buddhist form of altruism has found its way into family business philosophies: in the Imagawa family rules of the early 15th century, for example, it is called a misstep to forget the everlasting kindness of the domain’s lord and father; Spafford p. 23. Suenaga (2019), p. 156, cites many examples of benevolence by Ohmi Merchants (‘benevolent merchant’), such as that of Nakai Genzaemon (1716–1805) who, in a famine, gave people work and thus a sense of

obligation and gratitude (*on*) comes a natural willingness to work for the good of people and society.

Confucian, and then neo-Confucian, ethics were taken up by successive military governments. The Kamakura (1185–1333) and, especially from 1600 onwards, the Tokugawa *shōgunate* developed from this, as mentioned in the chapter on historical milestones, an order in society through its division according to professions: samurai, farmers, craftsmen, and merchants. Each person had to fulfil their duties to the community according to their status and profession, taking care not to act selfishly or greedily.⁷⁵ The virtues of the samurai were loyalty, a sense of duty, fidelity (*chū*), truth, veracity, genuineness (*makoto*, *shin*), sincerity, justice, righteousness (*gi*), courage (*yu*), observance of etiquette, courtesy (*rei*) and humanity (*jin*).⁷⁶ These neo-Confucian ideals were also taken up by Shinto theorists, who now also attributed Confucian values to the *kami*. The concept of loyalty in the relationship between the feudal lord and the samurai (*chū*) was integrated into their “teaching of virtues”.⁷⁷ This Japanese version of neo-Confucianism was strongly criticised in Korea and China, as it also permitted Buddhist funeral rites and relationships between men among the samurai. The samurai’s ideas of loyalty were also attractive to the large merchant families, who incorporated them into their precepts or house constitutions.⁷⁸

This sense of loyalty in relationships is expressed particularly in the relationship between teachers and students:⁷⁹ teachers have accumulated knowledge over many years, which they pass on to selected students in the best possible way. The latter, in turn, feel an obligation to their teachers to dedicate themselves to what they have learned and pass it on to the next generation. The resulting hierarchical positioning of individuals finds expression in ritual deference, for

that they were overcoming hardship from their own resources rather than being dependent as supplicants.

75 Every activity should be seen as a “heavenly calling” (*tenshoku*) that makes its contribution to society; see Bellah (1985), p. 160, also cited in Pohl (2013), p. 54.

76 This form is therefore also referred to as “elite Confucianism” for the samurai, see Ikegami (1995), p. 299ff, cited in Rozman (2002), p.16, which differed considerably from the much more orthodox ideas of Confucianism in Korea or China. According to the samurai code of honour, ritual suicide (*seppuku*) is expected to wipe out the guilt for a grave mistake; see Ikegami (1995), pp. 27f, 292f. People who wrongfully depart from life, whether voluntarily or involuntarily, can work from the afterlife to harm the living or take revenge on their enemies. This double feeling of taking revenge in this life and through their spirits after suicide was also to spur on the kamikaze pilots in the Second World War (Kreiner, 1979, p. 68).

77 Ikegami (1995), p. 251f.

78 Ikegami (1995), p. 296f.

79 The terms “sensei”, “shihan” or “rōshi” are used for “teacher” or “master”, the use of which recognises that the person has achieved and demonstrated a high level of qualification. Students or disciples are referred to as “deshi”, “oshiego” or “seito”. In Japanese, the term is asexual, although male teachers and students dominated many disciplines for centuries. See also Excursus III on the *iemoto* system.

example through bows or other expressions of gratitude such as the exchange of gifts on certain occasions. This principle of mutual obligation also underlies relationships between teachers and students in other areas. Teachings are passed on orally and succession is passed on to sons in the flesh. Not infrequently, however, the best students are also adopted or installed as successors. The “elder/younger” relationship that develops in this way⁸⁰ still shapes many areas of Japanese coexistence today. The “elder” takes care of the education of the “younger”, and the “younger” are loyal and docile to the “elder”. The relationship also involves “giving back” the investment in oneself. There is a similar relationship between master and student in, for example, traditional crafts, tea ceremonies or martial arts schools such as sword fighting and archery. Recognition as a “teacher” or “master” in one of these fields is equivalent to recognition for a skill in a profession, which may well bring with it a certain social status.

Such master-student relationships are cultivated and respected throughout life,⁸¹ and it is not uncommon for the master’s advice to be sought for important decisions. The relationships to one other or to third parties are often named to define classifications in the social structure. As a student of a well-known master, part of the master’s social capital is transferred to the student, who feels the weight of this reputation and makes a corresponding effort to live up to it. The same applies to the relationship between older and younger people. In this mutual obligation, the older person takes care of the younger one, teaches and supports them, while the younger person follows what the older person is doing and learns behaviours and skills. This kind of “learning by copying”⁸² is still part of in-house training today. In this context, age or the time of entry into the respective group/company usually determines the relationship. These trust-based networks are frequently used when seeking someone for specific purposes, such as employment or marriage.

Education was a highly valued asset for all classes of the population. During the Tokugawa period (1600–1868), samurai earned additional income by teaching the children of wealthy farmers and merchants in temple schools (*teragoya*)

80 The Japanese term “senpai” stands for the older person and “kōhai” for the younger person in a relationship between students or work colleagues.

81 Here we should refer to the ritualised form of gratitude that is inherent in the relationship. The feeling of gratitude exists on both sides, with teachers because they can pass on their knowledge, and with learners who are being instructed. Gratitude is expressed in respectful interactions, in bowing and in the exchange of gifts that reflect the respective statuses of giver and receiver; a list of gifts and occasions can be found, for example, in Hamabata (1990), p. 18f.

82 In the context of manual skills, this practice is called “minarai” or “mite-manabu”. However, it is also used in the context of copying the behaviour of superiors or parents, whereby an education or training qua imitation takes place. The term was used in all the interviews when referring to training children to follow, see Chapter 5.

or their own schools. Towards the end of the Tokugawa period, every town had at least one temple school, so it can be assumed that the majority of boys in the country were taught to read and write.⁸³ Confucian writings were disseminated through these schools, alongside other classical Chinese texts such as the I'Ching,⁸⁴ from which quotations for calligraphy (*shodō*) were often chosen. In this way, these philosophies found their way into all strata of Japanese society, which explains why certain concepts are perceived in a deeper context, even when used outside that context.⁸⁵ They were also incorporated into the house rules of Japanese family businesses as well as into the management philosophies of great entrepreneurs, which continue to have an impact today.

3.6 From religion to tradition

The topic of religion in Japan is complex, given the wealth of different religious beliefs: the indigenous belief of the Shinto was flexible enough to tolerate or adapt new religious concepts from abroad. At various times in Japanese history, Buddhist and Confucian teachings found favour with the political elite, who spread them in the country in various restricted ways. These teachings evolved and combined to form a unique blend of religious beliefs in Japan. However, there were always periods of rivalry between the various schools to the point where they threatened to obliterate or destroy one another. Nevertheless, what all the teachings and doctrines have in common is that they pragmatically came to terms with each other and created links with the other faiths.⁸⁶ Connections can be found through ritual practices; for example, the rituals for ancestor veneration in the various Buddhist schools converged and complemented each other over the centuries. The moral aspects of Shinto rituals, focused on purification, well-being and the harmony of the individual and society with nature, Confucian moral concepts of the order of interpersonal relationships adopted into Buddhist traditions, Chinese classics such as the I'Ching, and cosmological Daoist ideas – all these form part of everyday Japanese life and, thus, of “traditional Japanese culture”. Referred to as “Japaneseness” or the “Yamato spirit”, they still find

83 Fruin (1992), p. 66, estimates that 40 per cent of the Japanese population had a formal school education, and that 60 per cent of the male population and 15 per cent of the female population could read, write and do basic arithmetic.

84 I'Ching or Jijing is the oldest of the five Chinese classics, dating back to the 3rd millennium BC. It is a collection of line characters and sayings associated with them.

85 Moriya (1991), p. 118ff. The phrases consisting of three or four Chinese characters (*yoji jukugo*) refer to Chinese classics or Buddhist sutras. Company names are also chosen according to this pattern to demonstrate the owner's literacy or his connection to the philosophies associated with them, see Shiseido (and Chap. 5.8).

86 Iwasa (2018), p. 146f.

expression today in various areas of Japanese everyday life or business relationships, as well as in the corporate philosophies of long-lived Japanese family businesses. The everyday practice of traditional rituals of all kinds strengthens the sense of belonging within the family and kinship groups, and also conveys respective positions in the fabric of society. Long-lived family businesses, in particular, attach importance to the performance of rituals that have a lasting effect on the sense of belonging.⁸⁷ Since many of these rituals are performed together with or by the employees, they also influence the family business and its sense of community with the workforce, suppliers and customers. Although the Japanese family system is not derived directly from religion, it is reinforced by such ritual practices, as discussed in the following chapter.

87 The notion of “emotional attachment” is also receiving increasing attention in research on family businesses, for example in Sharma & Irving (2005) or Brundin & Sharma (2012). For an overview of the different emotions found in the family business literature, see Labaki (2020), pp. 359–61.

Chapter 4. The Japanese Family System *ie*

The analysis of the Japanese family system *ie* undertaken in the following section is fundamental to an understanding of specific succession processes, the logic of inheritance and also the family governance of long-lived Japanese family businesses. The concepts underlying the organisation of the family household have often been adopted for the organisation of companies or corporate governance.¹ Although the form of the *ie*, which was legally fixed in the constitution of 1889, was formally abolished in 1947, some of the principles have prevailed in family cohabitation or with regard to succession.² The awareness of the *ie* as a principle of transgenerational continuity, which dates back much further than the *ie* of the Meiji era, is definitely still present, especially in long-lived family businesses.³ A whole series of academic works on family businesses refers to this very structure as the basis for the longevity of Japanese family businesses.⁴ The interviews conducted by the WIFU team in Japanese family businesses such as Okaya (Chapter 5.1), Gekkeikan (Chapter 5.2), Yamasa (Chapter 5.3), Yamamotoyama (Chapter 5.4) or Toraya (Chapter 5.5) also showed that the principles of the *ie* are still very much present today.⁵ In this respect, this chapter presents the *ie* in the form in which it has been lived for centuries and is still found today. A knowledge of the Japanese family system helps to clarify the rules of succession as typically

1 Dore (1987) and Goydke (2016), see also Chap. 2.5.

2 One example is the retention of the principle of transferring the succession to the eldest son, as is legally prescribed by the constitution in the *tennō* family to this day; on this, see Kuwayama (2001), p. 24f. For a discussion of patriarchy or *ie*, see also Neuss-Kaneko (1996).

3 Nakane (1991), p. 223, identifies *ie* as the “principle of transgenerational continuity”; similarly, in Ariga (1969), cited in Kuwayama (2001), p. 20.

4 E.g. Ariga (1969, 2015), Befu (1980), Gotō (2006), Gotō (2019), Goydke (2016), Hamabata (1990), Hayami (1973), Hendry (2019), Ishihara (1981), Kuwayama (2001), Shimizu (1987) and Shire (2003), to name a few Western and Japanese sources.

5 However, when asked directly whether they called themselves an *ie*, some interviewees hesitated to apply the term for themselves, as it usually stands for the old system and was used for the *zaibatsu*. Nevertheless, the attributes of the *ie* described in this chapter are also found in other family businesses visited by the WIFU team in April 2019, although their histories are not described in detail here.

laid down in Japanese families. The functional differentiation of systems of family management and corporate management is very rare in Japan outside anonymous public companies.

4.1 The historical *ie* and its legal development

The Japanese *ie* family system refers to the Japanese house in the sense of an economic unit,⁶ whose overriding purpose is its permanence, in the sense of its continuation into the next generation.

The historical development of the *ie* as an institution comprising a group of persons forming an economic unit under one name through blood relationships and dependent employment can be traced back to the time of the *uji clans* in the 3rd century.⁷ In the following centuries, a family structure crystallised that was based on the main family as the stem line which was to be continued and to which the branch families were hierarchically subordinate. If there was no possibility of succession from the stem family, either a member of a branch family was chosen to continue the main line, or, as a rarely used option, the line of the clan was continued by one of the branch lines.

A decisive formal fixation of the family system took place in the Tokugawa period through the division of the population into four occupational classes and a decree to register the members of each *ie* in a family register.⁸ The *ie* was clearly regarded as an “economic unit” responsible for taxes, duties and community tasks rather than a “family” in the sense of a nuclear family of parents and their children.⁹ The property and wealth belonged to the *ie*, not to the individuals.¹⁰

6 Kuwayama (2001), p. 9, refers to the *ie* as a “corporate group, rather than a kinship group”, as does Shimizu (1987), p. 85. In rural areas, too, the *ie* functioned more as a “farming enterprise” than as a “conjugal unit”, see Nakane (1991), p. 217.

7 On this, see Hendry (2019), p. 12f, and Nakane (1991), 216ff. The Taihō law of 702 already stipulated that inheritance should pass to the eldest son, but this could not be enforced nationwide due to the resistance of the powerful clan families. Mass (1983), p. 68, confirms the link between property and succession for the late Heian and early Kamakura periods (c. 900–1200 AD). In wills, the most important lands were intended for the “principal male” successors, usually the eldest sons. Special rituals (*shiki*) were held at the time of the transfer.

8 The top priority of this measure was the eradication of Christian faith. If this goal was fulfilled and the tax revenue was approximately correct, the administrators were not concerned with the details in the registers. In rural regions, the introduction of compulsory registers failed across the board and there were discrepancies between the family registers kept in temples and the feudal lords’ registers of taxes and duties. Sometimes newborns were registered with mothers who were past childbearing age, and departures through marriage to other regions were recorded, which, however, did not record any additions in turn at the destination. In such entries, strategic backgrounds were used to fix the succession in the family; see Cornell & Hayami (1986), p. 312f.

9 Hall (1968), p. 179.

Merchant families were organised according to this structure of the *ie*, which was formalised, but still sufficiently flexible to offer various possibilities for keeping wealth within the (stem) family of origin.¹¹

After the Meiji Restoration, there was a fundamental change in the legal conception of family, which also aimed to unify the *ie* system nationwide.¹² In 1871, for the first time, all Japanese people were given the individual right to bear a family name or surname, which was also to be entered as such in a family register.¹³ According to this new legal system, it was no longer the *ie* but the individual who was liable to pay taxes, which now had to be paid in the form of money to the new state, and no longer in kind to the feudal lord.¹⁴ The reason given for these changes was the importance of Japanese family businesses in agriculture and trade and the opportunity for the state to use the resources of family businesses to build up a centrally organised financial system for the first time and thus make them accessible for the modernisation of the Japanese economy.¹⁵ In accordance with this reorganisation by the Meiji government, the head of the family (the *koshu*) now became the “owner” of the *ie*, and was personally responsible for its total assets in terms of capital, taxation and in-

10 In rural regions, family alliances had been formed at village level, which only partially adopted the Tokugawa *shōgunate* administrative system of groups of five. Previous structures such as village elders’ councils or young men’s alliances remained. Village property was divided into shares (*kabu*), and owners of *kabu* had voting rights in the council. Villages kept to themselves and were hostile to outsiders. Trade was one of the few means of contact with the world for their inhabitants. In coastal plains, other village structures developed for co-operatives. In the cities, traders organised themselves into guilds; here, too, there were owners of shares, and those who did not own a *kabu* remained outside the network; see Nakane (1991), p. 224f, and Chapter 2.4.1.

11 The selection of the successor was not based on primogeniture, but rather on *suitability* (see Nakane (1991), p. 217). Other sons were apprenticed to other merchants or founded their own family businesses with a capital grant; daughters were married off with a dowry. An equal distribution of property to all children was unusual (Nakane, 1991, p. 226).

12 Toshitani & Searight (1994), p. 68, refer to the *ie* as the “new organising principle of the Meiji government’s top-down policies to accommodate modernisation”; see also Hayami (1983), p. 4ff. The solution of handing over the *koseki* to recently established local administrative bodies was caused by the resistance shown to the separation of Buddhism and Shinto, due to which the *koseki* were to be transferred from the Buddhist temples, who had been declared responsible in the early Tokugawa period, to the Shinto shrines (see Chapter 2.4, footnote 48).

13 Until then, the use of names was reserved for the nobility and the samurai. Spouses had to agree on a family name, which could be either the wife’s or the husband’s name, see e.g. Toshitani & Searight (1994), p. 73.

14 Hall (1968), p. 271f. Moreover, it was mandatory to pass on the property undivided to a successor; Fauve-Chamoux & Arrizabalaga (2005), p. 186, agree with Hayami (1976) that this indivisibility was not consistently followed in either the Tokugawa or Meiji periods; see also Cornell & Hayami (1986), p. 313.

15 The “commercial capital” served as the basis for the “industrial capital” of the Meiji period; see Sakudō (1991), p. 165.

heritance rights, as well as for its maintenance.¹⁶ The *koshu* was identified in civil and family law as the person who represented the family internally and externally. In order to give the head of the household appropriate authority over the property (and, above all, to secure tax revenue for the Meiji government), a hierarchical structure was prescribed for the *ie* via the individuals' entries in the family register.¹⁷ Starting from the position of the *koshu*,¹⁸ all other members of the *ie* were arranged in a vertical line or branch lines derived from it, in the *dōzoku* system. The lineage of the ancestors was placed above the descendants, reflecting aspects of "filial piety" towards parents as well as the veneration of ancestors. Positions in branch lines were subordinate to those in the main or stem line. These legal requirements had just as much influence on the division of labour within the family as they did on the organisation of work in companies.¹⁹ It was assumed that the husband's function was to work to secure the household financially and that his wife's function was to support him in the household.

Shortly after 1900, several attempts were made to amend the family law and to consider a legal framework for the increasing number of urban households comprising a father, mother, and their children. These amendments already pointed towards the changes implemented after the Second World War: family and inheritance laws were revised and the *ie* was formally abolished. Japanese civil law was considered ahead of its time when it was introduced shortly after 1900, as it established equal rights for men and women in family matters earlier

16 More advanced forms had existed in the warrior nobility before the Tokugawa period, for example, a family head *koshu* had the right to transfer the position to a younger family member and assume the position of "abdicated family head", as Tokugawa Ieyasu did. Another strategic variation was to depose an adopted son as *koshu* and reverse the adoption to keep the inheritance in the family. "Former adopted sons" were usually left destitute and were also a problem for their own family of origin. When the legal texts were drafted at the beginning of the Meiji period, these jurisdictions were rejected as too far-reaching for the general population, as such an approach could also not be reconciled with the idea of "filial piety", as it would engender the paternalism of the older generation by the younger generation. The demand to include the neo-Confucian obligation to place care of parents and children above that of the wife in Meiji jurisprudence was also rejected; see Toshitani & Searight (1994), pp. 68f.

17 Toshitani & Searight (1994), p. 68.

18 The term is still used today when a sitting board member of a long-lived family business refers to themselves as a *tōshu*, see Chap. 4.4.

19 This is the case, for example, with pay according to the length of service or family status (low as an entrant, increasing after marriage and the birth of children, disproportionately increased as long as the children are in education, and then reduced again when children have left the parental household); see Pascha (2003), p. 79f; Conrad (2010), p. 8, and Yamada & Kawaguchi (2015, pp. 139, 141). Another example is the "M-curve" for women in the labour market: entry into a company, leaving the labour market upon marriage or at the latest after the birth of the first child, re-entry after several years of childcare leave and then predominantly part-time work (Miyaji & Lock (1994), p. 94, and Shire (2003), p. 220.

than Western countries.²⁰ In addition, family and inheritance laws included certain rights and obligations that were decisive in shaping the distribution of roles in the family over the past 70 years. This division was reflected both in labour market statistics and in the wage structure.²¹

As a result of social developments, especially since the 1970s, demands to amend certain parts of family and civil law have become louder.²² In order to do justice to these societal changes in the image of the family, a “renewal” of the concept of the *ie* has recently been discussed in connection with the academic consideration of family businesses.²³ It is argued that the structure of the historical *ie* can be found in the lived practices of family businesses with regard to succession planning. This was also reported in the interviews at Okaya, Gekkeikan, Yamasa, Yamamotoyama, Nakagawa Masashichi Shōten, Horikin and Toraya (Chapter 5). Similarly, these practices endure in the organisational structures found in companies.²⁴ Therefore, the following sections are dedicated to different aspects of the Japanese *ie* family system.

4.2 Linguistic aspects of the Japanese family concept of *ie*

The word *ie* has been used in the Japanese language to refer to the family even after the abolition of the *ie* in the Meiji period. Signs and words have different meanings depending on their contexts and combinations. The character *ie* thus has different readings²⁵ and translations depending on the context.

20 Certain issues, such as the choice of family name or the distribution of property, were to be agreed upon between the spouses. Thus, it was possible to enter the man’s name or the woman’s name in the family register; for historical reasons, women had the weaker negotiating position, which is why the man’s name was usually entered as the family name (Toshitani & Searight, 1994, p. 69; Winther, 2008, p. 32). The exception was adoption, see Chap. 4.7.

21 Toshitani & Searight (1994), p. 73, and Hendry (2019), p. 52f.

22 For example, because of the increase in the number of single households or single parents. However, the demand that married couples can bear different names has been rejected several times. An additional challenge is the ageing population, as the Japanese family system still requires that the financial obligations for illness and care are assumed by the family. It is through such jurisprudence that it becomes clear how little has changed in the ideal conception of the duties of household members in the traditional form of *ie*. See Shire (2003), pp. 255–257.

23 White Paper on Japanese Family Businesses (2018).

24 The term family business (*dōzoku kigyō*) is used in the sense of the economic unit of the *ie* and not in the sense of the social structure of the family (*kazoku*).

25 The character has the Japanese readings *ie* and *uchi* as well as the Sino-Japanese reading *ke* or *ka* when combined with other characters. In Japanese, *uchi* can also mean “inside” in the sense of “we inside” as opposed to “others outside” but written with a different character.

The dictionary gives the following meanings for the character *ie*: (1) house, building, dwelling, home, home; (2) place where a family lives, household, family, housewife, wife; (3) the family heritage; (4) family situation, financial situation of a family, fame of a family, and reputation of the family.

In Japanese, the meaning of the character becomes clear within context. In translation, however, this clarity is sometimes lost. The various meanings all refer to the family but differ according to the respective social, economic, or legal contexts. The first meaning refers to the building, that is the property, and the second to the place where the family resides or all the family members who live in this household. The fact that, depending on the context, *ie* may refer only to the housewife or wife indicates an assumption that the woman will be found at home.²⁶ For these characters, there is no equivalent for the householder or husband.²⁷ The third meaning refers exclusively to financial inheritance, an aspect elaborated in the fourth meaning, which is concerned with the family in the sense of a community with close degrees of kinship and shared ancestry. This group of people related to each other by descent, marriage or adoption is regarded as a unit, a “house”. The encompasses the persons attributed to the *ie*, as well as all their property and their social status. In the case of family businesses, the term refers to the family behind the family business together with all tangible and intangible assets attributable to it.²⁸ It is with this meaning that the term *ie* has been adopted in academic literature to refer to the Japanese family system.²⁹

4.3 “Inside” and “outside” in the Japanese *ie*

Another aspect is important for understanding the normative concept of the *ie*; since it is intrinsic to the Japanese understanding of language, it must first be clarified in translation. Thus, if we use the *uchi* symbol to mean *ie*, it becomes a demarcation between “we, inside the house” versus the “others outside”.³⁰ This demarcation emphasises the *ie* in its external form in contrast to *uchi* as a sense of

26 This connotation is also reflected in the Chinese character: the radical for “roof” above the radical for “pig” in the sense of possession.

27 For this, there is the character *shu* or the term *shujin*.

28 The House of Mitsui, for example, is read as meaning (4) “Mitsui-ke” and refers to the gender, genealogy (“lineage”) including all “family assets” such as wealth, offices, and privileges. As described in the previous section, until 1947 the term also included servants living in the house.

29 See the literature cited in footnote 1 of this chapter as well as Taketera & Nishikawa (1984) and Horide (2004).

30 For the linguistic distinction for “inside/outside”, “uchi/otaku” is used in the context of the family or the house; see Hamabata (1990), p. 46.

belonging³¹ The self is defined by belonging to the contextualised *uchi*. The *ie* denotes a set of positions and roles that carry certain rights, duties and obligations, which are predetermined and internalised from childhood.

Who belongs to this *ie* or *uchi* can vary; in Japanese, it follows from the context but it requires explanation in translation. This natural use of the conceptual subtleties of the Japanese language often makes it difficult to understand the whole context of a conversation, especially if one does not know the web of family and non-family networks behind it. Who belongs to the *ie* or *uchi*, which is taken as a reference of demarcation to the next *ie* or to the surroundings, is made clear in the Japanese language through pronunciation or address. The *ie* becomes the permanently contextualised *uchi*.³² A relative demarcation of what is “inside” or “outside” from an individual’s point of view is common in many contexts in Japanese and, depending on the context, denotes the group/unit to which the individual belongs in distinction to the area where something else applies.³³ It thus also implies a social positioning that is implicitly accepted with the use of the terms.³⁴

It is this contextuality that sometimes makes it difficult for non-Japanese speakers to understand the full conceptual scope of a statement. Or, to put it another way, there is an unspoken – or not necessarily openly expressed – understanding of who belongs to the *uchi*, i.e. the “inner circle of those who understand” versus those who do not. Only those who know the broader context – the demarcation of “inside” and “outside” – understand who is an “insider” and thus “belongs”. These demarcations occur repeatedly in Japanese conversation between speakers in specific contexts or the designation of third parties, as Japanese often avoids pronouns entirely in favour of more explicit titles or kinship terms. Individuals are addressed by rank or title, according to their position in their reference group, replacing individual names entirely or adding the rank; thus hierarchy and social distance (or proximity) are constantly present in language by making such positions explicit. The father, for example, is addressed as “father” (*o-tō-san*) in the family context, but as *shachō* in his function as leading the family business. Moreover, when referred to in the third person, the referential rank is given according to the context of the topic.³⁵

31 Kondo (1986), quoted from Hamabata (1990), p. 49.

32 Hamabata (1990), p. 49.

33 Hamabata (1990), p. 46, calls it the speaker’s “relative ranking” vis-à-vis the listener; see also Lebra (1991), p. 20f.

34 Hamabata (1990), p. 42, describes the complexity of relationships using a situation in which the spoken *uchi* refers not only to the woman of the house, but in the meaning of “we as a family” also includes the continuation of the “house” as the economic unit, as well as the maintenance of the family business.

35 Hamabata (1990), p. 44.

An individual belongs to several relational contexts that may have different clear boundaries depending on the situation. Indeed, the boundaries between the self and the surrounding group are fluid and constantly changing.³⁶ They must be flexible, since an individual must justify their deeds in different contexts and the respective social positions of the self and others. The individual thus slips into different hierarchical roles depending on who they talking to or about at any specific moment. Language helps to clarify social positioning in hierarchical relationships, as it distinguishes several levels of honorific speech signalling respect, but also distance. We will explain honorific speech in more detail below.³⁷

The individual moves between different systems and on different levels. The closest circle to which the individual belongs in our context of the family business is the family in the sense of the *ie* registered in the family register. This *ie* is part of the local community with which the individual interacts, including, for example, the school.

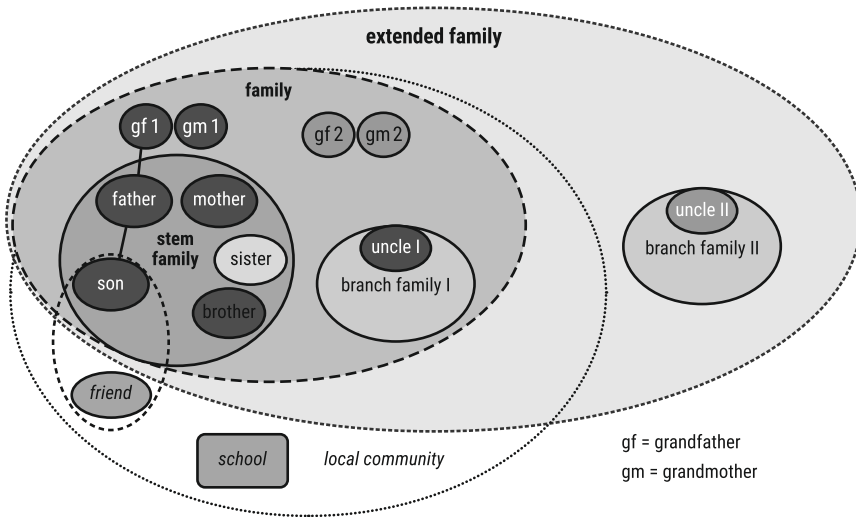


Figure 3. The individual in the context of the nuclear family, the extended family, and the local community. Source: the author.

36 Kondo (1968), p. 245f.

37 When a father speaks to his son, he uses a different honorific formula than vice versa. Subordinates use a more polite form of language when addressing their superiors. Regarding third parties, the courtesy form used is that which expresses one's own position towards the other person. Women usually use more polite forms of language than men.

Later in the life of the individual, the school in this figure may be replaced by the family or other business that the individual joins, and so on. There, more relationships with other people will develop, which become vertically and horizontally interconnected. Thus, a multi-layered structure of relationships and networks evolves with different distances in different temporal contexts. It is here that the complicated language system comes in: the form of polite speech selected reflects the social rank of the speaker, the addressee, and anyone else referred to. On the one hand, honorific speech reveals their position in the respective system or group and the level to which they belong while, on the other, the context in which an individual speaks to a specific person in a specific position can make the use of specific honorific speech mandatory. It is important to be able to correctly retrieve this information about respective positionings in the network of family and environment at the appropriate moment, for example, at a family reunion or business meeting. In the overlapping contexts of family and business, the vocabulary and polite forms used depend on the topic or the group of people present.³⁸ This is precisely what makes the Japanese context different from Western contexts: the context has a direct effect on the language used and the use of appropriate honorific forms at a specific level communicates to all participants that the user knows, recognises and respects the social structure behind the relationship and thus contributes to its stability.³⁹ The point we make here is that the use of language with hierarchising forms of polite speech implicitly accepts the hierarchical order that exists in the structure of social relationships.

4.4 Personal names in family and business

In Japanese, pronouns are often avoided entirely in favour of kinship titles in the family context, or more explicit titles in the context of the family business (the specific form of workplace chosen here – the same holds for other formalised relationships at work). In the private context, individuals are referred to by their positions in the family. The youngest boy, for example, is addressed with the personal pronoun *boku*, which is the Japanese word for “I” at a plain and informal level of speech. *Boku* is what a young boy learns first when talking about

38 Hamabata (1990, pp. 44, 98) refers to a situation in which the father, who is usually called “*o-tō-san*” (“father”) in the family context, refers to himself as “*shachō*” (“boss”) to clearly signal that what he is saying has double weight – both as the father of the family and household head, and as the boss of the family business – so his word cannot be questioned. For more examples of *uchi-soto* relationships in business, see Haghirian (2010), p. 15f.

39 This is precisely where “insiders” and “outsiders” can be distinguished – through the way of speaking, the level of politeness, the level of honorific speech – with plainer language used in more intimate relationships and more humble language used to create a distance.

himself, and others use the same term to make speaking simple for him in the family context (he will learn the appropriate hierarchical terms later in life). The names of other family members are used with a courtesy prefix and suffix: “Ms honourable elder sister” (*o-nē-san*) or “Mr honourable elder brother” (*o-nī-san*), “Ms honourable mother” (*o-kā-san*) or “Mr honourable father” (*o-tō-san*).⁴⁰ Usually, names are used when addressing somebody of a lower status, such as parents calling their children. In siblings’ conversation, though, the sister will call her older brother “*o-nī-san*” (honorific term), but the latter calls his younger sister by her name.⁴¹ Depending on who is involved in which position in the conversation, different polite forms are chosen: the mother of the listener is *o-kā-sama* (the “honourable woman mother”), one’s own, modestly, is *o-fukuro* (similar to “little mother”). The husband speaks of his wife to third parties as *kanai*, the (woman) “in my house”, or *kami-san*, the “upper person”, the same term used by third parties, although for the wife *oku-san* (literally “the woman inside the house”) or *oku-sama* – the more polite form – is more common. The addressee, as a member of another *ie*, is referred to as *o-taku*, the “honourable house”.

Thus, the proper use of Japanese involves constant comparison of one’s own position (the speaker) with those in the respective relational structure (the listener and referent). The reference system is adapted to the level currently used in the linguistic context. The individual is, at the same time, younger brother, son, or grandson – but what distinguishes Japanese from Western languages is that the speaker is also addressed by those surrounding them by their kinship title or rank, which depends on the interlocutor and content. The respective designation manifests the social structure and expresses the hierarchical structures of society. Nevertheless, complete depersonalisation is not possible.⁴² The kinship titles for positions in the family or social structure are also used by the speaker about themselves, replacing the personal pronoun.⁴³

40 In Japanese terms, *o-* is an honorific prefix and *-san* an honorific suffix, although in more intimate contexts the diminutive form *-chan* is used instead of *-san*. A more formal honorific suffix would be *-sama*, which is used in honorific speech or when talking about highly esteemed third persons.

41 Within the kinship titles, a suffix is added to names or kinship names: *-chan* for girls and *-kun* for boys. Depending on the degree of familiarity, these suffixes are also used in other relationships instead of the more formal “*-san*”, for example between teachers and students. Again, honorific speech would require the use of the suffix “*-sama*”; see Suzuki (2001), SturtzSreetharan, (2009).

42 Hamabata (1990), p. 98, and Hendry (2019), p. 75.

43 Instead of “I (father) give you (my son) something” it is “*o-tō-san* (the father in his position as father, speaking of himself in the third person) gives something to the *boku* (in the position of the little boy or smallest child, who speaks of himself only as *boku*, i. e. “I” and does not give his own name); see Hamabata (1990), p. 16.

This logic of honorific language is also used in the workplace or company. Here, the “boss” is referred to as “*shachō*”, those on lower levels are referred to by the employees as well as the customers by their respective functions or job titles, such as *jōmu* (supervisor), *buchō* (department head) or *kachō* (section chief), mostly replacing the name. In a family business, the *shachō* is called and refers to himself as the *tōshu*, signalling his rank as head of the family, or *koshu*, the “acting head of the family”.⁴⁴

The position or rank a person holds thus has priority above the name he bears, emphasising the hierarchical structure in the context of the company. However, this evens out other social differences: a *shachō* is a *shachō*, regardless of the size of his company. If there is more than one head of department, the name can be placed in front of the title, so *Shimizu-kachō*, not “Mr” Shimizu (*Shimizu-san*). In private conversation, however, the person is addressed as *Shimizu-san*, Mr Shimizu, because there is no need to refer to his hierarchical level in the company. Thus, an understanding of hierarchical contexts is deeply rooted in the linguistic context, depending on the conversational situation.⁴⁵ This hierarchisation also has an impact on the choice of level of honorific speech, seating arrangements, positioning in group photos and other aspects of etiquette as well as rituals in interacting with one other. It also has an impact on the virtual demarcation between *uchi* (outside) and *soto* (inside).

44 *Tōshu* then refers to the “acting family household head”, who is usually also the manager of the business, but may also have already placed this in the hands of a successor (in the case of abdication in connection with the *tennō* or the *shogun*, as described in Chapter 2). This is the case when the *tōshu* is no longer CEO (*shachō*) but “honorary chairman” (*kaichō*) or “advisor” (*komon*). The senior member may still be head of the family, but in the company the next generation may already be running the business. The *tōshu* may be female after the death of the male head of the family, see Chap. 4.6.

45 This explains the use of business cards: when exchanging cards, information on the position of the holder is given together with information on their networks and their relationship to the recipient’s network. When exchanging cards, the recipient may also ask about the reading of the name, which is not clearly defined in Japanese, or about connections with other people or specific regions of origin indicated by the family name to grasp the social rank. Usually, it is helpful to identify a point or person of reference to establish *en*, a “connection” or “bond” between two people (*ningen kankei*, i. e., interpersonal relations, see Hamabata (1990), p. 94). With this information, the rank of the other person can be determined in relation to one’s own, their social position identified, and their social capital estimated. Such information is crucial to adjust one’s own behaviour or honorific speech correctly. See also Haghirian (2010), p. 130f.

4.5 “Saving face”

In the social structure of the self and its environment, the concept of “face-saving” is central. For each group, there are rules that the individuals follow, as well as rules for the relationships between individual groups in the social structure. These relationships are respected by following appropriate social rules and rituals. Outwardly following the etiquette is called *tatemaie*; the actual feelings are *honno*.⁴⁶ To have *honno* and *tatemaie* in harmony is the ideal of harmonious Japanese society.⁴⁷ An individual’s feelings may differ from what they are allowed to reveal in public. However, socially correct behaviour expects the individual to take account of their rank and social relationships and to behave according to the rules within a given context (*tatemaie*). Only in the closest private circles is it customary to express the self; in other situations, the specific relationships are considered, such that one’s own face is saved and – through correct behaviour – also the face of others.

In so doing, the individual weighs their value within a relationship, and whether a continued good relationship with others is considered more important, in the sense that one’s own individual preferences may be set aside for the sake of the harmony or the well-being of a group.⁴⁸ This includes a moral perspective of the “love and care” of others within the group and the greater shared context to which the individual belongs, rather than a socially imposed obligation.⁴⁹ The individual can trust in the relationships that impel them to work for the benefit of the family and wider community and derive, in turn, a positive feeling from this sense of belonging.⁵⁰ In turn, the group offers care and protection for the individual. Those who fulfil their role within the group also preserve their own position in it and, thus, “face”, but they also consider the position of other group members. These two perspectives are attributed to “two-facedness”, but they are part of the moral understanding of the interaction: by maintaining one’s form in the *tatemaie*, one is not vulnerable in the social environment. Belonging to a group means preserving the *honno* of the group

46 “Tatemaie” literally means “front” in the sense of publicly held opinion; “honno” literally means “original tone” in the sense of privately felt or expressed. Lebra (2004), p. 110, translates *honno* vs. *tatemaie* as “internal feelings vs. external pretence” or as a “formally enunciated principle” (1989), p. 215; see also Hendry (2019), p. 144ff, and Hamabata (1990), p. 10f.

47 The principle of harmony (*wa*) is stylised as a cultural principle that looks back to the beginnings of the Japanese empire, as described in Chapter 2.

48 See Kondo (1986), p. 81f.

49 “Love and care” towards people are seen as a moral component, not a social obligation, see Kondo (1987), p. 246.

50 On the relationship between social capital, social well-being, and social affiliation in Japan, see Hommerich & Tiefenbach (2018), p. 1096.

members in the *tatema*e towards the non-group members.⁵¹ Not doing so can disturb the relationship between the individual and the group, which may be considered a betrayal of the group and lead to exclusion. However, exclusion from a group affects the social fabric as a whole and worsens the position of the excluded person. Keeping the *honne* is, therefore, a form of self-protection in terms of group protection.⁵²

A lack of attention to the *tatema*e can affect the status of the entire group in the social structure and lead to problems with other social units (such as superiors). Therefore, the group will desire that the individuals belonging to it uphold its rules. Conflict within a group is not solely an individual matter; conflicts also weaken the position of the head of the group, who has responsibility for the group externally and impact the reputation of the group as a unit.⁵³ This aspect is particularly important for family businesses, in that they carefully monitor conflicts, keeping them within the group and not letting them leak out. The family's reputation in society is synonymous with that of the company, which is valued for its economic performance. "Rank and name" were and are the basis for the reputation, and hence the wealth, of the *ie* and the company.⁵⁴ However, the

51 The exterior in the term *tatema*e can also be equated with *soto* (see above) and, accordingly, *honne* also with *uchi*, see Hamabata (1990), p. 140f. Other terms are *omote* for the front and *ura* for the back. *Omote* is the side from which conflict is kept out, whereas the *ura* side offers opportunities for negotiation. This concept is still important in Japanese social relationships today, see Hendry (2019), p. 296.

52 The person knows about possible consequences and must justify in whose interest they acted if going against the interests of the group. A person who goes against the group purely out of self-interest must first prove that this was done in the service of the group or society for their actions to be accepted more widely: otherwise, they run the risk of sanction by the group and society to such an extent that they no longer receive any support and perish. Those who go against their own group out of noble intentions, and thus risk their downfall, are seen as heroes if their actions are in the interests of the community. Such David-versus-Goliath stories are very popular in Japan; see, for example, the story of the 47 samurai, *Chūshingura* (Allyn, 1970) which has frequently been depicted in literature, Kabuki theatre, and even in television and anime series.

53 The interviews conducted by the WIFU team also emphasised that internal (family) conflicts should be avoided or not made public, see Okaya (Chap. 5.1), Yamasa (Chap. 5.3) or Horikin (Chap. 5.7). It should be noted that the discrepancy between personal feelings and what is expected of the group in terms of moral action can lead to depression or suicide. Hamabata (1990), p. 55f, gives the example of young females who often have suicidal thoughts before the Buddhist festival to honour the spirits of one's ancestors (*O-Bon*) because they have not yet fulfilled their perceived obligation to marry. Another sad example is the 37th successor (*shachō*) of Kongō Gumi, Kongō Ji'ichi, who committed suicide in 1932 because he believed he could not save the family business after the Great Depression; see Kongō (2013), p. 3, as well as Chap. 5.10.1. The reason is an understanding of assuming responsibility and atoning for one's guilt by committing suicide, thus freeing oneself and others (e.g. family members) from the potential guilt deriving from a person's group membership, as described above.

54 The well-being of all members of the business family has a positive effect on the success of the company, and this was also emphasised by all the interview partners (Chap. 5). Therefore, the

negative effect of the potential sanction for misconduct in the group context may be outweighed by a positive effect if the individual is standing up for society. In such a case, the ethical behaviour of the individual may increase the social capital of both the individual and the group.⁵⁵ The following section will therefore look at intra- and inter-family relations in more detail.

4.6 The *ie* as a household

The *ie* as a household comprises the head of the family (*koshu*⁵⁶), his wife and their natural children – the “nuclear family”.⁵⁷ The names of the members of the *ie* are recorded in the *koseki*, the household register or genealogical book, which is now kept in the town hall or administrative unit of the place where the family resides.⁵⁸

An *ie* is established by a couple upon marriage,⁵⁹ with bride and groom leaving their parental *ie* and creating their own family with its own family register. However, not all children leave the parental *ie* after marriage. One child stays with the *ie* and takes over as *koshu* after the death of both parents. As a rule, this is the eldest son,⁶⁰ who takes over the family name, the family headship and the

importance of taking care of the well-being of all is also emphasised in family constitutions and company rules, for example Horikin (Chap. 5.7); see also Gotō (2019), p. 14f.

55 The concept of *ikigai*, which can be translated as “purpose in life”, is addressed here. The *ikigai* refers to an individual’s feeling of commitment to what is closest to their heart but, unlike the hedonic sense of well-being (*shiwase*), it aims at an eudaimonial sense of well-being, which emphasises the ethical-moral component in action. Moreover, in this view, a commitment to society increases the well-being of the individual; see Kumano (2017), p. 420f.

56 There are various terms for the head of household or family. *Koshu* is the legal term used in the civil law of the Meiji period, when the *ie* was legally formalised. It is used here to emphasise the connection with the concept of the *ie*. More common nowadays are the forms *shujin* (which also translates as husband), *setai nushi* or *shotai nushi*. In official documents, such as the family register, the term *hittōsha* is used, although it is rarely heard in the spoken language.

57 The word *kazoku* is not used in the context of Family Law, as it refers exclusively to family, parents and natural children – but it is precisely here that the need arises to retain the terms *ie* and *dōzoku*, which also include ancestors. *Kazoku* has only been widely used to mean family in everyday language since the Second World War.

58 The *ie* system is based on the household system that emerged in the Tokugawa period (*ko*) and was reformulated in civil law in 1889 to meet the needs of the Meiji government. The historical significance of the household register (*koseki*) has been described in previous chapters, see esp. Chapter 2.

59 It has only recently become possible in Japan for married couples to have different surnames.

60 In many family businesses, it was and still is common to entrust the eldest son with the succession in the family and in the business. However, other forms of succession are also found in some regions of Japan. In northeastern Japan, in Tohoku and Iwate, for example, the eldest child succeeded, regardless of gender; see Kuroda & Befu (1963), p. 1331. In southern Japan, the lineage passed to the youngest son (ultimogeniture) and the elder brothers es-

household register. This concept of the Japanese family system developed over time, as described in Section 4.1. Traditionally, the term *ie* referred to the entire household with all those living under the same roof, including (as it still does) unmarried children as well as married children who may have not yet established their own households for financial reasons.⁶¹ In the family register, all members are listed hierarchically with the rank or position they hold in the *ie*. The concept of the *ie* goes beyond the mere creation of a family; it is a unit judged collectively by the outside world. Further, the *ie* system is designed to keep the family small as an economic unit. In principle, the concept of the nuclear family is maintained over subsequent generations.⁶²

The first-born son usually succeeds to the *ie* and also the family business. He thus holds a more prominent status than the other members of the family. In practice, succession to the business can take place later than that in the family but the two follow a similar pattern.⁶³ Thus, the continuation of the *ie* means filling the position of successor. The right to decide on the succession rests with the head of the *ie*, and the responsibility for the continuation of the *ie* rests with the head of the family. The endeavour is communalised, as the continuation of the *ie* can only be ensured if all members contribute positively.

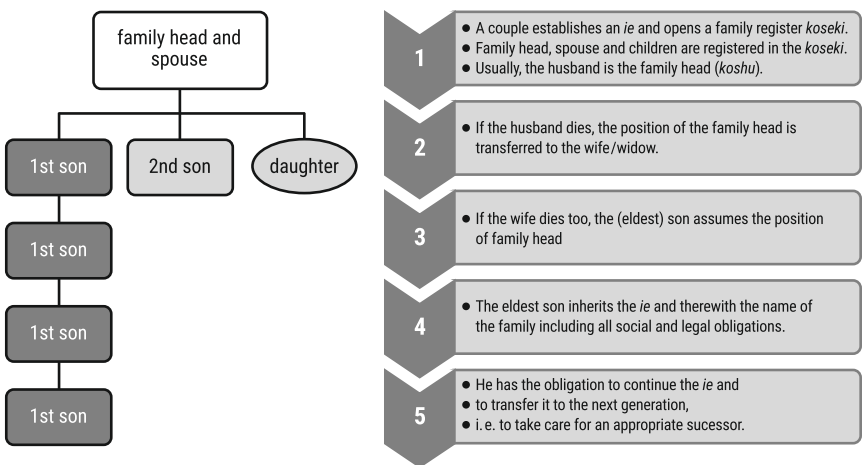


Figure 4. The Japanese family system *ie*. Source: the author.

established their own families with pedigree. Primogeniture was not prescribed in writing at any time and was not always followed even in noble families.

61 *Heyazumi* refers to sons (it is mostly male children) who do not enter the succession and are allowed to use a room (*heya*) in the *ie*, see Nakane (1991), p. 221, and Lebra (1989), pp. 199f.

62 Lebra (1989), p. 189f.

63 Hamabata (1990), p. 88f.

Those sons who do not take over the stem or main line of the family (*honke*) drop out of the family register and establish a branch line (*bunke*). Relatives more distant than the direct sibling lines of the progenitor are known as the *bekke*, while the term *renke* denotes other affiliated families or houses, for example, those of daughters whose husbands establish their own *ie*, or the spin-offs of long-term employees who open a branch under the name of the family business.⁶⁴ In traditional families, the relationships between these houses are maintained. In family businesses, these family networks create hierarchical structures that also involve dependencies. The stem family enjoys specific rights and can draw on the resources of the branch families in certain cases.⁶⁵ Conversely, the branch families can also rely on the resources of the stem family if the *ie* gives its consent.

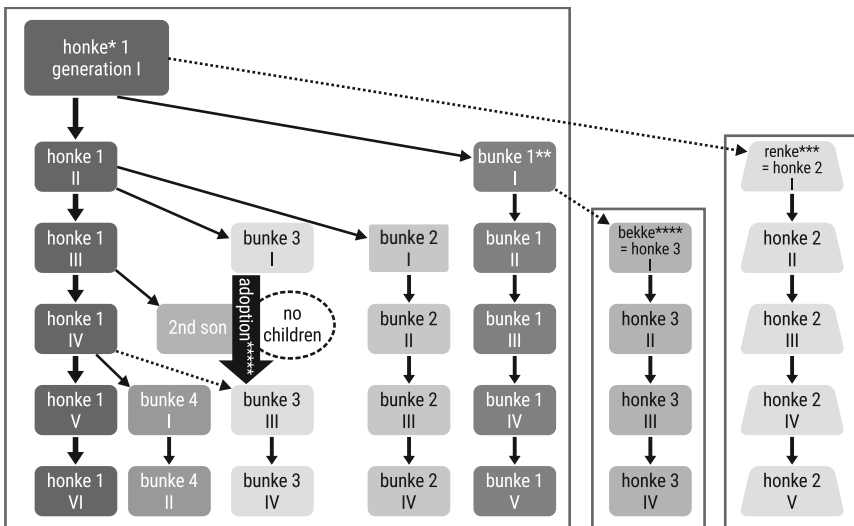


Figure 5. The *ie/dōzoku* system, multi-generational view. **honke* denotes the stem family, ***bunke* the branch family, ****renke* an affiliated family and *****bekke* a more distant (branch) family; the overall structure is called the *dōzoku*. Source: the author.

If the eldest son does not take over the family business, for whatever reason, or dies early, a second or third son would be selected for succession. In former times, if there was no other son from the first marriage, a man would marry again

64 This practice of the spin-off is called *noren-wake* in Japanese. The *noren* is a cloth curtain attached to a bamboo pole and hung in front of the entrances of shops to keep out the sun and wind since the 12th century. For merchants and craftsmen, the coat of arms or name of the shop was woven into this “shop curtain”. To “divide the shop curtain” meant to allow a son or a clerk (*bantō*) to open his own shop. This was done with the financial support of the stem house and is the traditional basis for networks of merchants and craftsmen; see Sakudō (1991), pp. 160–162.

65 Befu (1963), p. 1331.

to provide male offspring.⁶⁶ Failure to provide a male heir was particularly problematic for families in which a business was to be passed on to the next generation. In such cases, adoption was the next option of choice for succession.

4.7 Adoption as a “tool” to preserve the *ie*

Where there was no male successor in a family, adoption was frequently used to ensure the continuity of the *ie*. This practice has a long tradition in Japan and can be traced back to the 8th century, when the first code of laws was enacted.⁶⁷ One reason was the continuation of the family to ensure the continued possession of the wealth and privileges held by the family, but another reason was the high infant mortality rate.⁶⁸ The number of adoptions to ensure succession declined at the end of the 19th century, when improved nutrition and hygiene reduced child mortality, but adoption is still more frequent in Japan than in any other OECD country. Every year, about 80,000 adult adoptions are made to preserve the continuity of the *ie*.⁶⁹

In many cases, close relatives are chosen for adoption. The following options are available:

1. The male members of the branch families are considered. Their eldest sons usually remain in the branch line (*bunke*), while the second-born or another son is adopted into the stem family (*honke*).
2. The husband of a daughter becomes the successor. Following the saying, “You can’t choose your sons, but you can choose your sons-in-law”,⁷⁰ marrying off daughters and adopting a son-in-law has long been a strategic option in succession planning, especially in family businesses.
3. If a *koshu* had no children of his own, an adult or a married couple was adopted to receive the *ie*. This practice has also endured to this day.⁷¹

66 The Japanese population is predominantly monogamous. In noble families, though, it was common to have concubines in addition to a wife, with a corresponding designation in the family register.

67 See Chap. 2.2.

68 As late as 1900, for example, only about 70 per cent of sons reached their majority, aged 15. By 1980, infant mortality had decreased considerably, and the likelihood of a son reaching the age of 15 was 99 per cent; any son must thus clearly be considered for succession upon birth; see Martin & Culter (1983), p. 636 ff.

69 In contrast, adoptions in Western countries almost exclusively take place in childhood; see Blind & Lottanti von Mandach (2015), p. 5, and Mehrotra et al. (2013), p. 840f.

70 Mehrotra et al. (2013), p. 840 cite Japanese sources on family businesses expressing joy at the birth of a girl.

71 The adoption of small children, common in Western countries because of legal regulations concerning the well-being of the child, is more unusual in Japan, with only two per cent of adoptions involving minors (Mehrotra et al., 2013, p. 841). On the frequency and economic

With the adoption, the adopted son is entered into the *koseki* of the adoptive parents and at the same time gains the full rights of a natural son.⁷² In the structure of the “family system”, it should be noted that consanguinity is not the only factor securing continuity in Japanese families. The continuation of the *ie* has a higher priority than the preservation of the bloodline. Adopted sons are integrated into the system as full members of the family.

The *ie* also includes deceased members of the family, the ancestors from whom today’s members are directly descended. The positioning of ancestors above the head of the family in the family register was addressed under 4.1.

One of the tasks of the family head (*koshu*) was, and still is, the ritual of ancestor veneration. A son-in-law or adopted son who is taken into the family must also fulfil the task and honour of venerating the ancestors of his wife and or adoptive parents with appropriate rituals as if they were his own natural ancestors.⁷³ In the case of adoption, the adopted son may have to change his affiliation to a Buddhist school, as he will also be accepted into the adoptive family’s burial place after his death (Chap. 3.4). This obligation adds to the obligation to maintain the *ie* and is even more important if the continuation of a family business is to be secured in the *ie*. Succession is thus a constant process of family preservation, and preservation by means of adoption is based on an intrinsic motivation: to increase one’s own standing in the family to prove oneself worthy of the ancestors. With the adoption, the adoptee agrees to fully accept and internalise the rules, values and rituals of the *ie* into which he is adopted, to follow them and to pass them on to the next generation. With adoption, the mandate to secure transgenerational continuity thus passes to the newly acquired family member. The step of adoption was and is taken at an age when the adoptee is fully aware of the responsibility they are taking on.

reasons for adoption in the Mogi family (of the soy sauce manufacturer Kikkoman), see Fruin (1980), p. 8.

72 Befu (1963), p. 1330.

73 These rituals have their origins in the worship of the Shinto family deities or, since the introduction of Buddhism, ceremonies for the souls of the dead have also been adopted (see Chapter 3). The deceased for whom rituals are performed also include family members who died too young to establish their own households (*muenbotoke*), see Hamabata (1990), pp. 74–76.

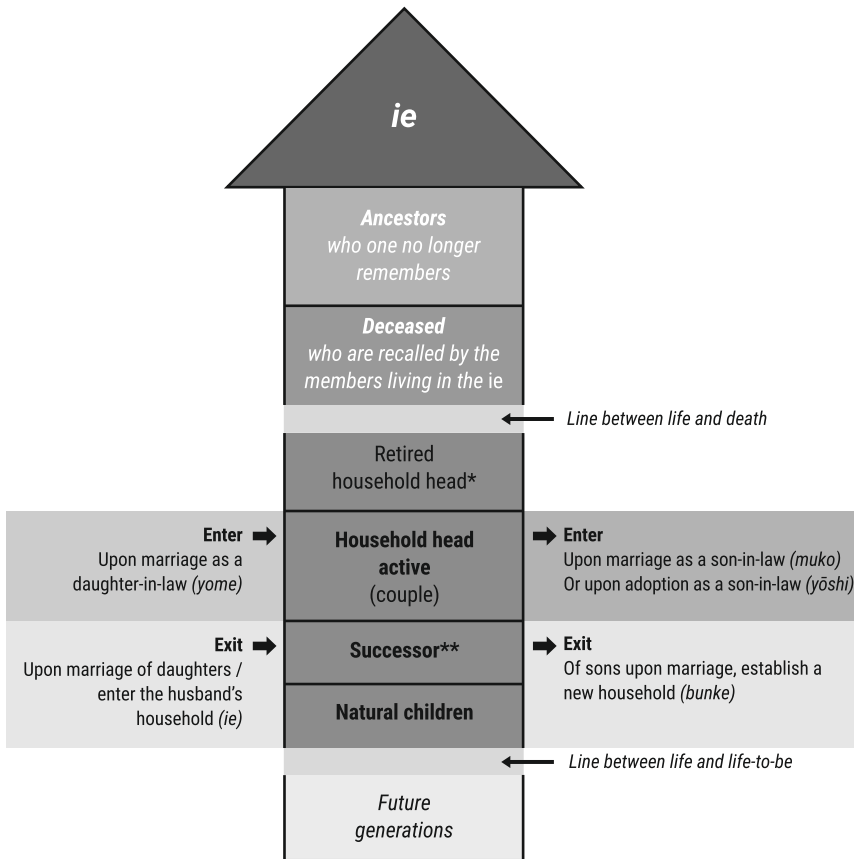


Figure 6. Members of the *ie*. * Retired household heads (*inkyō*) live with the household but have already passed on their responsibilities to the next generation for reasons of age or health. ** The successor is the youngest son who will take over the *ie*. Source: own illustration based on Hendry (2019), p. 33, and Kawabata (1990), p. 76.

4.8 Rules of Japanese Succession

The rules of succession in Japanese family businesses are summarised as follows:

1. A child remains in the parental *ie* to continue the line of the stem family (*honke*) and the family business.
2. The first-choice successor is usually the eldest son.
3. Other sons leave the parental house and establish their own families, which remain connected to the parent house as branch families (*bunke*) (the *dōzoku* system).

4. Daughters enter the *ie* of their husbands and leave the parental *ie* when they marry.
5. If there is no son, but there is a daughter, she remains with the parental *ie* and the son-in-law takes over as head of the stem family.⁷⁴ In this case, the blood relationship to the previous generation is continued through the daughter. The entry in the family register shows that it is not a case of incest.⁷⁵
6. If there are no natural children to succeed, a male member of a family line (*bunke*) is adopted to continue the *ie*.
7. If there are no male descendants within the branch families considered capable of taking over the headship, a male successor or married couple is adopted for this task. Often, the person then adopted comes from the senior management circle of the family business.⁷⁶
8. Whoever succeeds to the position of head of the family (*koshu*) also succeeds to head of the company (*shachō*).⁷⁷

Therefore, in cases of adoption, the selected adoptee is deemed capable of securing the continuation of both the family *and* the business. This significantly improves the likelihood of passing a family business onto the next generation. It also opens another option, should a family head deem the biological children to be not capable. If the decision on who will be the successor has not been communicated yet, uncertainty among the managers of the family business may prevail. This may lead to competition for the position and individuals' behaviour in such a situation may feed into the family head's selection of a successor.⁷⁸

Compared to Western inheritance models, a capable successor can thus be recruited beyond the family pool and contribute to the continuation of the house. This practice is an important factor in explaining the longevity of Japanese family businesses.

74 Sometimes the son-in-law is registered in the family register as head of the family, but he passes his position on to the next generation when they come of age. After the death of the head of the family, the widow – or sometimes another male member of the extended family – takes over the position of *koshu* until the child who will succeed him comes of age or is married. This temporary occupation of a position is called *insei* and is modelled on the historical positions of the abdicated *tennō* or *shogun*. See Hamabata (1990), p. 101.

75 Not all sons-in-law are adopted; see Blind & Lottanti von Mandach (2015), p. 4f.

76 In traditional family businesses, this was often the head clerks (*bantō*), see Suenaga (2019), p. 57f. In the case of the Kongō Gumi, the successor was a master carpenter from outside the company who married the youngest daughter, although the eldest daughter was already married to a master carpenter from the Kongō company, who did not see himself as a suitable leader of the family business; see Kongō (2013), p. 60f, and Chap. 5.10.1.

77 This succession can take place at intervals; see Chapter 6, phase 8.

78 If no decision has been made or communicated by the time the *koshu* steps down, conflicts may arise among the potential successors; see Hamabata (1990), p. 104f.

As shown, it is the responsibility of the respective head of the family to determine their successor and thus ensure the preservation of the *ie* or the family business across generations. In terms of typification according to the mental models, the Japanese family system most closely follows the “patriarchal logic” model.⁷⁹ In this model, a central character acts as the “head” of the company and family community, and all parts of the family must follow them to ensure the further development of the company as well as the cohesion of the family.

It is clear that the patterns of the Japanese *ie* family system explained here have long been applied in succession. As a rule, the eldest son or another natural son succeeds (e.g. historically in Gekkeikan, Chapter 5.2). The option of considering someone from a branch family for succession has also been encountered, in which case the bloodline is preserved (Yamasa, Chapter 5.3). The adoption of a son-in-law (*yōshi*) occurred only rarely in the family businesses visited (Gekkeikan, Chapter 5.2 and Okaya, Chapter 5.1) but is much more common in other family businesses (Hōshi, Chapter 5.10.3). If no male member of the family was available to take over the position of *koshu*, sons-in-law were also actively sought (Kongō Gumi, Chapter 5.10.1). In Yamamotoyama’s case, the only daughter is currently the most promising candidate to take over, or – in the longer term – her son, who is currently still a minor (Chapter 5.4). In some interviews, it was emphasised that fate had been kind to the family business in terms of succession. The presidents of Okaya (Chapter 5.1), Yamasa (Chapter 5.3), and Toraya (Chapter 5.5), for example, spoke of their good fortune in having been blessed with male descendants over the generations, which enabled them to implement transgenerational succession.⁸⁰

Excursus III: the *iemoto* system

The continued importance of the *ie* system in Japanese society is shown by the example of the *iemoto* system.⁸¹ In terms of structure, it is analogous to the *ie* system, but a school is handed down in the form of a family system. In an *iemoto* school, a certain skill is taught and passed on to a master student or a few outstanding students. The teaching in these schools and their proliferation of these schools is based on the concept of Dao, a path one follows to attain mastery.

79 Gimeno et al. (2010); Rösen et al. (2013).

80 This luck is called *un* in Japanese and encompasses the notion of fate, that life will treat you well and that you should see this as a sign that of success; the appropriate gratitude is then shown to the *kami* and the community in which you can then work (compare to *on* – the reciprocation of a perceived obligation; see Chap. 3.1).

81 *Moto* means origin, beginning or provenance; *iemoto* thus translates roughly as “origin of the house”.

Those who attain mastery after many years of practice and development can either open a school themselves or follow their master in their school. Some names for teachers and students have already been mentioned in the previous chapter; to these, we should add *oyabun* and *kobun*, which can be translated as “parent” and “child”: *oyabun* have the responsibility to train, nurture and protect their *kobun*, and *kobun* conversely show unconditional loyalty to their *oyabun*.⁸² These relationships are interpersonal and are stronger than those of the two individuals in their respective (kinship) groups; they are considered essential for the cohesion of the entire group.⁸³ Many masters only transmitted their skills orally or, through constant practice, trained their students so well that they were able to pass their skills on to the next generation. The *iemoto* schools also followed the practice of bringing their own sons into the succession or adopting outstanding students. Some *iemoto* schools have been passed down through families as a result; well-known examples include schools for various martial arts such as sword drawing or archery, the Ogasawara School for etiquette, and the Ikenobō School for flower arranging.

The Ogasawara School is worth mentioning because it was created to establish an etiquette for the samurai. Ogasawara Nagashige (1650–1732) was a teacher of the 5th Shōgun Tokugawa Yoshimitsu in archery and horse riding and held, among other positions, the office for etiquette in the *shōgunate*.⁸⁴ The etiquette in Japanese schools of various martial arts, such as the sword fighting style *Ono-ha-ittōryū*, still follows the rules of the Ogasawara School today.

One of Japan’s longest-lived institutions is a school of flower arranging (*ikebana*) called Ikenobō. The art of flower arranging came to Japan with Buddhism in the 6th century. Shōtoku Taishi is said to have practised it in 578 in the Rokkakudō temple in Nara, but it is more likely to have been started at the end of the Heian period (794–1185) by the Buddhist monk Shinran,⁸⁵ as Rokkakudō is located in Kyoto, and the headquarters of the Ikenobō School is in the close vicinity. The story goes that on the Tanabata festival of the equinox, a flower arranging competition was held in the Rokkakudō, and the winner was thereafter

82 Kaplan & Durbo (2003), p. 8. This term is also known through its use in the Japanese mafia, the Yakuza; see Hill (2003), pp. 65, 67f.

83 Relationships also exist on a horizontal level (*kyōdai-bun*) between older and younger brothers or sisters, the latter found for example in *geisha* schools; see Hill (2003), p. 67.

84 Papinot (1972, 1992), p. 472f, see also <https://www.onoha-ittoryu.de/onoha-itt%C5%8D-ry%C5%AB/geschichte/> and <https://hokushinittoryu.com/> (last accessed 2.5.2021).

85 Shinran (1173–1263) is said to have been commissioned in a dream by Prince Shōtoku Taishi (see Chap. 2.2) to promote flower arranging as an expression of life and impermanence in Buddhism; see <http://www.ikenobo.jp/rokkakudo/> (last accessed 20.5.2021). The year 587 is given as the founding year of the school. See Gotō (2014), p. 83, or http://www.tsr-net.co.jp/news/analysis/20161202_01.html (last accessed 2.5.2021).

allowed to bear the family name Ikenobō, after the style of the school. Ikenobō School heads are at the same time the head priest of the Rokkakudō.

The name Ikenobō Senkei was first mentioned in a document of 1462, which is why this year is taken as the year of foundation. The tradition of flower arranging has been passed down through the Ikenobō family for many generations and is now in its 45th generation with Ikenobō Sen'ei. The philosophy of the Ikenobō School was written down in the 17th century and is still followed. Under the influence of Zen Buddhism, other schools developed from the 17th century onwards, each headed by an *iemoto* who passed on his art only to selected students. The art of flower arrangement, like those of the tea ceremony and calligraphy, was widely practised among the warrior nobility. Flower arrangements stood – and still stand – in traditional Japanese homes both at the Buddhist altar and in a place of honour with calligraphy in an alcove (*tokonoma*) in the room where guests are entertained.⁸⁶

In 2015, it was announced that in 2023, on the 70th birthday of Ikenobō Sen'ei, the incumbent board member of the Ikenobō School, his daughter Senko would take over the leadership of the school. This will be the first time in 45 generations that the oldest ikebana school in the world will be led by a woman.⁸⁷ The headship will include the position of head priest at the Rokkakudō, where she is already vice-head-priest.

Excursus IV: Japanese naming

In Japan, personal names are usually written with Chinese characters (*kanji*). Only in recent decades it has become fashionable to write girls' names with *hiragana* or *katakana*.⁸⁸ Artists also sometimes use *kanji*.

When marrying under Japanese law, the spouses usually agree on a family name, either that of the bride or that of the groom. If a son-in-law succeeds to the bride's family, he also takes the bride's name (for example, Kongō Toshitaka of Kongō Gumi, see Chap. 5.10.1). If there is no descendant in the family or *ie* of the mother, second-born sons from another branch of the family (*dōzoku*) are asked to take the mother's name as, for example, in the Torii family, where the second son took the name Saji (Chap. 5.9). It is possible to change the family name to that of the wife or husband at a later point.

⁸⁶ Ikebana and calligraphy (*kakemono*) are appropriately arranged for seasonal occasions and express the educated nature of the home.

⁸⁷ Further information is to be found on the website of the Ikenobō School, www.ikenobo.jp/english/ (last accessed 3.4.2021).

⁸⁸ For the headmaster designate, see <https://www.ikenobo.jp/english/about/senko.html>; see also Chap. 2.2 footnote 20.

A new combination of the bride's and groom's surnames (for example Yokoyama and Go-tō to Go-yama or Yoko-tō) is not permitted. The family name is entered in the family register (*koseki*).

Family names appeared in the 4th and 5th centuries when only the *uji* family groups had surnames (see Chap. 2.2). As the population grew, surnames for nobles with administrative duties (*myōji*) appeared in the 8th century, referring to the lands that were to be administered. In the Tokugawa period from 1600 onwards, the use of a *myōji* became a privilege: only court or sword nobility were allowed to have a family name and carry two swords.⁸⁹ Priests and doctors, or persons given special permission by the *tennō* or *shōgun* were also given the right to family names.

It was not until after the Meiji Restoration that a law was passed in 1870 allowing all Japanese women and men to have a surname, and only at the end of the 19th century did it become customary for the woman to take the groom's name. Only the ruling family of the *tennō* has no surname to this day, referred to simply as the "tennō family" (*tennō-ke*) or "imperial family" (*kōshitsu*).⁹⁰

The birth name is also entered in the family register. First names usually consist of two or three characters but may in some cases have only one character (for example, Nakagawa Jun, Chap. 5.6). Boys were often called Tarō; if there were several sons, this was combined with number words, for example, Ichi-tarō, Hatsu-tarō, or Kō-tarō for the first-born, Jirō for the second-born, Saburō or Seisaburō for the third-born. A good example is found in the Fukuhara family of Shiseido (Chap. 5.9), whose founder, Arinobu, named his sons Shin'ich (for one), Shin-ji (for two), Shin-zō (for three), followed by Nobu-tatsu (dragon, the fifth animal in the zodiac) and Nobu-yoshi (the sign for luck). Certain characters are often used in specific professions, for example, "mune" for swordsmiths, even though it originally had a Buddhist background in the Sino-Japanese reading (*sō* or *shō*).⁹¹

Frequently, a specific *kanji* from the father's or founder's name was also used in the sons' names, as in the case of the Kongō family, where the character *shige* is taken from the name of the founder Kongō Shigemitsu (Section 5.10.1), or in the case of Shiseido founder Fukuhara Arinobu, where the character *nobu* in the reading *shin* is used for the sons of the second generation and a character from

89 In this context, the expression arose of exchanging swords for the abacus, or the Japanese slide rule – the *soroban*, that is, to leave the rank of *bushi* and pursue a commercial activity. These families usually retained their previous surname, as in the case of the Hamaguchi family of Yamasa (Chap. 5.3) or Mitsui (Chap. 2.5.1).

90 On the *tennō* family, see <https://www.kunaicho.go.jp/e-about/genealogy/koseizu.html>, <https://www.kunaicho.go.jp/e-about/history/history02.html> (last accessed 30. 5. 2021).

91 See also the description of the name of the founder of Okaya Muneharu (Chap. 5.1).

their names appears in the third generation.⁹² In the Mitsui family, the family constitution noted the first names of the six family branches and three associated families, which were used as titles in the succession when the son in question took over the business.⁹³

When taking the family leadership, in some cases the name of the founder is adopted, as in Zengorō in the case of the Hōshi (Chap. 5.10.2) or, in the case of Nakagawa (Chap. 5.7), where the current President Jun has adopted the name Masashichi. For girls, it was traditional to add the suffix -ko for the child, as with Sen-ko in the Ikenobō family (Chapter 4, Excursus III) or the daughter of the reigning *tennō* Ai-ko.⁹⁴ Flower names are often used such as Hana-ko, Momo-ko, Erika or Riri (lily). To this day, specialists in onomancy⁹⁵ are often consulted over the choice of a first name, advising on the number of strokes in the child's first name or identifying particularly auspicious days for the naming ceremony at the Shinto shrine.⁹⁶ Buddhist names are given posthumously when the deceased are buried, according to Buddhist ritual.⁹⁷

92 See Chap. 5.8, especially fig. 5.

93 Roberts (1991), Appendix A, p. 514.

94 See also the name of John Lennon's wife, Ono Yō-ko.

95 Divination from letters or signs of a name.

96 See Chap. 3.3 and https://de.wikipedia.org/wiki/Japanischer_Name#Altertum:_uji_und_ka_bane (last accessed 22.5.2023).

97 See Chap. 2.3 or, since 1868, government visas as posthumous names of the *tennō* (Chap. 2.1).

Chapter 5. Case Studies of Intergenerational Family Entrepreneurship in Japan

This chapter presents nine of the family businesses that the WIFU research team visited in April 2019. Before presenting the findings, we give a brief overview of the methodology used to write the case studies.

As already mentioned in the introduction in Chapter 1, nine very old Japanese family businesses from different sectors (including food, handicrafts, and trade) were visited as part of the Long-lived Japanese Family Businesses project and members of the respective owner families were interviewed. The companies are between 120 and 350 years old and are run by at least the third generation. The interviews were semi-structured and used a questionnaire that was sent to the interview partners in advance. The central question concerned the factors contributing to the longevity of these family businesses. The focus was on the organisation of the business family and the relationship between the family and the business. Between one and eight people from the business families took part in the interviews.¹ The interviews were conducted in Japanese and/or English and recorded. In total, more than 25 hours of interview material is available. To supplement the information from the interviews, we consulted the websites of the companies concerned and used other sources that were either provided by the companies themselves or could be searched on the internet.

Methodologically, this analysis follows a qualitative approach to empirical social research.² The conclusions and theory development are drawn from the empirical material itself. The companies were selected to cover as wide a spectrum as possible³ in terms of industry, age and size.⁴ The selection of the companies follows the method of conceptual representation⁵ and should not be understood as statistically representative of all Japanese family businesses. For this reason, the results of the interviews were supplemented by further research

1 The list of interview partners and the questionnaire can be found in the appendix.

2 Grounded Theory, Glaser & Strauss (1967); Strauss & Corbin (1998).

3 Przyborski & Wohlrab-Sahr (2014), p. 177 ff.

4 On the case study method, see Eisenhardt and Graebner (2007).

5 Przyborski & Wohlrab-Sahr (2014), p. 46f, following Strauss & Corbin (1998), p. 421.

that can be publicly accessed via books, magazines, newspaper articles, or the Internet. Having conducted the interviews, evaluation analyses were carried out by the research team. Based on these, hypotheses were formed that were verified in condensed expert interviews.⁶

This approach allowed us to address the following questions:

- (1) how the family and the boundary between family and business are defined;
- (2) which specific succession perspectives and practices exist;
- (3) which social norms and religious beliefs are important here; and
- (4) how longstanding Japanese family businesses are embedded in the local context.

In the following chapters, the presentation of the case studies (Sections 1 to 9 of Chapter 5) is preceded by selected company data for better classification. A description of the foundation and historical development of the family and company follows, together with results from the interviews, subdivided into categories such as family, succession, ownership structure, roots in the local environment or company philosophy. Since the interviews were semi-structured, the information in the responses varied. For this reason, the sections on individual sub-areas also differ in name, order and/or length. Where possible, reference is made to the previous chapters on historical milestones, the family system, or religious beliefs; additional information is given where deemed necessary or useful. The family businesses visited are presented according to their year of foundation, starting with the oldest business, Okaya (Chap. 5.1).

This chapter is rounded off by short portraits of three of the oldest family businesses in Japan – and indeed the world (Chap. 5.10). An analysis of the interview results is provided in Chapter 7.

5.1 Okaya⁷

Okaya & Co. Ltd (Okaya Kōki Kabushiki Kaisha) is one of the oldest Japanese trading houses and one of the few that is still active in its original business field. Unlike other trading houses, it is also involved in production. Three-quarters of

6 The interview partners included professors from various universities who have researched the history and development of family businesses, as well as representatives of the German Chamber of Industry and Commerce in Tōkyō and Japanese semi-public organisations for business promotion. The list of all the interview partners can be found in the appendix.

7 Compiled from an interview with Okaya Tokuichi held on 22 April 2019, when he still held the position of CEO, and, unless otherwise stated, the company's websites: www.okaya.co.jp; www.okaya.co.jp/en/company/index.html; <https://www.okaya.co.jp/en/company/profile/doc>

its turnover of seven billion euros (2020)⁸ is generated by two divisions – Iron & Steel and Industrial Material & Machinery – and the remaining quarter by Information & Electronics and Living-related Products. Okaya employs 5,100 people in 23 countries worldwide. The company is headquartered in Nagoya, where Okaya is also listed on the stock exchange. The largest single shareholder is the current chairman of the supervisory board, Okaya Tokuichi (5 per cent), while 12.6 per cent of the shares are held by Okaya Real Estate, a company wholly owned by the Okaya family. Thus, two companies are considered in this chapter. In March 2021, there was a change in the company's management: the long-serving CEO, Okaya Tokuichi, handed over the management to his son Takehiro. Thus, the family business is now in its 14th generation.⁹

Foundation and history

The Okaya family business was founded in 1669 by Okaya Sōsuke-Muneharu (known as Sōsuke). The first shop was in the Teppōchō district, beneath Nagoya Castle,¹⁰ where the foot soldiers lived. Sōsuke had been in the service of the lord of the castle but, at the age of 44, had decided to exchange the samurai's swords for the merchants' abacus. Since he had a good knowledge of swords, he opened a hardware shop which he called Sasaya. His range of goods included hardware of all kinds: farming tools such as hoes, spades and sickles; handicraft tools such as drills, awls, carving knives, axes, chisels, saws, hammers or nails; household tools such as shaving and sharpening knives, scissors, clippers and mirrors, as well as cutting and stabbing weapons.

His shop curtain (*noren*) was decorated with a five-leaf bamboo emblem (the butcher's broom bamboo, *gomai-sasa*) in a circle. His logo featured the character *Mune* from his name, Muneharu, under a mountain, conveying that it was a shop for hardware or "treasures recovered from the earth".¹¹ The character *Mune* or *Sō* can also mean master or teacher, and it appears in the names of many famous

uments/; www.henokiens.com/content.php?id=51&id_membre=36&lg=en (last accessed 20.5.2021).

8 9.18 billion yen, 31.12.2020, www.okaya.co.jp/en/newsreleases/2021/855 (last accessed 20.5.2021).

9 www.okaya.co.jp/en/newsreleases/2021/855 (last accessed on 20.5.2021).

10 Nagoya's history dates back to the 8th century, when the area was owned by the Japanese imperial family. One of the three unifiers of the empire, Oda Nobunaga, was born and raised at Nagoya Castle. In 1610, the first Tokugawa *shōgun* Ieyasu had Nagoya Castle renovated for his seventh son. The province of Owari was owned by one of the three Tokugawa tribal families, and Nagoya was strategically located on the Tōkaidō route between Edo and Kyōto (see Chap. 2). Today, Nagoya is the third largest economic area in Japan and is known for its automobile and mechanical engineering industries.

11 There are no records of when exactly the logo was changed; see 20210301_corporate_profile_en.pdf (okaya.co.jp) (last accessed 20.12.2020).

swordsmiths. That it would also be included in the first names of the descendants of the Tokugawa family of Owari in the 18th century was perhaps not foreseeable, but it shows that much importance was awarded to the choice of logo.

In the first few years, business was slow, partly because the shop was located at some distance from the central market of Nagoya. It was not until the 4th generation that the financial situation improved. At that time, the 7th ruler of Owari, a cousin of the Shōgun, named Tokugawa Muneharu,¹² had introduced economic policies to increase consumption in his province. The 4th Okaya, Sōshishi Kachichi, was a very talented businessman and his activities contributed significantly to the continued economic success of Sasaya and, thus, the House of Okaya. His vision was to expand his trade to offer first-class hardware from all over the country. Therefore, he travelled to Osaka and the province of Izumo (today's Shimane) to purchase products from Japanese ironsmiths. He also travelled to Sakai in the Miki province (present-day Hyōgo) to establish trade relations and secure a supply of high-quality Japanese swords. He expanded his relationships with swordsmiths and polishers in the provinces of Kyoto and Echizen (now the Fukui prefecture), thus establishing a regular trade route for iron goods. Business flourished in the Edo period and the number of Okaya warehouses grew to an impressive 16.

With the opening up of Japan in the mid-19th century and industrialisation at the turn of the century, business also changed. It was no longer just hardware for everyday use that was traded but increasingly also machines and equipment for use in the rapidly developing light industry. Okaya Sōsuke¹³ developed a new cloisonné technique in ironworking and began exporting ironware made using this technique in 1871. In addition, he became involved in the manufacture of spinning machines and also in the money exchange business when this became possible. He was the first director of the Bank of Aichi. Meanwhile, the trading business expanded and in 1862 the Fukudana branch opened in Osaka, followed, in 1872, by the Masudana branch in Tokyo/Nihonbashi.

In the following decades of industrialisation, the product range was continually adapted and expanded to suit the industrial production of the rapidly developing heavy industry. In 1932, the headquarters building was renovated; to show the cutting-edge character of Okaya, the most modern construction technology was used, with a steel framework for the three-storey brick building.

The expansion of the business and amendments in company law made it necessary to change the legal form of the company. Thus, it was transformed into a joint-stock company and renamed Okaya Shōten Co., Ltd. in 1937. In 1943, it

12 Tokugawa Muneharu (1696–1764) was the great-great-grandson of Ieyasu. He lived in the golden age of Japan described in Chap. 2.4.

13 Biographical records: 1851–1927, 9th generation.

was split into Okaya & Co., Ltd. and Okaya Real Estate Co. Ltd. The aim was both to enable further growth and to separate the family assets from the established company assets. It was important to the 10th Okaya Sōsuke (1887–1965) that the Japanese company name should show that Okaya had also changed its product range in the course of industrialisation; he wanted the Chinese character for “machine” to be included as well.¹⁴ He wanted to make it clear that the company was no longer merely a hardware trader but was also engaged in the manufacture and distribution of machines, as this was where the family business differed from other trading companies.

After the Second World War, business in Japan itself stagnated and it became increasingly important for a trading house to be active internationally. As early as 1955, a first trading office was opened in Singapore, followed by one in New York in 1957; trading branches were then opened in Australia, New Zealand and Hong Kong. Overseas business developed well, and the first branch office in the USA was opened near Chicago in 1964. Branches in Germany followed in 1973, then those in Thailand, Singapore, and Taiwan, while the offices in Australia and Hong Kong were converted into subsidiaries.

In 1990, Okaya Tokuichi became the 13th-generation president of the company, tasked with leading the company into the 21st century. In 1989, the bubble on the Japanese stock and real estate market had burst, giving him an extremely difficult start. Nevertheless, Tokuichi managed to further expand the international network, opening branch offices in China, Korea, Canada, India and Dubai, among others. He introduced new products, restructured purchasing, focused on cost reduction, and took the company public on the Nagoya Stock Exchange in 1995.

Okaya Tokuichi is the largest single shareholder in the listed company Okaya Co., Ltd. with 4.96 per cent (see Table 5).¹⁵ On 1 March 2021, there was a change at the top of Okaya Co., Ltd.: after 31 years, Okaya Tokuichi handed over the presidency to his son Takehiro and is now a board member and adviser. Takehiro joined Okaya Co., Ltd. after graduating from Keiō University, Tokyo and Babson College, USA in 2003; he was Head of the Foreign Trade Department, Managing Director (*jōmu*) from 2011 and has been Chief Executive Officer (*senmu*) since 2018. Okaya Takehiro’s task will be to realign the company after the coronavirus pandemic.¹⁶

14 In Japanese, the company name was changed to Okaya Kōki Kabushiki Kaisha in 1943; *kōki* means iron and steel and mechanical engineering.

15 www.okaya.co.jp/en/company/officer/index.html (last accessed on 22.5.2021).

16 www.okaya.co.jp/en/company/officer/index.html and Chūnichi Shinbun of 30.1.2021; see www.chunichi.co.jp/article/193745 (last accessed on 4.6.2021).

Okaya Co., Ltd.

Okaya Co., Ltd. is listed on the Nagoya Stock Exchange. Just under 20 per cent of the shares are held by the family, just under 30 per cent by anchor shareholders, and the remaining 50 per cent are traded on the stock exchange.

Table 5. Shareholder structure of Okaya & Co., Ltd.

Name	Shares	Per cent
Okaya Real Estate	1,214,000	12.5 per cent
Tokuichi Okaya	482,000	4.96 per cent
Mitsubishi UFJ Financial Group, Inc.	462,000	4.75 per cent
Nippon Steel Corp.	424,000	4.36 per cent
Sumitomo Mitsui Trust Holdings, Inc.	402,000	4.14 per cent
Resona Holdings, Inc.	265,000	2.73 per cent
Sompo Holdings, Inc.	251,000	2.58 per cent
Okaya Employee Stock Ownership Plan	189,000	1.94 per cent
Okuma Corp.	163,000	1.68 per cent
Shinshokai Foundation	138,000	1.42 per cent

Source: Company website.¹⁷

Okaya is not only active in trade but also runs its own production facilities, which is why the number of employees is larger than usual for a trading company. The crossholding of company shares has been practised in many Japanese companies since the 1950s,¹⁸ demonstrating the long-term character of the relationships.

After the Second World War, business was poor and external capital was needed to survive. It had already been common practice for employees to hold company shares. When Okaya went public in 1959, some family members returned some of their shares, thus enabling suppliers and customers to acquire a larger proportion. These companies had previously been business partners; the higher shares were intended to signal that they wanted to cooperate in the long term.¹⁹ In 1956, for example, a steelwork (Nippon Steel) was built with the participation of Okaya Co., Ltd. There are also good relations with the vehicle manufacturer Toyota; indeed, the company has its own office for this purpose.

17 Information according to the company's website, www.okaya.co.jp/en/company/officer/index.html (last accessed on 4. 6. 2021).

18 The cross-holding of shares is a component of network relationships (*keiretsu*), see Chap. 2.6 footnote 137.

19 According to Okaya Tokuichi, Okaya does not consider itself a keiretsu or part of Toyota Keiretsu (interview 22/4/2019).

Okaya Real Estate

Okaya Real Estate is 100 per cent family owned. The president, Okaya Tokuichi, holds 30 per cent of the shares, and the remaining 70 per cent are held by the 40 shareholders from the family. The company has ten employees and rents properties to, for example, Okaya Co., Ltd. and third parties, including some foreign embassies in Tokyo.

The company, explained President Okaya Tokuichi, is organised as a kind of “family office” that is responsible for managing the family’s interests. Dividend payments are fixed and relatively modest. The rate is set by the president, based on business performance. The president is in good communication with the family shareholders about major business affairs; as a result, there are no further meetings in the sense of an annual general meeting on the performance of the family business. The other family members have trust (*shinrai*) in the president’s work in this respect if there is a dividend. However, increases in the number of family members reduce the value for individual shareholders.²⁰

Social engagement

The company’s headquarters are still in the centre of Nagoya, where the business was founded 350 years ago. This long company history contributes to the sense of connection to the “local community” and Okaya has always been involved in philanthropy in the region. The company’s 350th anniversary was an occasion to make special donations, for example to the local school and the Japanese Medical Association, causes also supported on other special occasions. The idea that a company should earn money not only for itself, but to contribute to the community, is deeply rooted in the spirit of the House of Okaya.

This connection with the local community is considered important for the well-being of the family and employees, and thus also for the company. Another example is the financial contribution made to the construction of Nagoya Castle, a historic site which had suffered damage during the Second World War. In the post-war period, the residents of Nagoya and local companies began a major campaign to rebuild the castle, in which Okaya participated. The joint effort to reconstruct the historical site created a feeling of shared community among the local contributors.

20 The term *shinrai*, the Japanese term for trust, comes from the interview with Okaya Tokuichi on 22 April 2019. Okaya Real Estate is a member of the Les Hénokiens organisation; www.henokiens.com/content.php?id=21&id_portrait=36&lg=en (last accessed on 20/12/2020).

Family value system

Throughout its 350-year history, the Okaya family has been involved in promoting Buddhist temples and Shinto shrines. They have made donations to the Buddhist temple where the family grave is located on specific occasions and company anniversaries, and time and again family members have been active in the temple administration. Okaya Tokuichi himself also has a great interest in Shinto, which is an expression of Japanese tradition. Nagoya is not far from the Grand Shrine of Ise, where the Japanese sun goddess Amaterasu Ōmikami is worshipped and whose head priest is the *tennō*. Okaya Tokuichi is involved in the administration of the Ise Shrine and, therefore, has a special relationship with the Grand Shrine and thus also with the imperial family. The Ise Grand Shrine is rebuilt every 20 years according to a Shinto ritual; Okaya supplies and makes some of the fittings in traditional craftsmanship and has the privilege of being involved in the decoration of this holy of holies.

However, Okaya Tokuichi is also deeply attached to Buddhism. He accurately conducts the Buddhist rituals prescribed for the first 50 years after death, not only for his own family members – as the head of the Okaya family – but also for the employees of his company. As the president, he attends the annual Buddhist ceremony for the deceased relatives of employees, thus expressing his appreciation and showing the employees that they are regarded as family. Such ceremonies date back to the time of his grandfather, Okaya Sōsuke (1851–1927) and probably further. It is people who are important in a world that is constantly changing, says Okaya Tokuichi in our interview on 22 April 2019. The products the company deals in may change, but the people working in the company are the same. This is a natural principle, he says, demonstrating his attachment to the family business and its employees.

Family Management/Family Governance

Only Tokuichi and his son Takehiro are actively involved in the business of Okaya Corp. trading company. The other directors are not family members. Once a year, there is a big family meeting, a tradition that goes back to Okaya Tokuichi's grandfather. The president provides information on the performance of the family business and the family shareholders can ask questions. Thus, there is regular information, but otherwise no further influence from the non-operational family members on the operational business. These family meetings are financed jointly by all.

On other matters, the stem Okaya *ie* is responsible for paying for the upkeep and maintenance of the Buddhist family grave and the performance of the required Buddhist rites. The principles by which the company and the family are

run have been passed down orally, presumably since the beginning of the family business. These include communicating well within the family and ensuring harmony; any conflicts that do arise remain within the family and are not made open. Disputes that leak out damage the reputation of – and thus trust in – the family and the company. There is no family constitution, but there is a written company constitution.

Although the company's headquarters remain where the firm began 350 years ago, the family's residence is no longer there. With the separation of family and company affairs 90 years ago, the family moved away from the headquarters to a separate building in Nagoya. Nevertheless, the family's strong commitment remains, as substantial emphasis is placed on joint activities. In addition to the annual family reunion, shared expeditions are also arranged.

The Okaya family

The 13th Okaya Tokuichi (b. 1944) has three children – two daughters and a son; the daughters are older than the son and at the time of writing have not married and have no children.²¹ The son, Takehiro (b. 1974), has three children: two sons and one daughter. In the history of the Okaya house, there has always been a son who has taken over the fortunes of the family business; thus, adoption to ensure succession has not occurred in the history of this family (business).

In the presidential office of the headquarters hang oil paintings of the ancestors who ran the company in the last century: Tokuichi's great-grandfather, grandfather, father, and uncle. It was more common for more than one male family member to be actively involved in the business. In the 11th generation, for example, three family members were involved, and in the following generation, Tokuichi's father and uncle were both involved. Tokuichi is a successor to the main line of the Okaya family. His father died early, so he was relatively young when he took over in 1990. As head of the family, he became president of both companies. For Tokuichi, it is a lucky coincidence that he is the only son to succeed his father, and that he has a son to succeed him. In the past, child mortality was high and family heads considered themselves fortunate if one son survived to take over.

On the future of trade and the family business

The company is well positioned internationally, and in this business, it is important, says Okaya Tokuichi, to know one's customers well. The network is based on trust, and good customer relations determine success in the industry. Times

²¹ Data from the interview held on 22 April 2019.

are changing and the products Okaya trades have changed over time as well. Recently, they started a digital trading platform, for which the younger employees at Okaya Corp. have worked hard.

Another challenge is the high rate of inheritance tax.²² In the past, it was possible to settle costs through the company to minimise the tax burden in return for a commitment not to lay off workers for a certain period. This system has changed in recent decades, so it has become more difficult overall to continue a business through family succession. Nevertheless, according to Okaya Tokuichi, the Okaya family can consider itself fortunate that it has been able to hand the family business down to the 14th generation of succession.

5.2 Gekkeikan²³

Gekkeikan Sake Co., Ltd (Gekkeikan Kabushiki Kaisha) is a producer of Japanese rice wine (sake) and the second largest sake brewery in Japan after Haktusuru, with 375 employees and an annual turnover of 23.4 billion yen (€177 million).²⁴ Its headquarters are in Fushimi in the south of Kyoto, a region famous for its good spring water, which produces more mellow sake varieties, and it has its own spring on the plot. It also has a branch with production and sales in Folsom, California. Gekkeikan is now run by the 14th generation of the Ōkura family. Of the approximately 1,350 sake breweries in Japan, approximately one-third are similar in age to Gekkeikan, although many of these *shinise*²⁵ are much smaller.²⁶

22 The maximum rate of inheritance tax is 55 per cent (Cole, 2015), although by no means all heirs must pay the full amount. See Okamoto (2004) and Asahi & Kook (2012), http://www.yu-cho-f.jp/wp-content/uploads/201602.asahi_.pdf; last accessed 26. 11. 2021.

23 This chapter is based on an interview with Ōkura Haruhiko on 23 April 2019 and on the Gekkeikan website. The story is also available as a manga: www.gekkeikan.co.jp/english/gekkeikan/manga/ (last accessed 20. 5. 2021).

24 For key corporate key figures at Gekkeikan as of April 2021, see www.gekkeikan.co.jp/english/company/outline.html (last accessed 20. 5. 2021).

25 The term *shinise* is used to describe “shops of long-standing” that are more than one hundred years old and mostly family-run; see Chapter 1.

26 The Teikoku Databank lists 1,254 sake breweries in 2017, of which 399 were founded in the Edo period, 14 before 1600 and 431 in the Meiji period: “Seishū me-ka- no keiei jittai chōsa” of the Teikoku Databank, dated 21. 12. 2017, p. 3.; www.tdb.co.jp/report/watching/press/pdf/p171204.pdf (last accessed 20. 5. 2021). The National Research Institute lists 1,378 sake breweries for 2019; 13 produce more than 50,000 hectolitres and 1,100 companies (82 per cent) produce less than 2,000 hectolitres; see japansake.or.jp/sake/en/wp-content/uploads/factPDF/FP3-Number-of-Breweries-by-Production-Volume.pdf.

The foundation of Kasagiya

The Japanese family business Gekkeikan was founded in 1637 in Fushimi when Ōkura Jieimon began producing and selling sake. He had chosen his location well – in the middle of the trading centre at the harbour under Tokugawa Ieyasu's castle,²⁷ where mail and goods from and to Kyoto, Osaka and Edo were handled and the rivers Ujigawa and Horigawa, which are fed from the surrounding Hiei mountains southeast of Kyoto, offered good conditions for growing rice. Water, rice and a flourishing trading centre were the three most important elements for a prosperous sake business. Since Jieimon came from a northern district of Kyoto called Kasagi, he named his business “Kasagiya”²⁸ and his first product “Tama no Izumi”.

Sake production

Rice wine has been produced in Japan since the first century AD.²⁹ In many regions, the term “sake” is used synonymously with alcohol; sake is part of Japanese food, life and, thus, its culture. Its production differs from that of beer or wine in its double fermentation and unlike whisky, for example, it is not distilled. Round-grain rice (Japonica) is used. The rice is first polished as thoroughly as possible to remove unwanted proteins or fats from the starch grain. It is then steamed and fermented in wooden barrels with the addition of noble mould (*kōji*) and yeast. Steamed rice is added repeatedly. The production and maturing process takes several weeks, and a sake brewer (*tōji*) must know and supervise the process in every detail.

Until the late 19th century, the production of sake was heavily dependent on the natural environment, the quality of the ingredients and the hygienic con-

27 The castle had been built and was used by Toyotomi Hideyoshi after the Battle of Sekigahara; see Chapter 2, Excursus I on the Three Great Unifiers.

28 The suffix *-ya* is the Japanese term for shop. In traditional two-storey wooden buildings, these shops are set up in the front area, with the living quarters of the owner and his family at the back and on the first floor.

29 This is confirmed by Chinese sources. The Japanese chronicle *Kojiki* reports a few *uji* who were allowed to brew. Until the 10th century, production was under government supervision; from the 11th century, temples and shrines were also allowed to brew sake. At the beginning of the Tokugawa period, regulations were further relaxed, and more licences were issued for sake breweries. However, consumption was limited to the court and warrior nobility. In the mid-19th century, the state monopoly on sake production was lifted and sake became a “people's drink”. The number of breweries rose to over 30,000. The introduction of alcohol tax, which at times raised more revenue than land tax, then reduced their number again to about 6,000. After the Second World War, beer increasingly replaced rice wine, domestic sales declined more and more, and sake producers increasingly relied on exports; see National Research Institute of Brewing, 372017 (last accessed 20. 5. 2021).

ditions in the production process. Hygiene was very important because if the fermentation process failed, part of the harvest – possibly even the entire year's produce – could be spoiled. Poor rice harvests led to a loss of quality or a drop in production. Originally, rice was harvested only once a year, so sake production was organised seasonally, beginning in late summer after the harvest. A stable temperature was required for fermentation and the cold season was also ideal for this process for hygienic reasons.

As a result of state regulations in the early Edo period, guilds were formed for the various professions, and a Guild of Sake Brewers was also founded in Fushimi. Its members were the owners of the local sake breweries. They helped each other in times of crisis and regulated specific issues internally, such as the distribution of rice, price setting and mutual support in case of shortages. Seats on the guild were hereditary and the ranking was determined internally. The successive heads of the Ōkura family were also members of this guild.

Development in the Tokugawa period

Over the next centuries, demand for food, and hence also sake, grew in the castle towns and also in the Fushimi region, in line with its economic and political importance due to its central location in the trade network between Kyoto and Osaka. With improved seeds, seasonal cultivation changed at the beginning of the Edo period, so that in the southern regions of Japan it was possible to harvest twice a year. This made it possible to organise sake production differently, reducing the dependence on one harvest and the quality of that rice.

In the Ōkura family, the business was continued by the eldest son. Until the 10th generation, this son was also given the name of the founder, Jieimon. Since it was a manufacturing business, the head of the household had to be familiar with the production process but also able to manage the finances. In addition, he was responsible for the worship of ancestors and observing the prescribed Buddhist rites as well as the rituals for worshipping the rice god. The Ōkura family, therefore, maintained close ties to the Shinto shrine at Gokonomiya as well as to the Buddhist temple, where the family register was kept for 25 generations and ceremonies for the dead were held. The wife of the household head was responsible for the upbringing of the children and, to a certain degree, their education or preparation for professional life as adults. However, she was not involved in business life. In the House of Ōkura, great importance was attached to reputation; in addition to personal reputation, good relations with members of the local community were always of great importance.

Records from 1718 show the different types of sake on sale, including *Shin-shū*, *Ko-shū* and *Nanban-shū*, which translate as “young sake”, “mature sake” and “Nanban sake”, the latter named after a district of Fushimi. Depending on the

ripeness of the sake, and the season, the types varied. According to the quality of the rice and the purity of the production processes, particularly high-quality sake types were produced which were also delivered to the imperial court in Kyoto.

In 1723, the production of rice vinegar (*mirin*) started. Rice vinegar is used for many dishes in Japanese cuisine, including *sushi* rice. This expansion of the business certainly helped the Ōkura house to survive the consolidation of the sake breweries in Fushimi. In the Tokugawa period, sales were still very local. The life of sake brewers was hard and plagued by setbacks. In 1657, there were 83 breweries in the Fushimi district alone; by 1785, only 28 remained. Careless handling of fire, hygiene in the production process, and recurrent crop failures – which meant that little rice was available for sake production – led to the disappearance of many small sake brewers. The Kasagiya survived because the Ōkuras always paid strict attention to hygiene and quality. It is said of the 10th Ōkura Jieimon that he lived very modestly and was very strict. He was generous to his fellow men and the *kami* and made large donations to Shinto shrines. When the river overflowed its banks after heavy rains, Jieimon would board his boat and provide rice balls to farmers in need. This contributed to his good reputation.³⁰

Upheavals in the Meiji period

The fate of the Ōkura family is closely linked to the upheavals in Japanese history. In the winter of 1867–68, shortly before the Meiji Restoration, supporters of the emperor and the *shōgunate* fought for supremacy. The decisive battles were fought in Fushimi in the immediate vicinity of the Ōkura's house at the bridge over the Ujigawa River. Fires blazed for days in the town, large parts of which were destroyed. Miraculously, the Ōkura family's house was spared and, in addition to the rice and *sake*, the family's chronicles and household books were also preserved.

However, a different fate befell the family. The 10th Jieimon had worked hard and raised his eldest son to succeed him in the business as the 11th Jieimon. He did not treat his second son, Tsunekichi, well, seeing him as a good-for-nothing.³¹ Amid the political and economic upheavals of the Meiji period, the eldest son died suddenly and unexpectedly in 1886. Grieving, his father died soon afterwards. Good advice was needed as to who should continue the family business.

30 Information from the Gekkeikan website: www.gekkeikan.co.jp/company/history/tradition/ (last accessed 15.5.2021). One reason for the consolidation process was the economic development in the region, which shifted from Fushimi further south to Yodoya in Osaka (see footnote 69, Chap. 2.4.3).

31 From the account of Gekkeikan, Episode1 | Gekkeikan The Life of Tsunekichi Okura | GEKKEIKAN KYOTO SINCE 1637, <https://www.gekkeikan.co.jp/english/gekkeikan/manga/episode01/> (last accessed 25.5.2021).

One of the Jieimon's brothers laid claim to it and wanted to take it over but Ei, Jieimon's wife, intervened and decided that the second-born son, at the young age of 13, would be the successor. She came from a samurai family and knew how to command respect as head of the house.

The deaths of the Jieimon and his eldest son, as well as the dispute over the succession, had led to a breakdown in the production of sake that winter. Many employees had moved on to other sake brewers, and the house was on the verge of collapse. Ei, with her second son, Tsunekichi, set off to visit a good friend of old Jieimon. He was so impressed by the determination of the mother and son that he gave them his entire production of "young sake" (*shin-shū*) to sell. The Kasagiya's customers also remained loyal and bought this young sake, which at that time was given out in small clay jugs, on payment of a deposit for the containers. They also faithfully returned the containers. In the evenings, the few employees and Tsunekichi sat in the office and counted the takings. Tsunekichi also received support in the sake brewers' guild. At the first meeting in the guild, it was reported that the 13-year-old took a seat at the lower end of the table, as would have been appropriate for his young age. An older sake brewer then stood up and exchanged places with the boy so that the House of Ōkura would once again have the place in the guild that had belonged to his father.

The following time was difficult for the young Tsunekichi, as he had had little introduction to the business of sake making. He struggled and made mistakes. His mother, however, believed in him, and the employees helped the boy to get by. During the day he worked in the factory; in the evening he sat over his books. He never forgot the help and support he had received from those around him. After the season, he explored the sake-making process further and developed his skills in spotting small problems and fixing them quickly, which helped him not only to keep the family business alive but to expand it successfully in the following years.³²

In the Meiji period, two factors favoured the fortunes of the family business. One was the political and economic development of the country, which offered new entrepreneurial opportunities; the second was Tsunekichi's own character – his diligence, perseverance, and business acumen in developing a market with the right idea at the right time. Traditionally, sake was brewed and stored in large barrels but transferred for sale in smaller barrels that were easier to transport or sold in small earthenware jugs for immediate use. At the beginning of the Meiji period, the use of glasses and bottles became popular because of imports and, with industrialisation, domestic production too. During this time, working and

32 For the life of Tsunekichi, see also the manga on the Gekkeikan website, www.gekkeikan.co.jp/english/gekkeikan/manga/episode01/ (last accessed 21. 5. 2021).

employment conditions also changed³³ and it became customary for the newly emerging demographic of “salaried employees” (jap. *sararii man*) to buy sake in shops in reusable bottles and have them refilled there. Tsunekichi specialised in this business. His meticulous approach to numbers led him to set up his own accounting system in 1894, which enabled him to track his expenses and investments precisely. In 1898, he was one of the first to introduce Western double-entry bookkeeping in Japan. In the period of upheaval following the Meiji Restoration, he was able to acquire estates from samurai families around the company’s headquarters and build new production facilities there. He named these the West, South, East and North Stores (Nishigura, Minamigura, Higashigura and Kitagura in Japanese) according to their locations from the main house.

The first research institute for sake production

By now, Tsunekichi knew the production of sake in all its detail and was aware of its difficulties. He strove constantly to improve the production process. As an open-minded and curious person, he was interested in the technical innovations that found their way to Japan after the opening up of the country. The decisive factor was his meeting with an engineer from the Japanese Ministry of Finance named Kanomata Chikashi, who was conducting research on sake production in the region. Tsunekichi quickly realised that new research opportunities would help improve the production process and eliminate the danger that fermentation could be disrupted by contamination with alcohol-resistant lactic acid bacteria. This had happened time and again in his early years in the business. With a sense of innovation acquired through years of careful observation, Tsunekichi decided to set up his own research institute to investigate fermentation processes in sake production, the first and still the largest of its kind in Japan.³⁴ It succeeded in improving the hygiene in the production process to such an extent that it became possible to transport sake over longer distances. Thanks to the preservation process, it was now possible for the first time to expand distribution and become known nationwide. Furthermore, Tsunekichi relied on modern ideas such as marketing and began advertising in newspapers for the first time in 1899.

Tsunekichi developed a bottle with a snap cap whose lid could be used as a drinking vessel. These were sold at railway stations together with food boxes (*bentō*), meeting contemporary needs: modern travellers now bought *bentō* and a small bottle of sake to take away at the station. With the expansion of the railway

33 See Chap. 2.5.

34 Gekkeikan website: www.gekkeikan.co.jp/english/gekkeikan/manga/ as well as www.youtube.com/watch?v=s6MFImluyng (last accessed 15.5.2021).

network, the small bottle with the snap cap soon became known throughout the country.

The modernisation of the business, reflecting modern life, was also expressed in the modernisation of the name: in 1905, the business was renamed “Gekkeikan”, which means “laurel wreath” and was intended to signal that the company saw itself as “number 1” in Japan’s sake world. From then on, the laurel wreath was used as its logo. Its constant research activities led to a further increase in production and product quality and Gekkeikan was the first sake to be sold “without preservatives” (1911). Again and again, sake types from the House of Ōkura were awarded prizes.

International trade also expanded: for a sake producer to be able to offer sake to Japanese businesspeople and tourists abroad and at the same time to make Japanese sake known across the world offered huge economic potential. As early as the beginning of the 20th century, Tsunekichi began exporting to Hawaii and, soon after, Singapore and California. When Tsunekichi took over the business in 1887 at the age of 13, production was 500 *koku*,³⁵ by the end of his life in 1950, he had increased sales to 50,000 *koku*.

Developments over the last 100 years

In 1927, Kasagiya was transformed into a joint-stock company and renamed Ōkura Tsunekichi Shōten (meaning trading house) and later, in 1944, Ōkura Tsunekichi Shūzō (sake brewery). While bottling had already begun in-house with the snap-top bottle, a bottling plant for reusable bottles was built in the 1930s. The continuous development of production technology in the factory’s research institute produced new types that were also served cold (Reiyo Gekkeikan, 1937).

After the Second World War, the consumption of beer and wine expanded in Japan, reducing the market share of rice wine, but the high quality of its sake ensured that Gekkeikan maintained its position as market leader. In the 1960s, a factory was built for the first time in which sake could be produced all year round. Continuous research in the company’s institute produced new varieties and types of packaging, such as the 1.8-litre bottle or cardboard packaging. In 1986, very young sake (*namazake*) was launched on the market for the first time in bottles and cans. Gekkeikan sake products are regularly award-winners, confirming the company’s strategy of continuous improvement in production and product innovation.

35 *Koku* is the classic Japanese measure for drinks and was also used for measuring rice. One *koku* corresponds to 180 litres.

At the same time, it has expanded its international business. Brought to a standstill by the end of the Second World War, exports to Hawaii were resumed as early as 1949. However, it took decades before further steps were taken abroad: in 1990, a subsidiary was founded in California, followed by a branch in Korea in 1994 and one in Shanghai in 2011.

To convey to a broad public the importance of tradition in sake production and the close connection with Japanese food culture, a museum for the history of sake production was opened in 1982. To mark the 350th anniversary, the word “Gekkeikan” was added to the company logo as lettering in 1987; 20 years later, the traditional production facility was opened to the public as a museum.

Succession

For centuries, it was common practice for the eldest son to become the next head of the family and take over the family business. Until recently, this rule is still followed in all but the most exceptional situations. If all the children were equally suited to be the successor, the head of the family would automatically choose the first-born, and the other family members would agree to follow this rule. The current head of the family confirms that this rule was always followed at Gekkeikan. Whether someone is qualified to be a successor is judged by observing how they behave at school, whether they are willing to learn independently and whether they are interested in the company’s affairs. There was and is no special training for a successor: the son would watch the father and take from him and his life what he considered important for himself. *Mite-manabu* – learning by watching and observing – is a common practice in many areas of Japanese society.³⁶ For many generations, only one family member was ever in the business because it did not yield enough to support a larger family. Since the financial management of the family business was as important as a knowledge of sake production, it was essential to learn how to handle the finances. The bigger the business became, the more important this knowledge of financial management became.

At the beginning of the 20th century, Tsunekichi had already ensured that his son had worked at a bank before succeeding him. The current president, Ōkura Haruhiko (14th generation), also worked at a bank before joining the family business in 1987. He joined the management at the age of 39 and became president in 1997. His son, in turn, worked at a bank for six years before joining the company. At present, it seems likely that Haruhiko’s son will succeed him but, as Haruhiko says cautiously, one does not know what the future will bring.³⁷

³⁶ See Chap. 3.5 footnote 81.

³⁷ Statement from interview with Ōkura Haruhiko on 23 April 2019.

Family and governance structure

Of the four brothers, the company's managing director (*shachō*), Ōkura Haruhiko, is currently joined by his youngest brother, who has a seat on the executive board, alongside nine non-family directors. The two brothers worked together a great deal while their father held the presidency (*kaichō*). Since their father's death in 2017, the position of *kaichō* has been vacant. Haruhiko, as the eldest son, has taken over the chairmanship of the board of directors. When his son joins the company management, he will likely become CEO and Haruhiko will move to the position of *kaichō*. Haruhiko has two other brothers, but they are not active in the company, and neither is his wife, as the wives of previous generations have not been.

To date, Gekkeikan is not listed on the stock exchange. The majority of the shares are held by the family business, with Haruhiko himself, his brother and Haruhiko's son each holding five per cent.³⁸ Approximately 30 other family shareholders each hold only a few shares. The dividends paid are very small and are determined by the president. The employees also hold a small number of shares in the company – a practice introduced under the 12th Ōkura, when the family business was converted into a joint-stock company in 1927. This recognises the employees' commitment to the company: when they leave, the shares must be returned. There is a general meeting of shareholders once a year, but only the company's employees attend. Other family members are not involved in business matters but see each other at family meetings.

Reasons for longevity and success

When asked about the factors that lead to such longevity, Ōkura Haruhiko cites ongoing investment in quality, both in the selection of ingredients and in production, as well as constant endeavours to stay abreast of new tastes, develop new products and also be open to trying out new marketing methods. A commitment to society is also an integral part of the company's philosophy; this includes being involved in the local community and participating in local festivities as well as contributing to the country's cultural history, as Gekkeikan does by supporting the Museum of the History of Sake. Furthermore, the family business has been involved in helping people in need, such as after the devastating earthquake and tsunami in north-east Japan in March 2011, when Gekkeikan donated 10 million yen to the Japanese Red Cross and launched its own fundraising campaign, which raised a further 4.25 million yen for the victims of the disaster.

38 Due to high inheritance tax, individual family members do not hold more than five per cent of the shares. "In reality, though, Gekkeikan is strictly under the Ōkura family's control," says Ōkura Haruhiko; see www.campdenfb.com/article/gekkeikan.

The company has grown significantly since the 1950s. However, since Japan's population has been shrinking since the 1990s – and the consumption of *sake* declining – it is important to expand the international business. All decisions must take costs into account. Those who run a family business must act with humility and contribute to society, as their ancestors have done. Ōkura Haruhiko sums up the goals as “Quality, Creativity and Humanity”,³⁹ the credo he follows in leading Gekkeikan.

5.3 Yamasa⁴⁰

The Yamasa Corporation (Yamasa Shōyu Kabushiki Kaisha) is the second largest producer of soy sauce after Kikkoman. It was founded in Chōshi, Chiba Prefecture, east of Tokyo on the Pacific coast, where the company's headquarters are still located today. A production facility for soy sauce in Salem/Oregon (USA) supplies the North American market. The annual turnover is 58 billion yen (approximately 445 million euros) and it has 867 employees (December 2020). Today, the soy sauce business accounts for about 30 per cent of sales, while the majority of sales are generated by the production and sale of teriyaki sauce, spice blends and pharmaceutical products. The family business is led by Hamaguchi Michio (Honorary Chairman) in the 12th generation.

Foundation and history⁴¹

The ancestors of the Hamaguchi were samurai from a branch line of the Tokugawa family from the Kii peninsula, today's Wakayama province. According to tradition, soy sauce (*tamari*) was first made there by a monk in the 13th century.⁴² After the Shōgun took up residence in Edo at the beginning of the 17th century, it became the political and economic centre of the country and anyone who wanted to start a business was drawn to the region. The Hamaguchi brothers sailed eastwards from Kii and went ashore where the warm Kurashio sea current from the south meets the cold Oyashio sea current, because the climatic conditions there were favourable to the production of soy sauce, that is for the cultivation

39 See Ohara (2016), p. 1, and www.gekkeikan.co.jp (last accessed 21.5.2021).

40 Compiled from information obtained in interview with Hamaguchi Michio on 12 April 2019 and from the company's website: www.yamasa.com/; www.yamasa.com/english/ (last accessed 5.5.2021).

41 Unless otherwise stated, historical data and facts are taken from the company's website: www.yamasa.com/english/; <https://www.yamasa.com/> (last accessed 5.5.2021).

42 Fruin (1983), p. 14 ff; the soy sauce brewed and used in the Tōkyō/Kantō area has a stronger flavour (*koiguchi*) than that from the Kansai region (*usuguchi*).

and fermentation of soybeans as well as the extraction of the sea salt required. Moreover, Chōshi was located at the mouth of the Tonegawa River, upstream of which the growing city of Edo promised optimal sales opportunities.⁴³ The brothers laid down their samurai swords⁴⁴ and the second-born, Gihei, began brewing soy sauce in Chōshi. The elder brother, Kichiemon,⁴⁵ opened a merchandise shop in Edo and sold the products from his younger brother's company there.

The logo of the Yamasa company is a rebus monogram, derived from the names and origins of the Hamaguchi family: the upper part, the roof, stands for the mountains of their province of origin, Kii (using the partial word “mountain” – *yama*). Below that is the *katakana* character *ki* for Kii, which can also be read *sa* in rotated form. The syllable combination ‘yama-sa’ does not exist in Japanese as a family or personal name, guaranteeing a distinctive identification for the company and product.

With Edo's growth into a city of millions, the demand for soy sauce grew, as the seasoning is indispensable in Japanese cuisine. From the beginning, it was important to the Hamaguchi to focus on quality: only the best soybeans and salt were used. In addition, care was taken to ensure that the buildings used for the brewing process were erected in a shady area so that the fermentation process would not be affected by the sun's rays.

In 1825, Japan was hit by famine; food prices rocketed and the hardship became so great that the Shōgun issued an edict to reduce all food prices by 25 to 30 per cent. Some soy sauce producers from Chōshi and Noda, including Yamasa, were able to convince the Shōgun that they could not reduce the cost of production to that extent while maintaining their quality. They were exempted from the edict and could sell at cost price. From then on, they were allowed to use the *ue* character in the top right-hand corner of their logo, meaning “superior”.

Excursus V: The fire of the rice sheaves (*inamura no hi*)

From Chōshi, the Hamaguchi also maintained close contact with their hometown of Hiromura on the Kii Peninsula. It is said of Hamaguchi Goryō⁴⁶ that he was in Hiromura when the country was hit by a strong earthquake. Goryō was in a field

43 For the historical classification, see Chap. 2.3.2.

44 To lay down swords meant to renounce the privileges of the samurai; see Chap. 2.4.

45 The elder brother, Kichiemon, founded the so-called eastern line of the Hamaguchi (Higashi Hamaguchi-ke), the younger, Gihei, the western line (Nishi Hamaguchi-ke); <http://www.tohin-shokurin.com/history/higashi-hamaguchi> (last accessed 6. 10. 2022).

46 The 7th Hamaguchi (1820–1885) was called Goryō by birth name. Whoever took over the leadership of the Yamasa family business in the western Hamaguchi line also took over the

on a hill and saw the tsunami rolling in. It was too late to run down and warn the villagers, so he courageously set fire to the straw in his field and shouted for help. The villagers saw the flames and rushed to help him put them out. He used the burning bales of straw to indicate an escape route to the Hiro Hachiman shrine on the peak. As a result, 95 per cent of the villagers escaped the tsunami, which claimed hundreds of lives elsewhere. To prevent further tsunami disasters, Goryō paid for the construction of a flood defence system, which has since protected the village from tsunami damage. Every year, on 4 November, the victims are commemorated, and a procession is held to the shrine. Goryō's example of courageous commitment to the lives of the people in his village has found its way into Japanese schoolbooks.

Goryō himself went to Chōshi shortly afterward to take over as the adopted son in the “Western” line of the Hamaguchi family and was thus also given the management of the Yamasa business. Under his headship, Yamasa's soy sauce was named Japan's “Best Soy Sauce” by the *shōgunate* in 1864. The 7th Hamaguchi remained attached to his home province of Kii even after moving to head up the family business in Chōshi. During the period of political upheaval, he was politically committed to opening Japan to the West and was valued by the oligarchs of the young Meiji government for his far-sighted and constructive advice.⁴⁷ He was also committed to learning from the West and opened a Western-style laboratory. He also travelled abroad himself and died on a trip to New York in 1885. His successor, the 8th Hamaguchi, Gihei (Godō), further developed the “Best Soy Sauce” and launched it under the name “Miyako Sauce”.

Developments in the 20th century

The 10th Hamaguchi, Gihei Godō (1874–1962), continued in the steps of his forefathers; he too was not only an entrepreneur but also a politician and scientist. Godō had studied the Chinese classics, but also learned swordsmanship and studied the newly introduced Western medicine. For a short time, he was a member of the Meiji government as “Head of the Office of Pharmacy”, roughly equivalent to the rank of a health minister today. As the political and scientific debate over whether to establish a university system for Western or Japanese medicine decided to favour traditional Japanese medicine (*kampō*), Godō resigned from his ministerial post after a short time. For family reasons, he took over the headship in 1893 at the age of twenty and shaped the development of the company for the next four decades. Soy sauce was by now firmly integrated into

name of the founder Gihei until the 10th generation. Successors in the eastern lineage took the name of the founder of that lineage, Kichiemon.

47 On connections to the ruling elite of the Meiji government, see also O'Hara (2017), p. 3.

Japanese cuisine and Yamasa had advanced to become a supplier to the imperial household by 1895. As Japan's population grew, so did the demand for soy sauce. As one of the first soy sauce brewers, Godō started industrial production. To this end, he also made use of the findings from the company laboratory, where research was conducted to improve the fermentation process with the Kōji fungus *Aspergillus flavus var. oryzae* and to improve the production process on a larger scale. The growth of the company required it to become a corporation (*kabushiki kaisha*) in 1928.

Godō attached great importance to good relationships with employees, suppliers and customers. It is reported that, in Yamasa's soy sauce breweries, sons learned their fathers' skills and "inherited" their fathers' jobs. A separate system of life insurance and pension payments was implemented for the employees, and investment was made in the education of the children by supporting the building of schools. During his travels abroad, the 10th Hamaguchi also developed an interest in food culture and adapted his products for sale in these countries. He exported to England, the USA, Germany, Australia, China, Korea, Hawaii, and Vladivostok in Russia. His nationwide fame and international activities earned him the nickname "the soy sauce king" (*shōyu-ō*). He remained strongly committed to education and health, further expanding the laboratory, and supporting a school in the region and the construction of a hospital in Chōshi.

After 40 years, in 1943, Godō placed the fate of Yamasa in the hands of his successor. The 11th Hamaguchi Benta had to manoeuvre the family business through the last years of the war and the first post-war years. He managed to restart production, but the business was initially limited to Japan. In the 1950s, Yamasa developed a new genetic engineering process to produce condiments. The Yamasa Medical Institute also developed the chemical processes that contributed to the identification of "umami" as a basic taste. This contributed to an expansion of the company's medical products business. In 1970, it obtained a licence to produce and distribute medicinal products. In vitro diagnostic medical devices have since become one of Yamasa's core products.

In soy sauce production, Yamasa concentrated on domestic business for a long time, venturing into overseas sales much later than, for example, the market leader Kikkoman. The expansion of the international business was mainly driven by the 12th Hamaguchi, Michio, who took over the company's fortunes in 1983. In 1992, the first branch was founded under the name Yamasa Corp. in Salem/Oregon (USA) and a production facility was also opened there. Further subsidiaries in Europe and Asia were established only in the last decade (Yamasa Europe B.V. 2015 in Amsterdam and Yamasa Asia Oceania Co., Ltd. 2016 in Bangkok).

The Hamaguchi family today: operational succession

Today, the family business is in its 12th generation. Hamaguchi Michio is the president (*kaichō*) of the company and the head of the Hamaguchi family. In the history of the family business, when a descendant had no children of their own, a successor was found from a brother's line.⁴⁸ In the 7th generation, for example, a nephew was adopted (Hamaguchi Goryō), but since he was a blood relation, the 12th generation can be traced back in a direct line to the founder, Gihei. Through all the generations, the “natural” (*shizen*) understanding or tradition was that the eldest son would take over as head of the family and, as such, also the operational side of the family business.⁴⁹ Michio has taken over as his father's only son (he has two sisters). Apart from him, his nephew is also currently active in the company. Michio himself has two children – a son and a daughter. His wife is not active in the company, following the example of her predecessors in the Hamaguchi family.

In his mid-30s (in 2019), Michio's son is still too young for a management position in the company. Michio has therefore given his nephew, Ishibashi Naoyuki (in his early 40s), the position of president (*shachō*) until his son is old enough to take over. Michio himself took over the position of *kaichō* in 2017 to guide the fortunes of the family business. When and how the handover from nephew to son will take place, Michio says, will be decided between the two of them.⁵⁰ There is a rule in Japanese society that family members do not quarrel in public, as such behaviour damages trust too quickly. The decision on who will succeed him is still reserved for the family board; other shareholders are not involved in this decision. His daughter or son-in-law could participate in the company if they wanted to, but at present, this is not the case. If Michio had two daughters and no son, the eldest daughter would probably succeed him according to the traditional pattern.

The Japanese *ie* with stem and branch lines used to apply but, according to President Hamaguchi Michio,⁵¹ it has not played a major role since the end of the Second World War. As a family, they have somewhat lost sight of each other; there are annual reunions, however, at the family's grave, which is south of Osaka in

48 The history of the Higeta Shōyu soy sauce brewery is closely linked to that of Yamasa. The founder of Higeta was the elder brother of the founder of Yamasa. A younger brother of the 9th Hamaguchi, along with two other soy sauce brewing families, named Tanaka and Fukui, founded Chōshi Shōyu in 1918, which was renamed Higeta Shōyu in 1976. The origins of this company go back to Tanaka Gemba, the first producer of soy sauce (1616) in the Kantō region; see www.higeta.co.jp/400/ (last accessed 5.5.2021), Fruin (1983), p. 14f.

49 See Chap. 4.6.

50 Interview 18 April 2019; see also O'Hara (2017), p. 7. Ishibashi Naoyuki is related to Bridgestone founder Ishibashi Shin'ichi through his father.

51 Interview from 18 April 2019.

Wakayama Prefecture, where the Hamaguchi family originates from. Other occasions for family gatherings are holidays or weddings. To foster a sense of belonging to the Hamaguchi family, Michio has started to record a family tree of all the family members and sort the family archives.

The shareholders and partners

Fifty family members currently have shares in the company. Only two members of the family are active in the company's management, as mentioned above: Hamaguchi Michio as Chairman of the Board (*kaichō*) and his nephew, Ishibashi Naoyuki, who is the CEO (*shachō*), with seven other outside directors on the Board.

Ninety years ago, the company was transformed into a corporation (*kabushiki kaisha*) and all the family members became shareholders. Hamaguchi Michio holds about 40 per cent of the company's shares, giving him a blocking minority, but not a majority of the shares. The other 49 family shareholders hold about 50 per cent of the shares. This means that 90 per cent of the shares are held by the family. Dividend rates are determined by the president but are too small for anyone to make a living solely from them. Michio's job is to steer the company so that all the shareholders are satisfied with his work. If someone did want to sell, they would try to keep the shares within the family. Keeping financial control within the family is important but has not always been possible. Michio's grandfather was dependent on external capital to keep the company going after the war. For this reason, shares were given to suppliers and customers, and these – accounting for ten per cent of all shares – are still held outside the family.

According to Hamaguchi Michio, there is an unwritten agreement according to which the family members, and thus the shareholders, recognise the decisions of their "head of house". Michio tries to steer the company's fortunes so well that none of the family members sell their shares. It is difficult to predict whether the family shareholders would give their own money for the well-being of the company in times of need. As president, he said, he must make sure that it does not come to this. To keep the capital – and thus control – as much as possible in the hands of the family, Yamasa has not yet been floated on the stock exchange. Only time will tell whether this decision is the right one. The highest aspiration for the management of the family business is to live up to the commitment of four centuries of family tradition in producing the highest quality soy sauce.

5.4 Yamamotoyama⁵²

Yamamotoyama sells premium green tea and roasted seaweed (*nori*). It is famous as the first supplier of green tea (*sencha*)⁵³ and the inventor of *gyokuro*, the “espresso among green teas”. The company’s headquarters are in the Nihonbashi district of Tokyo, where there are also twelve branches, with a further 75 branches across the country. Of the 350 employees, 260 are women.⁵⁴ Sales total 500 million euros annually, with *nori* (edible seaweed) now accounting for 70 per cent of sales within Japan, and green tea 30 per cent.⁵⁵ The green tea is grown in the Uji/Kyoto region and Shizuoka Prefecture, as well as in Los Angeles (USA) and Sao Paulo (Brazil). The company is run by the 10th generation of the Yamamoto family.

Foundation and company history

In 1690, Yamamoto Kahei opened a tea and stationery shop in Edo under the name Yamamoto Kahei Shōten. Both tea and paper had originally come to Japan from China with Buddhism in the 6th and 7th centuries. Initially, tea was predominantly the drink of monks and priests. It was not until the 12th century that Buddhist monks brought seeds for tea plants to Japan, and the reigning Saga *tennō* supported the plan to grow tea in the Kyoto region, leading the custom of drinking tea to spread to the imperial court and court nobility. From the 16th century onwards, Zen Buddhism⁵⁶ favoured the drinking of foamed green powdered tea (*matcha*) and in the following centuries the ritual of the tea ceremony developed among the warrior nobility. For a long time, the consumption of green tea, and especially *matcha*, was reserved by decree for the upper classes. The ordinary people drank brewed tea, which had a reddish-brown colour.

52 Unless otherwise stated, information is taken from the interview with Yamamotoyama’s president, Yamamoto Kaichirō, on 18 April 2019 and the company’s websites www.yamamotoyama.co.jp and www.yamamotoyama.com (last accessed 6. 10. 2022).

53 Japanese green tea (*ryokucha*) is briefly treated with hot steam after picking and pre-drying to stop fermentation. Green tea that is brewed with hot water and drunk filtered is called *sencha*. There are three harvest seasons: April-May (*shincha* or *ichibanacha*), June-July (*nibanacha*) and August-September (*banacha*). *Sencha* accounts for about 80 per cent of tea consumption in Japan. In the case of green powdered tea (*matcha*), the leaves are pulverised and dissolved in hot water and drunk. Other varieties include *genmaicha*, in which rice grains are added to the tea leaves, *hōjicha* (roasted tea leaves) and *gyokuro*, see later in this text section; for a classification of Japanese tea varieties, see <http://www.nihon-cha.or.jp/standard.html> (last accessed 6. 10. 2022).

54 Data for 2020, see www.yamamotoyama.co.jp/company.html (last accessed 6. 10. 2022).

55 Reference for 70:30-distribution at www.norenkai.net/%E3%80%90%E7%AC%AC%E5%85%AD%E5%8D%81%E4%B8%83%E5%9B%9E%E7%9B%AE%E3%80%91/ (last accessed 6. 10. 2022).

56 See Chap. 3.4.

The Yamamoto family focused on tea sales; production was taken over by independent tea farmers who supplied Yamamoto and other tea merchants. The blends were (and still are) created by the tea farmers according to Yamamotoyama's recipes. The regional separation of production (Kyoto region) and sales (Edo/Tokyo region) resulted in a division of tasks within the family: the men of the Yamamoto family spent most of their time at the tea plantations in the Kyoto region, buying the fresh leaves from the tea farmers, processing them into tea and transporting them over 400 kilometres (ten days' walk) to Edo, where the women took over the sales. Pragmatic organisational and economic decisions led to this distribution of roles.

In the early 18th century, the 4th Yamamoto, Kahei, was offered a tea for sale that had been produced using a new process, developed by Nagatani Sōen,⁵⁷ a tea farmer from Uji, near Kyoto. To prevent oxidation, the tea leaves were no longer simply roasted, as was the case for the reddish-brown tea usually drunk, but treated with hot steam, rolled and dried. This kept the leaves green and the taste less bitter and more pleasing. Sōen was seeking a merchant in Edo who would sell his new product. Many tea merchants refused because the light green tea tasted so different from the reddish-brown drink. Only Yamamoto Kahei was willing to offer the new product in his shop and he began selling Sōen's *sencha* in 1738. Sōen had shared knowledge of the new process with Kahei without asking for anything in return because he wanted the green tea to spread throughout Japan. Since the business flourished so well, Kahei showed his gratitude by decreeing that the Nagatani should be paid a share of the profits. In subsequent generations, the Yamamoto achieved a certain prosperity with the *sencha*, so these payments continued until 1875, when the tea trade in Japan became regulated by law.⁵⁸

Over time, with changing tastes, the flavour of the tea was also refined, and plant varieties were experimented with. According to Yamamoto Kaichirō, in interview, it takes decades to create a new variety. About 100 years after the introduction of *sencha*, the 6th generation Yamamoto Kahei succeeded in 1835 in bringing his new tea creation to market under the name "gyokuro". Unlike *sencha*, whose leaves grow on sunlit slopes, *gyokuro* uses leaves from tea plants on shady slopes. The colour of this tea is more grey than green and its flavour more intense and quite unlike other known teas. *Gyokuro* means "noble dewdrop" and this tea soon enjoyed great popularity among the feudal lords and samurai and spread to other parts of the country as a specialty of Edo.

Product quality was a principle to which Yamamoto Kahei had committed himself from the very beginning, and his successors also always ensured that only

57 Nagatani Sōen (1681–1778) is considered the father of *sencha* green tea.

58 www.nagatanien.com/history/ (last accessed 11.7.2020).

high-quality goods were offered. One result of these efforts was that Yamamoto was licensed to supply the court of the Tokugawa Shōgun from 1816.

With the abolition of the four-class division (*shi-nō-kō-shō*) in the Meiji Restoration,⁵⁹ restrictions on consumption that had applied until then were also dropped. Green tea now became accessible to all classes of the population. In 1868, Yamamotoya received the second licence for tea sales ever issued in the new capital Tokyo. Western goods and foods were changing the diet in Japan, but green tea was becoming increasingly popular, and demand was high among all tea merchants. For reasons of quality and reputation, the Yamamoto family business remained true to the founder's principle of offering high-quality teas in the higher price segment.

Yamamotoya becomes Yamamotoyama

In 1941, for legal reasons, the business was converted into a joint-stock company (*kabushiki kaisha*) under the official name of Yamamotoyama. The logo depicts the first character *ka* from the first name of the founder, Kahei, under a symbolic mountain (*yama-moto* in Japanese). In Japanese, the characters of the shop are written as syllables. Using the Chinese syllable characters *yama*, *moto* and *yama*, the name reads identically forwards and backwards – “yama-moto-yama”, which is also used as an advertising slogan.⁶⁰

Nori and internationalisation

In addition to green tea, Yamamotoya has also produced and sold Japanese paper *washi*⁶¹ since the establishment of the business in the 17th century. With industrialisation at the beginning of the 20th century, paper production was mechanised, and the now much cheaper industrial paper led to a rapid decline in the demand for handmade paper. In 1947, the possibility of growing edible red algae (Asakusa-Nori) commercially developed in Asakusa, a district of Tokyo.⁶²

59 See Chap. 2.4.

60 Until the pre-war period, shop signs were labelled from right to left. This means that at Toraya, for example, the sign would read “ya-ra-to” – this cannot happen with “yama-moto-yama”; ja.wikipedia.org/wiki/%E5%B1%B1%E6%9C%AC%E5%B1%B1 (last accessed 11.7.2020).

61 *Washi* is the term used to describe paper made in the traditional Japanese way, as opposed to machine-made *yōshi* paper.

62 The consumption of algae has a long tradition in Asia. In Japan, there is evidence that green and red algae have been collected and dried for consumption in coastal areas since the 4th century. Traditionally, the extraction and sale of algae for consumption was the business of traders. Cultivation was more costly and not very common until the end of the 19th century. In Tokyo Bay, conditions in the shallow water of the riverbanks were favourable due to the confluence of river and tidal currents, so from the mid-17th century the region developed into

As a result, the 9th Yamamoto Kahei decided to transfer the company's experience in making paper to a new product – *nori*, roasted seaweed. With the methods known to Yamamoto, larger sheets could be made from pressed, dried, and roasted seaweed strips. Wrapped around a thin rice cracker, seaweed was an excellent flavour match for high-quality tea. As in the tea sector, Yamamoto focused on the best quality, positioned in the luxury product segment in terms of price.

In the 1960s, as tea consumption grew, so did the Yamamotoyama company. Branches were opened in growing cities such as Osaka and Nagoya in central Japan, Fukuoka in the south and Sapporo and Sendai in the north, while factories for processing green tea were built in Shizuoka at the foot of Mount Fuji and in Kumamoto on northern Kyūshū, that is, in the locations best suited for growing tea plants for green tea.

Amid high growth rates and increasing internationalisation, more and more Japanese travelled and worked abroad so it made sense to offer green tea abroad as well. New cultivation areas with similar climatic conditions were found in Brazil and California. Since many Japanese had emigrated there at the beginning of the 20th century, the tea followed the customers, so to speak. For the 9th generation Yamamoto, it was important that the tea should be grown, harvested, and processed according to the same standards as in Japan. Yamamoto Brazil was founded in 1970, followed by the USA branch in 1975.

Change in the customer base

In Japan, sales increased steadily until the end of the 1980s thanks to favourable economic conditions. *Sencha* had become something of a Japanese national drink in the meantime. What changed for the teasellers, however, was the demand for this national drink within Japan. Although both Japanese men and women like to drink tea frequently, Yamamotoyama felt that the gender ratio in its clientele was changing in the 1990s: in the mid-1980s, half its customers were male and half female. Male customers bought high-quality tea on behalf of their companies, to give their customers and business partners luxury presents on special occasions, such as New Year or the Buddhist O-Bon Festival in summer. The share of women in Yamamotoyama's clientele rose steadily as incomes increased, and high-quality green tea became popular also in the private sphere

a centre for the extraction of red seaweed (especially of the genus *Profyra yezoensis*), known as Asakusa nori, due to its proximity to the growing city of Edo. It was not until shortly before the Second World War that changed ownership rights due to a change in agricultural and fisheries policy enabled the expansion of commercial cultivation. In Asakusa Bay, the separation of algal waters and spore waters was promoted, thus favouring the development of Asakusa nori sales, as illustrated for Yamamotoyama; see Aymans (1980), p. 110f.

as a gift or to entertain guests. After the stock market bubble burst in 1989, legal changes were made from the mid-1990s onwards regarding deductible entertainment costs for companies, and the volume of gifts to corporate customers fell sharply.

Now, over 90 per cent of customers are women buying gifts for seasonal occasions. To meet the tastes of these discerning female customers, the company adapted the designs of the packaging. That this change occurred on the company's 300th anniversary was coincidental, but it proved a good occasion to introduce the new packaging line. Yamamotoyama has received three awards for the new design: the Red Dot Design Award in 2019, the German Design Award in 2020 and the A'Design Award⁶³ in 2021.

The Yamamoto family

Yamamoto Kaichirō is the 10th generation to lead the company since 2008. He has a daughter, Nami, who is designated as the 11th-generation successor. She is married to an American, and their son was born in 2018 (12th generation).

Kaichirō's wife is not active in the company. Nevertheless, women have played an important role in the history of Yamamotoyama due to its specific geographical situation: the cultivation of tea and the production took place in the Kyoto area where the male members of the family were active while, in the east in Edo, the women ran the tea sales business. However, the heads of the family were male descendants. They were also responsible for the care of the family grave and ancestor veneration. This includes respect for the father, says Kaichirō, from whom one learns what is important for the preservation of the business and the family. The family grave is located near the headquarters in the Nihonbashi district, where all the family members are enshrined. When there were no male descendants, sons-in-law were adopted to take over; indeed, Kaichirō joined the Yamamoto family as a son-in-law.

Shareholders and stakeholders

The assets of the Yamamotoyama company are still entirely in family hands: Yamamoto Kaichirō holds 25 per cent of the shares, his daughter Nami holds 25 per cent, and 50 per cent is owned by the Yamamotoyama holding company. In the luxury tea and seaweed sector, it is essential to focus on the other stakeholders – the tea and *nori* farmers, the customers, and also the people near the

63 www.red-dot.org/project/yamamotoyama-40929; <http://www.german-design-award.com/en/the-winners/gallery/detail/32468-yamamotoyama.html>; competition.adesignaward.com/go/oddesign.php?ID=119471.

company headquarters – to maintain product quality. As president of Yamamotoyama, says Kaichirō, you must know each tea farmer personally to build up an appropriate relationship of trust and to be able to guarantee the best quality in the long term. As a time-honoured company (*shinise*), you have an obligation to your customers. Yamamotoyama has decided not to go into mass production as other tea suppliers have done. Moreover, the company is accepted near the headquarters in Nihonbashi. This is where they grew up; they are committed to the surrounding area and, as president of Yamamotoyama, Kaichirō is also actively involved in local activities in the district. The same goes for the employees, they must enjoy being employed by Yamamotoyama if they are to do a good job.

Yamamotoyama's property includes land in the middle of Tokyo, so income is also generated from renting it out. The family could possibly even live off it. Inheritance tax, however, says Kaichirō, may force them to give up the tea business. To find a solution, the decision was made in the 1970s to internationalise and set up the subsidiary Yamamotoyama USA.

Operational business and succession

Since the founding of the company, the succession has been decided by the respective head of the family, who also managed the company's fortunes. In Yamamoto's history, sons-in-law have often been adopted; Yamamoto Kaichirō (10th generation) is an adopted son. His daughter Nami agreed early on to succeed him (in the 11th generation). After graduating, she joined the family business and designed the new packaging for the company's anniversary, which, however, could only go into production after her grandfather Kahei (*kaichō*, 9th generation) had given his approval. Nami now lives in Los Angeles with her husband, where she heads the design and marketing department at Yamamotoyama USA. Her husband, an American, is the CEO there and responsible for purchasing and manufacturing.

There is no family constitution yet; the family's values have been passed on orally: the overriding principle was and is to offer customers the highest quality. The decision on which products to sell and which investments to make was made by the head of the family or the president. Even today, the 9th Yamamoto Kahei, Kaichirō's father-in-law, must approve all decisions. At the ripe old age of over 90, he holds the position of *kaichō* and comes to the office every day as far as his health allows.

Yamamoto Kaichirō likes to compare the role at the top of the company to that of a conductor; he conducts an "orchestra" of different instruments – regional situations and people – which can sometimes become out of tune due to different opinions or changing market conditions. Then it is the conductor's job to

moderate the process so that everyone plays the same tune again. No one is actively taught how to run the company; the most important things are learned by “looking over the shoulder” of the father or predecessor. After joining the company, Nami shadowed her grandfather in his job as president of Yamamotoyama for two years, and learned by watching, or “osmotic learning”.⁶⁴ Like cooking, Yamamoto Kaichirō says, it is possible to learn the processes in this way. It is the job of each successive president to identify what is currently popular with customers in terms of taste and, as the successor, you must develop a will, or *kokoro* (Japanese for heart, spirit, courage), which is then also the essence of the longevity of the family business.

There will be a change at the top of the company when a woman takes over the leadership in the 11th generation. It would fit the company’s image, as women have historically played an important role. Yamamotoyama’s credo, says Kaichirō, is and remains to offer customers products of the highest quality and thus to correspond to the heart and soul (*kokoro*) of the family business. Bringing this *kokoro* into the next generation is the top priority for successive acting presidents.

5.5 Toraya

The Toraya Confectionery Co., Ltd (Kabushiki Kaisha Toraya) is a manufacturer of Japanese confectionery (*wagashi*) based in Tokyo. One of its three manufacturing plants is also located there; the other two are in Kyoto and Gotemba in Shizuoka Prefecture. Toraya operates 83 shops in Japan for *wagashi* sales and one overseas, in Paris. Of the 904 employees, 611 are female. Annual sales are 113.76 million euros (14.4 billion yen).⁶⁵ The company is run by the Kurokawa family, now in the 18th generation.⁶⁶

64 In Japanese, the term *mite-manabu* is used: see Chap. 3.5.

65 www.toraya-group.co.jp/toraya/corporate/profile/ (last accessed 21.5.2021).

66 The interview was conducted by the WIFU research team with the 17th Kurokawa Mitsuhiro, who handed over leadership (*shachō*) of the company to his son Mitsuharu (b. 1985) at the end of June 2020 and is now *kaichō* (www.stores.co.jp/articles/4158); also www.fujitv-view.jp/article/post-149286/; (last accessed 21.5.2021).

Foundation and history of the company⁶⁷

The history of Toraya and the Kurokawa family goes back to the beginning of the 16th century. During the ‘Warring States’ period, fires repeatedly broke out in the embattled towns;⁶⁸ therefore, not all the written records of the House of Kurokawa have been preserved. Kurokawa Enchū⁶⁹ is said to have started selling *yōkan* in 1526 in his shop, called Toraya. *Yōkan* is a Japanese sweet made of red bean paste, agar, and sugar.⁷⁰ Taking Kurokawa Enchū as the founder, the present president (*kaichō*) Kurokawa is the 17th generation descendant. Toraya itself gives the year 1635 as the founding date for the family business since its own sources document deliveries to the court of the *tennō*. However, to supply the court of the Japanese ruler, a company had to already be in the second or third generation and have continuously produced goods of good quality.

Toraya makes *wagashi*, Japanese confectionery that is served with green tea. The ingredients are the paste of red or white beans, dried fruits such as persimmon or wild grapes, sweet potato starch and, from the 17th century, Japanese cane sugar. The small sweets resemble small artworks or symbols of the respective season. The sweetness of their taste is intended to complement the bitterness of the green tea. With the spread of the tea ceremony at the *tennō* court from the 14th century onwards,⁷¹ the *wagashi* business also expanded. The choice of *wagashi* in terms of shape and colour, like the choice of ikebana or calligraphy in the tearoom, expressed the cultural education of the host. For his creations, the 5th Toraya was awarded in 1672 the rank of master craftsman,⁷² one of the highest honours that could be bestowed on merchants at the imperial court. The business flourished with the growing popularity of tea ceremonies among the warrior aristocracy, who found leisure for other pursuits in the Edo period. The name of the House of Toraya was known to several houses of feudal lords. The house suffered an economic crisis in 1788, when fire devastated large parts of Kyoto, reducing the imperial palace to rubble, and laying the nearby Toraya house with its manufacturing plant and warehouse to ashes.

Some of the written sources were saved; others were rewritten, among them the ‘15 house rules’ that the 9th Kurokawa, named Mitsutoshi, wrote down for the

67 Compiled based on website (global.toraya-group.co.jp/; last accessed 21 May 2021) and interview with Kurokawa Mitsuhiro on 19 April 2019, when he was still *shachō* (president).

68 See Chap. 2.2.

69 The date of birth of Kurokawa Enchū is unknown; he died in 1635 (<https://www.toraya-group.co.jp/toraya/corporate/chronology/>, last accessed 21.5.2021).

70 *Yōkan* is one type of Japanese sweets Toraya offers. Originally, *yōkan* was introduced from China in the 12th century as a confectionary used at Zen monasteries. Since sugar came more widely used in the Edo period, *yōkan* became popular throughout the samurai class.

71 See Chap. 5.4 on Yamamotoyama and Chap. 4.9, excursus III on the Ikenobō School.

72 Japanese Ōmi daijō; <https://www.toraya-group.co.jp/toraya/corporate/chronology/>.

servants and following which *wagashi* were also made in the following centuries. These rules⁷³ include:

- Clean the shop every morning around six o'clock.
- When making *wagashi*, hands must be washed regularly, and the mouth rinsed. This must also be followed when no one is there to supervise.
- Customers' orders, especially those of the imperial court, must always be fulfilled promptly and completely; delivery must be made politely and with friendly greetings; long chatter with the clientele must be avoided.
- Suppliers are to be treated like family members.⁷⁴
- Everyone should put in their best efforts and bring out their best qualities.
- If a mistake is made, everyone should be made aware of it immediately, regardless of position, even if it is made by superiors.
- All employees, old and young, should exercise physically and train themselves mentally in calligraphy and arithmetic every day; otherwise, it will be difficult to rise in the hierarchy and become a manager.⁷⁵

These house rules are displayed in a showcase at the entrance to the headquarters and are thus known to all employees to this day.

In the middle of the 19th century, Toraya took over the second court supplier, Nikoya, and thus strengthened its market position for *wagashi*. Shortly afterward, the Meiji Restoration occurred, the *tennō* moved to Edo, and the city was renamed the "Eastern capital": Tokyo. Now Toraya was faced with the choice of staying in Kyoto or moving as well. The 12th Kurokawa Mitsutada decided to keep the original business in Kyoto but move the headquarters to Tokyo. Subsequently, there were several moves within the new capital,⁷⁶ until the present headquarters were established in the Akasaka district in 1895. These frequent relocations within a short period indicate that the shop must have been small, combining manufacturing and sales under one roof.

After Japan opened in 1868, Western foods and drinks arrived, putting pressure on the market for traditional Japanese confectionery. Toraya, however, was able to cope due to its high-quality ingredients and manufacturing standards.⁷⁷ In 1927, it started the cultivation of small white azuki beans in Gumma Prefecture,

73 Excerpt from the Code of Conduct *Okitegaki* from a flyer of the company (own translation).

The *Okitegaki* is a transcript by the 9th generation head of the Kurokawa family from 1805 and is based on traditions passed down orally since the end of the 16th century.

74 In Japanese, "*ie no mono*" means "one person of the *ie*".

75 In the sense of to become manager of (one's own) business or *bantō*.

76 Within Tōkyō, Toraya moved from the Kanda district to Marunouchi, then to Yaesu and, in 1879, to the Ginza, before the headquarters finally settled in Akasaka. Shops were subsequently opened in the other districts mentioned.

77 As can be read in the case study of Yamamotoyama (Chap. 5.4), the consumption of green tea – often served with *wagashi* – increased, so market developments here often run in parallel.

where it invested in a small factory to produce the bean paste on the spot. During the war in 1936, women were employed for the first time, as most of the men were drafted for military service.

Recent development and internationalisation

After the end of the Second World War, demand recovered slowly, but Toraya opened a small shop called “Mikaku” on the Ginza boulevard selling tea and *wagashi* as early as 1946, and one called “Akane” in the Nihonbashi district the following year, in which Toraya was legally transformed into a corporation. Over the following years, the *wagashi* business recovered well, and the bean paste production facility had to be expanded. The decision to open branches of Toraya in large department stores such as the Tōbu Store in the Ikebukuro district ensured good sales at the main hubs of the rapidly growing capital.

In 1980, Kurokawa Mitsutomo (16th generation) travelled abroad and opened the first Toraya branch in Paris. Japanese customers had become more mobile internationally, and green tea was also becoming more popular abroad, so it was only logical to also offer Japanese confectionery. In 1991, a branch was also opened in New York but closed in 2003 due to insufficient profitability.

In Japan itself, small tea shops flourished, where people could retreat from the hustle and bustle of the big city for a cup of tea with *wagashi*. The 80 or so shops that Toraya operates today are mostly in the Tokyo and Kyoto area. Some are purely *wagashi* outlets; others are run as cafés.⁷⁸

In 1973, the company museum was opened with the Toraya Bunkō archive. There, the traditional production of *wagashi* is shown and historical documents are on display.

The Kurokawa family today

The current president (*kaichō*), Kurokawa Mitsuhiro (born 1934), has three children: two daughters and a son. The son is the youngest child, so there was some thought as to whether one of the daughters might want to succeed. All the children received an appropriate education and would be able to take on the succession.

The son, Mitsuharu (born 1985), declared his intention to succeed at the age of 15 (18th generation), and the family decided to respect his intention. He attended high school in the USA and joined the family business Toraya after completing his management studies and two years in a trading company. He initially worked as a simple employee, with no involvement in company decisions and only in

78 The idea of offering *wagashi* with tea in the style of a café came from Kurokawa Mitsuhiro.

recent years has been given more responsibility. In June 2020, he joined the management as CEO (*shachō*) and, at the same time, his father took over as Chairman of the Board (*kaichō*). Mitsuharu is thus significantly younger than his father, who became CEO at the age of 47.

As for family celebrations, it is customary for the Kurokawa family to visit a shrine on New Year's Day and the temple with the family's grave on the Buddhist festival of O-Bon. Staff members participate in the New Year celebration even though there is no obligation to do so. At Toraya, care has always been taken to make the employees feel part of the family.

Succession as a partner/shareholder

For centuries, until the post-war period, it was customary for the head of the family to transfer all shares to the family member who succeeded to the family and business. In the long history of the House of Kurokawa, biological sons have usually continued the family business. Only in the 15th generation was a son-in-law (*muko yōshi*) adopted for this purpose.⁷⁹

Due to the changes in inheritance law after the Second World War and the resulting high rates of inheritance tax, an exception was made in the succession from the 16th to the 17th generations in 1991: a small number of shares were transferred to two siblings, as the family business would not have been able to afford to pay the inheritance tax. In the event of their death, these shares revert to the company.⁸⁰

About one-third of the shares are held by employees; this practice was also introduced because of the reform of the inheritance laws in 1947. Upon leaving employment, these shares are returned to the company.

Succession in the Kurokawa family

In the Kurokawa family, it has been customary through the generations that only one member of the family is active in the management of the company. The proverb of the carp in the water was used to justify this: if the water is polluted (by the excrement of many fish), the fish cannot live. In the Kurokawa house, it was and is considered important to have worked in another company before joining the family business. Kurokawa Mitsuhiro, for example, previously worked at a

79 The 15th Kurokawa Takeo was Minister of Health in the third Yoshida cabinet in 1950/51 and a member of the Upper House for a short time before and afterwards. As an adopted son, he does not have the syllable "Mitsu" in his first name, which can also be read "Hikaru" and means something like "shining figure" but also honour and fame. For adoption in family businesses, see Chap. 4.7.

80 Interview from 12 April 2019.

bank. His father, Takeo, had first studied art and was employed in a museum, as well as being active as a politician and minister before moving to the top of Toraya. Mitsuhiro's son Mitsuharu worked in Mitsuhiro's father-in-law's company for two years before moving to Toraya, alongside working at the Paris branch.

For a *wagashi* manufacturer, the person at the top of the company must develop the competence to sense which sweet suits the tastes of the time.⁸¹ This skill is difficult to teach from the outside; each successor must develop it for himself. On average, it takes ten years to become a trained *wagashi* confectioner.⁸²

According to President Kurokawa Mitsuhiro, workers in the family business will be involved in decisions about the succession, in recognition of their expertise in manufacturing and to ensure that they are willing to work loyally with the next management. For traditional family businesses, it is a substantial risk if staff do not support the decisions of the management; dismissals would result in a serious loss of expertise, which would be hard to make up for, especially today. Since Mitsuharu, his son, had expressed early on that he wanted to succeed, the employees had known him for a long time through working with him and welcomed his selection as CEO. Until then, Mitsuharu had been simply an employee, with no prominent position in the family business. Since he had not been involved in the management, there was also no exchange between the senior and junior heads during this period.

Kurokawa Mitsuhiro⁸³ reports one exception: the company building across the street from the headquarters was now quite old. It was built in 1964, during the economic boom after the Second World War, in the style of a lantern made of wood and paper, to lend a traditional flair to the concrete landscape of the big city.⁸⁴ At the turn of the 21st century, a more modern ten-storey office building was to be built on the site. The planning was largely complete when, shortly before construction began, Mitsuharu raised another idea with his father Mitsuhiro: a four-storey traditional Japanese wooden building, where a tranquil atmosphere would invite the senses to the style and taste of *wagashi* and the enjoyment of green tea. Mitsuhiro responded positively, redesigning the new building. In autumn 2018, Toraya Café Akasaka opened, offering a seating area as well as a showroom and allowing a view into the production through a glass window. The

81 “Not too sweet, not too hard, and with a good aftertaste” is the Kurokawa family's time-honoured motto on this (interview 12 April 2019).

82 In Japanese, this is called *ichinin-mae* and means something like being an adult or independent.

83 Kurokawa Mitsuhiro (interview 12 April 2019).

84 For the concept of the lantern made of wood and paper (*andon*) for the view of the previous building, see <https://withnews.jp/article/f0151007000qq0000000000000000W00o0201qq000012589A?ref=kijiunder>.

new building was built largely of wood, emphasising the aspect of sustainability. From the outside and inside, the roof resembles an oil paper umbrella (*wagasa*), and the building enhances the street view.⁸⁵

“Familianness” of employees, customers, and raw material suppliers

As mentioned earlier, the 9th Kurokawa wrote down certain rules for the company. Treating employees like family members is one of the principles from these rules that still apply to Toraya today.⁸⁶ Friendliness, sincerity and harmony govern interactions with each other and all stakeholders of the family business. Only the highest product quality and corresponding appearance to customers make it possible to remain a supplier to the imperial court. This rating can only be maintained if all those involved are included at all stages of the value chain, whether as suppliers and farmers for the ingredients used, staff in production or those serving customers in the 80 branches.

According to Kurokawa Mitsuhiro, a president of the family business holds this position for an average of 30 years. This is a long time to be able to keep employees motivated, so it is important to practice open communication with the staff: Mitsuhiro has been meeting with staff representatives once every two months for over 20 years, a practice he inherited from his father.

Soon after the Second World War, equal pay for men and women was implemented, training was carried out equally for both sexes, and a working-time concept was introduced that considered relatives in need of care. Mitsuhiro’s father was also a very progressive employer. A system for employee suggestions has now been set up in which all employees can contribute their ideas, and which is intended to make innovation possible at all levels. In this suggestion system, important impulses for innovation come from the staff. In 2011, Toraya received an award as a particularly employee-friendly family business.⁸⁷ Furthermore, if any employee has a concern, Mitsuhiro is available for a personal discussion. This almost fatherly behaviour gives employees the feeling of being seen and appreciated as members of a family. It is not easy, however, to maintain a family relationship in a company as large as Toraya, with almost 1,000 employees.

85 Toraya received the CBS Architecture Award for the new building, see <https://www.nikkenren.com/kenchiku/bcs/detail.html?ci=976>.

86 In an interview, the 16th Kurokawa Mitsutomo names “harmony” as the motto of his presidency; the motto of his predecessor in the 15th generation was “kindness” and that of the 14th Kurokawa was “sincerity”; see www.jmca.jp/prod/teacher/1033, last accessed on 21 May 2021. Mitsuhiro confirms these three mottos and adds: “All predecessors are links in a long chain, the task and responsibility of the respective *koshu* in office is to ensure that the next link fits “solidly” into the chain” (interview 12 April 2019).

87 global.toraya-group.co.jp/.

Therefore, Mitsuhiro himself believes that the Toraya family business should not grow any further.⁸⁸

Asked about the possibility of a female successor, Kurokawa Mitsuhiro says that one of his two daughters could certainly continue the business, although 100 years ago, it would barely have been imaginable. In the meantime, he says, more important than gender is whether the potential successor has an international outlook and is familiar with different countries so that new product ideas can be developed. For a long time, *wagashi* was limited to the Japanese market; through international experience and visits abroad, Kurokawa Mitsuhiro sees good opportunities to make Japanese confectionery better known in the world. The overriding principle, however, is to preserve the company and pass it on to the next generation so that traditional *wagashi* live on. The challenge remains to make the right decisions in the present so that the future is possible.

5.6 Nakagawa Masashichi Shōten⁸⁹

Nakagawa Masashichi Shōten Co., Ltd. produces and sells traditional handicrafts and clothing for everyday use. The company employs just over 300 people and has an annual turnover (2016) of €37 million (4.68 billion yen). The company headquarters are in Nara, but it also has about 60 branches in all of Japan's major cities. In addition to the original products made from hemp fabrics, other product lines now include goods made from wood and clay using traditional crafts. The presidents of Nakagawa Masashichi have always been concerned with preserving traditional Japanese handicrafts and widening awareness of them. Therefore, in recent years, the business areas have expanded to include activities such as consulting and training, alongside exhibitions and workshops. The company is run by the Nakagawa family, now in the 14th generation.⁹⁰

88 Interview on 12 April 2019; Kurokawa Mitsuhiro also makes similar comments in an interview with Fuji TV (www.fujitv-view.jp/article/post-149286/; last accessed 21.9.2021).

89 Section referring to information from the interview with Nakagawa Masashichi Jun on 25 April 2019, the interview with Nakagawa Masashichi in: *Diamond Harvard Business Review* (3/2019), pp. 76–85, and from the company's website www.nakagawa-masashichi.jp (last accessed 18.5.2021).

90 The 14th generation CEO is Sengoku Aya, the first non-family member. The 13th generation descendant is Nakagawa Jun, who holds the position of Honorary Chairman (*kaichō*). See below and the website <http://www.nakagawa-masashichi.jp/company/about/vision.html> (last accessed 18.5.2021).

Foundation and history of the company

The history of the company goes back to the middle of the Edo period. Nakagawa Masashichi Shōten was founded in 1716 in Nara by Nakaya Kibei, who opened a shop to trade in *sarashi* fabrics. *Sarashi* is a fabric made from hemp and ramie (Chinese grass). Both plants grow in many Asian countries and were already being spun into yarns and woven into fabrics 2000 years ago. The fibre residues were used as fodder or for building materials. Robes made of *sarashi* were worn by Shinto priests and Buddhist monks, who originally also made the fabrics themselves. In the Kamakura period (1185–1333), a special form of bleaching was developed in the Nara region. The fabric bleached using this technique was called Nantōkai after the Buddhist temple in whose writings the bleaching technique was first mentioned and whose priests wore robes made of the fabric bleached in this way. In the Edo period, the fabric became known as Nara *sarashi*, as it was no longer used only for priests' robes, but also for coverings (*kamishimo*) of samurai clothing.

Hemp and ramie were produced in large parts of the country for cloth and clothing. It was usually the women in the peasant households who, after working in the fields, spun, wove and made all kinds of fabrics for daily use. *Sarashi* was a particularly fine blended fabric that differed in quality from the coarser hemp fabrics otherwise used for the everyday clothing of peasants, traders, and craftsmen due to the bleaching technique used and was only allowed to be used for special textiles for the upper classes. Its proximity to large Buddhist temples in Nara and Kyoto, and also to the politically important centres of Kyoto and Osaka, ensured good sales for Nakagawa Masashichi Shōten in the early generations. The market conditions for hemp fabrics among the population remained stable, as only the nobility was permitted to wear fabrics made of other fibres such as silk or cotton.

The heyday of Nara *sarashi* ended in the mid-19th century when, after the opening of Japan, these restrictions were lifted, and cotton fabrics displaced linen cloth in everyday use. The production of fabrics from hemp and ramie was about ten times more costly than the production of cotton fabrics, which were not only easier to work with but also more comfortable to wear. The cultivation of cotton was expanded in the mid-19th century to reduce more expensive imports. Improved looms were imported from England, a pioneer in cotton production, and soon steam and waterpower were introduced to drive them. In addition, the new Meiji government supported the development of the textile industry in the 1870s and helped to establish pilot projects for industrial manufacturing in the Osaka area. Home-based work, which had been common among peasant families in large parts of the country until then, was replaced by large factories.

This industrialisation of the cotton – and later also the silk – industry in the Meiji period posed an existential threat to the traditional production of textiles. It also changed Japanese agriculture in terms of the products cultivated. Where hemp and ramie once flourished, cotton bushes and mulberry trees now grew. Although the production of hemp fibres was also improved, the spread of Western clothing meant that the wearing of kimonos, the underpart of which was made of *sarashi* for both men and women, increasingly went out of fashion. Thus, demand for fabrics made of hemp and ramie declined sharply; in Nara, the trade collapsed by as much as 90 per cent and many textile shops for hemp fabrics had to close.

The 9th Nakagawa Masashichi wanted to preserve the traditional production of Nara *sarashi* in the region and decided to keep his business. He thought of new uses for his high-quality and absorbent hemp fabric and began to offer cloths that could be used to wipe off sweat (*ase-fuki*) when bathing in the hot tub (*o-furo*). Bathing is an evening ritual in Japan, where people wash themselves outside the tub and then climb into its hot water, cleansed, to relax. Masashichi's soft and quick-drying cloths (*o-furo-agari no ase-tori*) soon became popular. Masashichi also made nappy cloths and baby clothes from the high-quality Nara *sarashi*. Small cloths made of *sarashi* are still used in the tea ceremony (*chakin*). According to tradition, this dates back to Sen no Rikyō, the founder of the tea ceremony, who appreciated the softness and absorbency of the fabric as early as the 16th century.

With changes in its product range, the 9th Nakagawa Masashichi managed to survive the upheaval of modernisation as the only one of 70 traders which still existed in Nara in 1866. The quality of his Nara *sarashi* was so good that it attracted the attention of the imperial court. In 1898, he was appointed court supplier to the emperor, and this distinction helped the family business to become more widely known.

Despite this, sales continued to decline, and Nakagawa was again on the verge of having to give up the business. However, like his father, the 10th Nakagawa Masashichi was driven by the desire to preserve this traditional craft. In 1912, he decided to start producing hemp fabrics himself, not only to preserve the family business but also to draw attention to the historical importance of the traditional craft of hemp production, which in previous centuries had played a decisive role in stabilising peasants' income during agricultural rest periods. Masashichi recruited young women from peasant households, instigated manufacturing workshops and began to revive the Nara *sarashi* business. The range of cloths for the tea ceremony (*chakin*) and for wiping away sweat before bathing was expanded to include handkerchiefs embroidered with floral and animal motifs.

Japan's representation at the World Fair in Paris in 1925 included traditional handicrafts, and imperial household handkerchiefs made by Nakagawa Masa-

shichi Shōten were featured in the displays there. Today, five of these *sarashi* handkerchiefs still exist and are displayed in the main shop in Nara. In 2025, the World Expo will be held in Osaka, and Nakagawa Masashichi Shōten hopes to be represented again to illustrate the traditional manufacture of hemp fabrics.

Internationalisation and change of business model

In the 1950s and 1960s, new challenges arose. Rising wages and the increasing age of Japanese craftsmen meant that many companies were faced with the decision to go out of business or switch to the use of machines. Most companies in Nara chose one of these two paths. The 11th Nakagawa Iwakichi did not want either; he wanted to “preserve the special charm that comes from handwork”.⁹¹ Therefore, in 1953, the decision was made to relocate parts of the textile production first to Korea, and later also to China, to reduce labour and production costs and thus to be able to preserve the traditional handicraft in Nara.

The next change came in 1973 under the 12th Nakagawa, named Iwao. Until then, Nakagawa Masashichi Shōten had been a small family business with about twenty employees. Iwao had worked for a large textile company for ten years after graduating and brought new ideas to his father’s business. From the production of the fibres to the manufacture of the hemp cloth and the design of the bags and towels, everything was done by hand. This meant that it could take about a year from the time an order was received to the delivery of the cloths specially made for the customer, such as the *chakin* for the tea ceremony. Iwao started to move away from contract manufacturing and produced *chakin* with different patterns based on the seasons for different occasions. He also decided to add *shifuku* to the range – fabric covers for small vessels (*cha-ire*) made of clay or wood for storing green powder tea (*matcha*). With this expansion of the product range, he was able to make a name for himself in the world of the tea ceremony and significantly increase sales. In 1983, Nakagawa Masashichi Shōten had about 30 employees and achieved a turnover of 10 million dollars.⁹² That year, Iwao converted the company into a joint-stock company (*kabushiki kaisha*) and, in 1985, opened the first shop selling clothing made from hemp fabrics under the label “Yu Nakagawa” in Nara. The sale of these textile goods made from hemp fabrics remained in the parent company, but a new building was erected to produce and store various articles for daily use.

In autumn 1988, an exhibition on the Silk Road in Japan was held in Nara Prefecture. This historical route ran via the Chinese Ningbo or the Korean Bul-

91 Quote by Nakagawa Masahichi Jun from the website www.nakagawa-masashichi.jp/company/ (last accessed 15. 5. 2021).

92 Information from the website, citing value at the time.

guksa to Kyūshū and all the way to Nara. It also brought Buddhism to Nara, which in the 7th century developed not only into the political centre of Japan but also into the Buddhist centre of the Asian region.⁹³ Several Buddhist temples, whose treasures were on display in the exhibition, bear witness to this. One of the exhibits was a hemp wall hanging with the Shōsōin pattern from the house of Nakagawa Masashichi Shōten.⁹⁴ This exhibition put textiles made from high-quality hemp fabrics in the spotlight and encouraged the Nakagawas to further develop the idea of their own label “Yu Nakagawa”. At the end of the 1980s, a new production technique was developed that made hemp fibres softer and more versatile. In the form of pure hemp fibre – or as a blended fabric combined with wool, cotton or silk – hemp and ramie experienced a real renaissance in the textile industry worldwide.

Nakagawa Masashichi Shōten today

Iwao’s son Jun, the 13th Nakagawa, joined the company in 2002. He too wanted to continue the family’s vision of preserving traditional crafts in the Nara region and making them known to a wider audience.⁹⁵ He had studied management and marketing and began to reorganise the core business for products made from high-quality Nara *sarashi*. As there was little scope for further cost reductions to be achieved in handicraft production, his idea was to become a trendsetter in the luxury sector and thus stand out from the mass products offered in Nara’s souvenir shops. In addition to the “Yu Nakagawa” product line, he developed new lines such as the “Sarasa” label, with which he wanted to convey the flair and originality of the craftsmanship. Bright and colourful patterns were used to target the younger generation. The “little cherry blossom” design was particularly popular; in 2008, a handkerchief using this pattern received an award for product design.

In the same year, Masashichi Jun took over the management of the company (*shachō*), restructured it and sold the fabric manufacturing division to be able to concentrate exclusively on the next stage in the value-added process of “finishing”, that is manufacturing textiles according to his own design. To this end, he founded new labels such as “Nippon ‘ichi” for Japanese handicrafts (2003), “2&9” for the centenary of sock production in Japan⁹⁶ and “motta” for handkerchiefs

93 See Chap. 2.2.

94 See www.nakagawa-masashichi.jp/company/ (last accessed 20.5.2021).

95 “Making Japanese arts and crafts healthy” (Nihon no kōgei wo genki ni suru) in the sense of reviving them, putting them on a sound footing, is Nakagawa Jun’s motto.

96 In Nara, western-style socks were made for the first time in Japan one hundred years ago with mechanised looms imported from America. Until then, socks were worn only by the upper classes, and the general population only started wearing them after the country opened up in

(2013), whose products combined traditional handicrafts with modern design, but were aimed at different customer groups. In addition, Jun added other products from traditional manufacturing in the region to his range. His vision was to promote the handicraft sector in Nara, because many small businesses struggled to survive. Initially, he acted as an adviser and helped them to modernise their production processes and sales. This gave him access to new handicraft products; today, crafts and handicrafts from 56 businesses in the region enrich the product lines of Nakagawa Masashichi Shōten.

Nakawaga now operates over 45 shops in selected locations throughout Japan. Almost 90 per cent of the Japanese clientele are women, and the proportion of foreign customers is just under eight per cent. In 2016, to mark its 300th anniversary, a shop was opened in Omotesandō Hills, on Tokyo's fashion mile, which is characterised by buildings designed by star architects. However, there are no plans to open more than 60 shops, as the company operates in a niche market and wants to reach a clientele that is willing to pay appropriate prices for good quality, as Masashichi Jun explained in interview.⁹⁷ In addition, internet sales have been expanded for all product lines. Since Nakagawa Masashichi Jun took over in 2008, sales have increased tenfold (2016), although the overall market for these products has shrunk by about one-fifth during the same period.⁹⁸ In 2018, the company adopted the SPA process⁹⁹ for textile production, which was developed by UNIQLO and is also used by other major textile manufacturers. This process makes it possible to monitor product quality in manufacturing and ensure that designs are produced to the appropriate standard of workmanship.

Ownership structure

Until 1983, the family business was solely owned by the head of the family and the company. To enter the production of hemp fabrics, it had become necessary to transform the company into a joint-stock company (*kabushiki kaisha*), whereby the majority of the shares remained in company/family ownership and the remainder went to employees. While it would have been possible to form an IPO, this would not have been in keeping with family tradition. Since the death of the 12th Nakagawa in 2016, there have been three shareholders from the Nakagawa family: Masashichi Jun holds 65 per cent, his mother ten per cent, and his younger

the mid-19th century. Under Masashichi Jun, seven companies joined forces and founded the label “2&9” on 11 November 2011 (since 1993, 11 November has been celebrated as “Sock Day”).

97 Interview with Nakagawa Masashichi Jun (25 April 2019).

98 WIFU team interview with Nakagawa Masashichi Jun (25 April 2019).

99 “Specialty Store Retailer of Private Label Apparel” at UNIQLO, see www.fastretailing.com/eng/ir/direction/tactics.html.

sister five per cent of the shares. The remaining 20 per cent are in the hands of employees. Should one of his two children decide to succeed him, the other would receive a corresponding equalisation of assets. The continuation of the family business is the highest priority.¹⁰⁰

The Nakagawa family

In the Nakagawa Masashichi family, until the 9th generation, the eldest son always succeeded and took on the name of the founder Masashichi when he took over the family business. In both the 10th and 11th generations, a son-in-law was adopted, both of whom took the family name Nakagawa and took over the succession in the company. These men were both second-born children from merchant families in Kyoto and Osaka. Since the 12th generation, the eldest son has again succeeded his father.¹⁰¹ The current head of the family, the 13th Nakagawa (born 1974), has the first name Jun. After succeeding to the family business, he changed his first name in November 2016 to that of the founder Masashichi. The name-changing ceremony was performed on a *Nō* stage,¹⁰² used to present classical Japanese theatre, to emphasise the connection with the founder's time. Jun is married and has a daughter (aged 15) and a son (aged 13) as of 2019. His sister and her three children are not involved in the family business.

Succession in management

Generations in family businesses are counted according to the number of directors (*shachō*), which in the case of the Nakagawa is identical to the number of family generations. In previous generations, it was common for sons to work elsewhere before joining the family business. For example, the 12th Nakagawa Iwao was employed by a textile company for ten years, and the 13th Nakagawa Jun worked for Fujitsu for two years before joining the family business.¹⁰³

In 2018, Nakagawa Jun changed the company's leadership and entrusted Sengoku Aya¹⁰⁴ with the management (*shachō*). She is thus counted as the 14th generation on the active board but is not a member of the Nakagawa family. This was the first time that the operational business (*shachō*) was entrusted to someone outside the family. Jun felt this step was necessary because otherwise, his influence on decisions would be too dominant. More than 90 per cent of the

100 Interview with Nakagawa Masashichi Jun (25 April 2019).

101 The first names Iwakichi and Iwao share the same first character; see Excursus IV.

102 For clarity, this chapter will continue to refer to Jun, who also publishes under this name.

103 Interview with Nakagawa Masashichi Jun (25 April 2019).

104 Interview with Nakagawa Masashichi Jun (25 April 2019); also interview in *Diamond Harvard Business Review* of March 2019, p. 81 f.

customers and 60 per cent of the employees were female, so a different management style was needed. At the same time, Jun himself took over the position of “honorary president” (*kaichō*).

Usually, only one person per generation from the family is involved in the operational business. Jun’s mother, Nakagawa Miyoko, is not employed in the company but helps to maintain good contacts with farmers in the region for the traditional hemp clothing business.

The succession in the next generation is still open. According to Jun, either his son or his daughter could take over the family business. Following tradition, he will make the decision dependent on whether one of the two expresses a desire to succeed to the operational business. They would not be pushed to do so, and if neither wanted to take over, the business would pass into other hands. If both want to succeed, he would take the decision as the acting head of the family and company¹⁰⁵ as in previous generations. However, Nakagawa Jun believes that opinions are changing in Japan regarding whether a son or daughter should be the successor. In this longstanding family business, too, the will to succeed is considered more important than gender. For the management of the business, competence and proximity to customers are the top priorities.

Since its foundation, the Nakagawa Masashichi Shōten company has been closely linked to historical developments in the city of Nara and the wider region. The Nakagawa have always been committed to helping society beyond their own business, since the raw materials for the Nara *sarashi* products were grown in the region and the yarns were spun and woven in the peasant households. Over the past 150 years, the family-owned company has always been committed to preserving traditional methods of production, whether by developing new product ideas, promoting knowledge of the production of hemp fabrics, or offering advice on reviving traditional handicrafts in the region and throughout Japan.¹⁰⁶

105 Interview with Nakagawa Masashichi Jun (25 April 2019).

106 Literature by Nakagawa Jun (2008): *Nara no chiisana kaisha ga Omotesandou hiruzu ni mise wo dasu made no michinori* (From Nara to Omotesando Hills) or Nakagawa Masashichi (2017): *Nihon no kōgei wo genki ni suru!* (Revive Japanese arts and crafts!) and his mother Nakagawa Miyoko (2017): *Nakagawa Masashichi Shōten de mitsuketa, atarimae no tsumikasane* (Stories from the everyday life of Nakagawa Masashichi Shōten).

5.7 Horikin¹⁰⁷

Horikin,¹⁰⁸ Hori Metal Leaf & Powder Co., Ltd., produces and processes gold leaf from gold bars. Its head office is in Kyoto; it has approximately 30 employees and its annual sales total approximately ten million US dollars¹⁰⁹ (March 2020). Half its business activity is in the field of “gold leaf and gold powder”, one-quarter in the field of “gold film and foils” and the other quarter in the surface coating of objects. Horikin’s gold powder and gold leaf are used in the food and cosmetics industries, among others, and can be used to coat (almost) anything, including leather shoes, depending on the customer’s wishes. The family business is currently run by the 10th generation of the Hori family.

Foundation and history

The history of the Horikin company dates back to 1711, when the founder, Sunagoya Denbei, received a licence from the Tokugawa government to produce gold leaf and opened his Shizendō shop in the centre of Kyoto, not far from the imperial palace. His descendants, surnamed Hori, still run the shop in the same place today, now opposite the city’s town hall. Gold leaf was used in many everyday utensils at court as well as for paintings in imperial and noble residences or Buddhist temples. Shizendō also received orders from the Tokugawa government to produce gold coins, which provided the family business with a good income in the second half of the Tokugawa period.

In the turbulent times of the mid-19th century, Kyoto saw combative clashes between the opponents and supporters of opening the country to trade with the West. In one such clash in 1864, the family business’s stores burned down and were then rebuilt at their present location. After the Meiji Restoration, Shizendō was also granted a licence by the new government to produce gold leaf and mint gold coins. While sales had previously been limited to Kyoto and its region, they could now be extended to the whole country. Gold leaf for domestic Buddhist altars and gold thread for silk brocades for kimonos and belts (*obi*) were added to the product range.

After the Second World War, interest in gilded art objects declined sharply and the 8th Hori had to look for new areas of business. The core business of

107 Compiled from information obtained from the interview with Hori Tomoyuki (23 April 2019) and the company’s internet and Facebook pages: www.horikin.co.jp and www.facebook.com/horikin1711/ respectively.

108 Horikin (meaning “Hori gold”) is the registered brand name; the Japanese name is Hori Kinpakuko Kabushiki Kaisha.

109 <https://www.horikin.co.jp/english/company/> (last accessed 21 May 2021) and interview with Hori Tomoyuki (23 April 2019).

processing gold leaf was expanded, and a vapour deposition process was introduced, moving into areas such as printing foils and materials for the construction industry. In 1950, to meet legal requirements, the Shizendō company became the Hori Metal Leaf & Powder Co., Ltd.¹¹⁰ During the restoration of the famous Golden Pavilion Kinkaku-ji¹¹¹ in 1955, gold leaf from Horikin was used for the gilding of the upper floors, linking Horikin's own history to that of one of Japan's most historically significant buildings.

In the following years, the company was able to expand. In 1964, a small branch office was opened in Nagoya, close to large manufacturers in the automotive and electronics industries, and this was upgraded in 1988. It mainly produced gold foil for semiconductor manufacturing. Branches in Osaka (2008), Kumamoto/Kyūshū (2013) and Tokyo (2016) followed. International business was also expanded, and a branch office opened in Shanghai in 2008.

The manufacturing processes were continually developed. In 1985, the company succeeded in developing a process to produce edible gold flakes ("Maiko Brand"), thus entering the food and beverage business. During this time, it also became fashionable in Japan to add gold flakes to drinks and to decorate food with them. In 2000, the company was successful for the first time in producing 24-carat gold leaf ("Koganehaku"), which enabled it to move into areas of cutting-edge technology in gold processing. In 2015, Horikin won a prize from the Advanced Science, Technology and Management Institute Kyoto¹¹² for its high-quality surface refinement in the field of arts and crafts.

Corporate principles and philosophy

The knowledge of processing gold is one of Horikin's core competencies. The gold is delivered in bars and rolled into gold leaf. Since the 1950s, the business has changed, as many companies have entered the semiconductor business, in which gold is used for bonding wires and printed circuit boards due to its resistance to corrosion and ease of processing. Horikin, too, has developed new processing techniques closely aligned to customer needs and has established itself in the field of surface coating.

110 Japanese term for *Horikin kabushiki kaisha*.

111 The Kinkaku-ji is a reliquary hall built in 1397 at the behest of the Ashikaga Shōgun Yoshimitsu. It stands in the Shōkoku-ji temple complex of the Rinzaï school in northern Kyōto. Since the two upper floors are covered with gold leaf, it is called the "Golden Pavilion". It survived many wars but fell victim to an arson attack in 1950 prompting Mishima Yukio to write his novel *The Temple Fire*. The Kinkaku-ji was rebuilt in 1955, with Horikin supplying the gold leaf. Since 1994, the Kinkaku-ji has been a World Heritage Site in the city of Kyōto; see <https://www.shokoku-ji.jp/en/kinkakuji/> (last accessed 6.10.2022).

112 The award is called "Osukā (Oscar) nintei Kyōto", see <https://www.horikin.co.jp/english/company/> (last accessed 21.5.2021).

The market for traditional household items has changed considerably: plastic is now used instead of wood for everything from tins and boxes to Buddhist home altars, and this has put pressure on gold leaf manufacturers to find new areas of business. The market for handicrafts has also become very small. However, the size of the family business was not a priority for the Hori family; they were never concerned with growth at any price. For generations, the principle has been followed that it is more important to live long than to generate growth.

The Hori family has not had written house rules. Therefore, the current President Hori Tomoyuki has written down the principles handed down to him orally by his father. They can be summarised as follows:

- Harmony: Everyone belongs to the company – the staff, the customers, the environment – and thus the highest aspiration is to make everyone happy.
- Confidence: There is no compromise on the purity of the gold. There is no cheating. This is the only way to build and maintain customer trust and the only way to ensure that the company can safely go about its business and remain trusted even in uncertain times.
- Preserving tradition and promoting innovation: the core competence of processing gold is constantly improved. This ensures insight into many areas and the ability to react when market developments require it.¹¹³

With this document, Tomoyuki wanted to express that the company is still committed to these principles today. The company strategy is, therefore, to spread the risk over several product areas. Cost increases due to new process technologies and rising wages can thus be absorbed, as the optimal company size has been reached. An important principle is not to take out loans. The gold industry is a “cash industry”;¹¹⁴ the company has about 85 per cent equity, which is invested in the production cycle. The workforce and customers also provide important impulses for innovation in processes or applications. In some areas, Horikin is embedded in production chains; as a supplier, it only represents an intermediate step in the value chain. There are no plans to enter sales on a larger scale, except in the small shop at the head office.

Other companies have opted for different strategies. A competitor company in Kyoto, ten years older than Horikin, has grown much more because it grew alongside the semiconductor business.

113 Information provided by Horikin in interview (23 April 2019).

114 Statement by Hori Tomoyuki in interview (23 April 2019).

Managing employees

Horikin is like a small family with its current 30 employees. As managing director, Tomoyuki says that they are not prioritising large profits; everyone in the company is happy when they can work together as a family with their employees. Some of the employees are already the second or third generation to work for the company. Training takes place in the company; people eat together, celebrate together and go on excursions together. The employees, says Tomoyuki, are an important part of the company's success, so they must be treated well. At Horikin, for example, labour laws are followed strictly, resulting in 128 days off a year, a high number for a small Japanese company. Small businesses that comply with the law are recognised as “employee-friendly” by the local chamber of commerce. In 2015, Horikin was given an award by the city of Kyoto (“Kyoto Model”) for its work-life balance policies. The same working conditions apply in the other branch offices: employees in Osaka and Tokyo also feel a close family connection.

The Hori family

The founder of the Hori family came to Kyoto from Ohmi (today in Chiba province, east of Tokyo). Since then, the family has lived and worked in the Kyoto district of Nakagyo-ku, where the company was founded. According to Hori Tomoyuki, the Hori line has been able to continue to this day because there was always a son available to take over and successfully carry on the succession. The house was both the business and the home of the family and employees. There were about ten employees who were not part of the family but lived in the household. In the Edo-period, the wife of the company head was the “family mother” and looked after the training of the employees as well as their room and board. The fact that business and family are virtually one unit is still the case in a certain sense to this day, even though the employees no longer live under the same roof as the family. Yuko, the wife of the 10th generation Hori, is responsible for human resources, accounting, and marketing in the family business. The couple has two children: the older child a daughter who is currently studying, and the younger one a son at high school.¹¹⁵

Now as then, family life is centred in the district of Kyoto where the company is located. Therefore, the Hori family feels a close affinity to the district and Kyoto. Once a year, they get together with the extended family circle for New Year. All other festivities are celebrated with the employees of the family business. There is a terrace on the roof of the house where they barbecue together, for

115 Status according to interview given on 23 April 2019.

example, and watch the procession to the Gion festival.¹¹⁶ According to Tomoyuki, they feel more connected to the company's employees than to relatives who also live in Kyoto but in other parts of the city.

Succession planning

Traditionally, only one child remained in the house to continue the business. It was an unwritten rule that the successor's brothers sought their livelihood in another industry. In the succession, real estate and company assets, as well as the resources of the house, passed to one child. There used to be no division of assets among the children. All the children were initially equally entitled to succeed; only when it became clear which would be the successor did the siblings leave the Hori house as soon as they were able to do so for education, employment, or marriage. If no suitable son was available, a daughter would remain in the house and her husband would then take over the management of the family and the business as an adopted son. Succession did not always pass automatically to the first-born. The decision was made by the father and head of the household depending on which of the children he considered most suitable to continue the family business.

In some generations, the management of the company was passed on to the next generation relatively early. The 9th Hori, for example, became president at the age of 25, as his father had to hand over the management of the family business for health reasons. The 10th Hori Tomoyuki also entered the succession at the age of 36 to assist his father who was in poor health: in 2003 Tomoyuki became *shachō* and his father *kaichō* (he died in 2013).

The principle of keeping the company and its assets together still endures, which is why a share of the inheritance is now saved for the departing child. It has not yet been decided which of the two children will be the successor. According to Tomoyuki, the next generation of Hori should remain true to the family principle of putting the continuation of the family business above everything else, for the benefit of the family, the staff, the customers, and the region.

116 The Gion festival is one of the three major portable shrine festivals (*matsuri*) in mid-July, when deities on portable shrines are processed through the district. It dates back to the 8th century. Since the late 17th century, large pageantry floats have been paraded through the streets of Kyōto; <https://www.gionfestival.org/> (last accessed 21. 5. 2021).

5.8 Shiseido

Shiseido Ltd. (Kabushiki Kaisha Shiseidō) is the largest manufacturer of cosmetic products in Japan and also one of the largest companies worldwide in the cosmetics industry. The company differs from the other long-lived Japanese family businesses listed in this book, and not only in terms of turnover (US\$8.37 billion) and number of employees (46,000 worldwide).¹¹⁷ The continuation of the family and the company also has a different emphasis, as internationalisation was already pursued in the 2nd generation at the end of the 1920s. To this end, management from outside the family was brought into the company at an early stage and the cosmetics and pharmaceuticals divisions were floated on the stock exchange. Today, the 5th generation of the Fukuhara family holds about one per cent of the shares in Shiseido but is anchored as the “proud owner”¹¹⁸ regarding the philosophy of product design and research. Shiseido’s real estate holdings were transferred to the Fukuhara Corp., which is family owned. This chapter therefore looks at two companies.

Foundation and history¹¹⁹

Shiseido was founded in 1872 by Fukuhara Arinobu, who was born in 1848 as the second son of a doctor in the town of Awa in Chiba Prefecture, southeast of Edo. Arinobu initially followed the custom of learning his father’s profession and, at the age of 17, went to study herbal medicine (*kampō*) at the *shōgunate* medical school in Edo. There he additionally studied Western medicine and decided to pursue this approach further just as the change in political leadership from the Tokugawa to the Meiji occurred.¹²⁰ Arinobu was firmly convinced of the benefits of Western medicine and was very committed to making his knowledge of it and its achievements useful for the everyday life of the Japanese people. After completing his studies, he found employment at his alma mater, then joined the newly established Japanese Navy as a pharmacologist, becoming its chief pharmacologist in 1871. However, he was dissatisfied with the common practice in

117 Figures as of 1.1.2021 according to corp.shiseido.com/en/company/glance/ (last accessed 22.5.2021).

118 Formulation by Fukuhara Kazuto from interview held on 16 April 2019.

119 Compiled from information on the website and from interview with Fukuhara Kazuto held on 16 April 2019.

120 On these political upheavals, see Chap. 2.4. The opening up of the country and the accompanying changes in Japan were discussed among the Japanese elite as a whole and, where possible, also helped to shape the new institutions. However, some pioneers left politics when they found that the decision-making process was too slow and rigid. Among the ambitious entrepreneurs was Arinobu, who strived to accelerate the spread of using Western medical and pharmaceutical products.

Japan of using only the herbal products of *kampō* medicine, which were also only dispensed through the attending physician.

Arinobu was one of the first Japanese to travel to the USA with permission and on behalf of the new Meiji government. He was deeply impressed by the experience and particularly the concept of “drugstores”. At the age of 23, he went into business for himself and in 1872 opened the first Western-style pharmacy, called Shiseido (see below for an explanation of the name). He did this because he was deeply convinced that Japanese healing medicine needed to be expanded to include knowledge of Western pharmacy and that its products should be accessible to everyone. He chose the Ginza¹²¹ as the location of his first shop.

Some of the Western products that Arinobu manufactured and launched revolutionised the Japanese market permanently. For example, he marketed the first “modern” toothpaste (1888). Until then, powder had been used to clean teeth in Japan, but it was very granular and attacked the enamel. Arinobu’s paste was not only better for cleaning teeth but also easier to handle and contained an ingredient that combatted bad breath. Although it was almost ten times as expensive as tooth powder, sales soon increased because the navy also preferred the paste to the powder. This was followed in 1880 by a remedy for hair loss and, in 1893, by one of the first “food supplements”, vitamin tablets called *Kakkegan* aiming to protect against beriberi, a widespread disease in Japan caused by vitamin B deficiency.¹²²

Convinced that a healthy body brings natural beauty, Arinobu also devoted himself to the manufacture of cosmetic products. He was the first in Japan to launch a face powder, in 1897, which was intended to replace the white powder containing lead that Japanese women had used until then to make themselves up according to traditional ideals of beauty. He developed his first skin care product, Eudermine, in his own laboratory. This was the first laboratory in Japan to be established for the development of cosmetic products, and it was to form the nucleus of Shiseido’s research and development division, which is now a leader in the world market for dermatological care products. Eudermine supports the regenerative function of the skin, and its groundbreaking importance can be seen

121 The Ginza was the site of the silver mint (*gin* means silver) in the Edo period, hence the name. After a devastating fire in 1872, the street was redesigned by Western architects on behalf of the new Meiji government with wide streets and buildings made of stone – not wood, clay and paper – to show the world the modern face of Japan. Today, the boulevard is lined with branches of international luxury brands as well as the department stores of the *zaibatsu* Mitsukoshi (formerly Mitsui) and Mitsubishi (see Chap. 2.5.1).

122 Malnutrition was caused by the consumption of polished rice, which became available as the main food for most Asian people at the end of the 19th century. Sources: en.wikipedia.org/wiki/Beriberi and www.jikei.ac.jp/eng/our.html (last accessed 22. 5. 2021).

in the fact that it is still sold, in a slightly modified form, today. Its modern packaging in a red bottle gave it the nickname “the red water of Shiseido”.

Arinobu brought other product ideas from the USA to Japan. For example, he set up the first dispenser for soda drinks in his shop on Ginza in 1889. Shortly afterwards, he started making the first ice cream in Japan, which proved very popular. To introduce Western cuisine to Japan, a Western-style restaurant was opened on the Ginza in 1902, serving mainly French cuisine. Under the name “Shiseido Parlour”, it is still in operation today. It is less well known that Arinobu was also involved in the founding of other companies, for example, one of the first Japanese insurance companies in 1881.¹²³

The name Shiseido

Arinobu firmly believed that a healthy body produces natural beauty.¹²⁴ To affirm this vision, he used for the name of his shop not the name of his family or place of origin, but three characters from the *I Ching*, the oldest Chinese classic dating back to the 3rd millennium BC, which contains a collection of line characters and sayings associated with them. Translated, *Shi-sei-do* means something like “Draw all good things from this world and create new things from it”.¹²⁵

With this choice of name, Arinobu wanted to express a vision of bringing together Eastern wisdom and Western science to develop something new that would benefit people worldwide. Even the choice of characters combined Japanese tradition and Western modernity in that a typeface was used for the characters that were otherwise only used in newspapers at the time. The logo for the toothpaste was similar: Arinobu used the falcon, a symbol of strength in the Japanese warrior aristocracy, for a product based on the findings of Western science that was a novelty on the Japanese market. He wanted to contribute to general well-being through dental health. This concern has determined the company’s philosophy and activities since then.

To be successful in the international market, it was decided in 1928, at an unusually early point for Japanese companies, that the company name should be presented in the letters of the Latin alphabet even in Japan. The lettering was designed by the company’s own marketing department and, apart from minimal changes, is still used today.¹²⁶ The same applies to the logo with the camellia (1915), a design for hair oil in which pure camellia oil was used. The camellia is a

123 Nihon Seimei Hoken later merged into one of Japan’s major insurance companies, Asahi Life Insurance; see corp.shiseido.com/en/company/history (last accessed 22.5.2021).

124 See corp.shiseido.com/en/company/history/ (last accessed 22.5.2021).

125 Translation from the website of the German branch, www.shiseido.de/de/de/about_shiseido.html; <https://corp.shiseido.com/en/company/company-name/> (last accessed 22.5.2021).

126 See corp.shiseido.com/en/ (last accessed 22.5.2021).

flower common in traditional Japanese art, and the logo stylises it in the simple beauty of the Art Nouveau style with a Zen Buddhist influence. Although the term was not yet known at the time, this approach can be described as “brand building”: the history of the brand is intertwined with the personality of the founder and his activities.

Shiseido modernises the image of women in society

The brand Shiseido had a considerable influence on the role of women in Japanese society. This is worth mentioning because the sons of the founder Arinobu shaped the image of the “modern” Japanese woman to an extent that was groundbreaking in the “Golden Twenties”, as it was known in Japan. Female customers could not only benefit from Western knowledge through Shiseido products but were offered suggestions on how to modernise their appearance, in terms of skin, hair and fashion. It was a very progressive strategy. Shiseido, for example, helped to popularise the pageboy hairstyle as the image of the modern Japanese woman who cares for her skin with modern cosmetics. In terms of product advertising, the company’s own marketing department designed newspaper advertisements, flyers and posters tailored to Shiseido products, which were paraded by Japanese and American models.

Shiseido went further in revolutionising the image of the contemporary woman in Japan, who should not merely stay at home and bring up her children but be more independent and, from her own income, adopt a modern, well-groomed look, with clear skin, a modern haircut and elegant fashion. The monthly magazine *Shiseido geppō* (later *Shiseido Club*) gave the latest tips on all these. The employees in the cosmetics branches were trained as experts in skin and beauty care, becoming “beauty consultants” in a wide range of subjects at a time when it was uncommon for Japanese women to have employment.

The Fukuhara Family

Fukuhara Arinobu was influenced by the time in which he lived, that is, one of opening up to the West and rapid modernisation. As described above, he combined Western science with Eastern philosophy to create products in which he incorporated his artistic ideas from both worlds. He raised his five sons in this spirit to become “modern boys” (*mo-bo*).

According to the traditional understanding of the Japanese family, the eldest son Shin’ichi (1876–1940) would have continued the family business but he was unable to take over for health reasons. The second son, Shinji, had died in childhood. Arinobu therefore asked his third son, Shinzō (1883–1948), to prepare to succeed him.

Shinzō had wanted to become a painter; he had entered the art school of the renowned painter Ishii Teiko after middle school but, at his father's request, he transferred to the Chiba Prefectural College of Medicine to receive an education that would enable him to help his older brother Shinichi run the family business. Shinzō then went to New York and gained a degree in pharmacy from Columbia University in 1908, after which he stayed in the US for two further years working in a drugstore and for a manufacturer of pharmaceutical products. In addition, he went to Paris to gather more ideas and inspiration. It was during this time that he discovered photography.

In 1915, he joined the family business and took over the succession together with his older brother.¹²⁷ Although, as the third-born, he was not the successor in the traditional sense, his commitment and achievements in developing the family business in his father's spirit but according to his own ideas are remarkable. For Shinzō, a product was more than just an object, it should represent "a holistic story" – from the development of the product to its manufacture, from the design of the packaging to the marketing and the training of personnel in sales and applications.

All the subdivisions of the company were to be united under one roof. Shinzō set up a separate department for marketing at a time when the word was not yet used in Japan. This department not only advertised products through newspaper advertisements, flyers, and posters, but also published a monthly magazine for the modern customer: *Shiseido geppō* (1924–1933) or *Shiseido Club* (until 1937). In 1921, Shinzō introduced the concept of branch offices, whose staff were trained in the Shiseido academy so that they could convey in detail how the skin care products functioned. In addition, Shinzō remained true to his true interest – art. As well as painting, he was devoted to photography, and he opened a photographic gallery on the Ginza in the 1920s that is still owned and run by Shiseido today. With some friends, he published the first journal for photography and art (*Shashin geijutsu*) in 1924 and became the founding president of the Japan Photographic Society.

Arinobu's fourth son, Nobutatsu (1892–1946), was a renowned painter and photographer. He did not work in the family business and changed his name to Rosō. His good relationship with his brother Shinzō is shown, however, by the fact that they exhibited their photographic art in joint exhibitions. He had no descendants.

The founder's fifth son, Nobuyoshi (1897–1958), also joined the family business. Following the logic of the Japanese *ie*, he considered himself inferior in

127 In Japanese, the expression "two people – three legs" is used when one person with a functional impairment is supported by another.

standing to his brothers and referred to himself as a “homebody” (*heyazumi*¹²⁸), living off his parents and family. Initially, Nobuyoshi worked at the Fukuhara Corporation (see next section). In 1952, he moved to Shiseido and later became Vice-President, emphasising the bond between the Fukuhara family in the corporate management and the company; two years later, he became Honorary Chairman (*kaichō*), a position he retained until his death.

Shareholders and operational business

When he founded his business in 1872, Fukuhara Arinobu named it Shiseido Pharmacy. There he sold pharmaceuticals but quickly expanded his range to include cosmetics. Under his son Shinzō, the pharmaceuticals and cosmetics businesses were separated in 1917 and Shiseido became a corporation (*kabushiki kaisha*) in 1921. The property management and insurance divisions for company employees were separated and continued under the name Fukuhara Corporation. While the founder’s third son, Shinzō, took over the management of Shiseido, the eldest son, Shin’ichi, became president of Fukuhara Corp. The operational business of the family company changed in that the Fukuhara family now had two companies.

The Shiseido company pushed forward an international-facing strategy. Unusually early for a Japanese company, it was decided in this context to bring managers from outside the family into the company management. The vision was to create a company merging Eastern philosophy and Western science whose products would benefit all of humanity. Shiseido intended to become a globally active and “stateless” company. The strategy was initially implemented at the end of the 1920s and continued consistently after the Second World War. In the following years, therefore, it was accepted that family members would no longer be exclusively at the helm of the company.

To date, as shown in this chart, only three of the 16 CEOs have come from the Fukuhara family:

- (1) Arinobu’s third son Shinzō became 1st president (*shachō*) after the transformation into a joint-stock company (Shiseido Inc.) in 1927;
- (2) Nobukazu, Arinobu’s grandson from the line of the eldest son (1911–1994) became 7th president (*shachō*);
- (3) Yoshiharu (b. 1931), grandson of Arinobu from the line of the youngest son, became 10th president¹²⁹.

128 See footnote 61, Chap. 4.6.

129 The suffix “emeritus” was added by Shiseido to indicate when a person is not (or is no longer) actively involved in the management of the company.

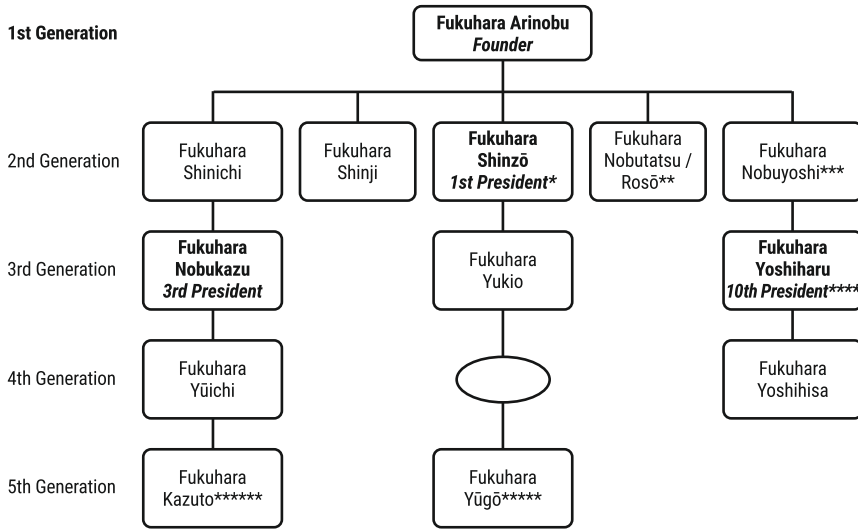


Figure 7. Family tree of the Fukuhara family (male family members). * First President of Shiseido Inc. (1927), ** Better known as a photographer under his pen name Fukuhara Gorō, *** Stage name Namiki Tōru, **** CEO 1987–1997, Chairman 1997–2001, “Chairman emeritus” or “honorary president” since 2001, ***** Interview partner. Source: the author according to Fukuhara Kazuto, 8/2020.

Thus, one male family member from each of the three continuing family lines in each generation is active in the management of the family business: from the line of the eldest son, his grandson Yūichi (4th generation) and his son Kazuto (5th generation); from the family of the third son Shinzō, the adopted son Yukio (3rd generation) and his great-grandson Yūgō (5th generation); and from the family of the 5th son, the grandson Yoshihisa (4th generation). After becoming a public company, the family’s influence on financial issues and management decreased over the decades, so that the Fukuhara family now only holds about one per cent of the shares in Shiseido.

The Fukuhara family/succession

As can be seen, succession is conducted according to a patriarchal logic. In each case, succession passes to the first son or his male successors. The third son of the founder Shinzō had no children and therefore adopted a successor, who also joined the company board. As is common in the traditional *ie*, within the family the line of the eldest son takes a dominant role. As explained earlier, the succession in the second generation passed to two of the five sons of the founder: the leadership of Shiseido passed to the third son, while the eldest brother took over the leadership of Fukuhara Corp. (the fifth son also worked at Shiseido). Despite

Shiseido's significant role in modernising the image of women in Japan, the female members of the Fukuhara family have not played a role in the context of the family business until now. The daughters of the founder and subsequent generations received a financial settlement on marriage but were given no shares in the family business.

The number of family members in the individual lines has become so large in the meantime that there have been no more meetings as an extended family in recent decades. Occasions such as New Year celebrations, weddings or funerals are celebrated by each family line separately. Recently, however, there has been a suggestion for a "cross-branch" dialogue regarding the family's function as an entrepreneurial family and to develop family governance for the next generation.¹³⁰

Despite the progressive character of the Shiseido company, succession in the Fukuhara family still follows the traditional logic of the *ie*. Whether a son wanted to enter the succession was his own decision¹³¹ but the final decision on who would take over and when is still made by the head of the stem family. His most important task is to balance the interests of the business family with the management of the global player Shiseido and the Fukuhara Corp.

Branding and "proud owner"¹³²

The Fukuhara family is still perceived in Japan as the family behind Shiseido and is still key to its image, even though executives from outside the family have taken over the company's management. The company relies on the founder's vision of combining beauty and health, Western science and Eastern philosophy, as well as art styles from both worlds, to remain visible in the brand. Arinobu's ideas of driving research and development as a source of innovation within the company, of anchoring customer proximity and quality as the most important principles in product development, and of combining all these elements with effective branding live on in the company philosophy, which have been successfully expanded by his sons and grandsons. The Japanese customer precisely appreciates this combination in Shiseido products. The strategies have been further developed under the leadership of non-family managers and have helped to anchor the brand internationally in the premium segment of cosmetics.

The product range and the development of the company are impressively and pictorially described on the Shiseido website in the languages of their respective locations so that explanations here need only mention a few milestones from the

130 Interview with Fukuhara Kazuto (16 April 2019).

131 Statement by Fukuhara Kazuto (interview, 16 April 2019).

132 See footnote 118 of this Chapter.

early years when the fate of Shiseido was still exclusively in the hands of the family. The topics of well-being and healthy skin, which had already prompted the founder, Arinobu, to build a laboratory, are core themes in Shiseido's research. Arinobu's goal of contributing to research in the field of dermatology has been pursued by subsequent generations, as has the company's philosophy of using Eastern philosophy and Western science for the good of society.¹³³

The company's activities were impressively flanked by the artistic talents of the second generation of Fukuhara sons: Shinzō, with his passion for photography, and Rosō – a painter and photographer. Coupled with an entrepreneurial spirit that was also socially inspired in the liberal 1920s, the Fukuhara family also made a name for itself in the arts, which in turn reflected on Shiseido's image, even today. Thus, the Fukuhara name, as the founder of the global player Shiseido, remains emotionally charged – at least for Japanese customers. The family keeps this image alive as a source of ideas, with which Shiseido binds its employees and customers. The distribution of products that, like Eudermine, date back to the time of the first generations, proves that such a connection can be maintained.

The Fukuhara Corporation

Fukuhara Corp. is now the “real” family business of the Fukuhara family. Its origins lie in the insurance business of the founder, Fukuhara Arinobu, and it combines all the other business areas: from insurance (mainly for employees), real estate (rental and management of multi-storey buildings in Tokyo, including those housing the Shiseido headquarters or the first “Shiseido Parlour” restaurant) and the restaurants in the “Shiseido Parlour” chain.

The company became separate in 1921 when Shiseido became a corporation. At that time, Fukuhara Corp.'s main business purpose was to manage the family's assets. Over the years, however, the real estate market in Japan developed and, by the 1990s, Ginza was one of the most expensive shopping streets in the world. This made it necessary to restructure the business units of Fukuhara Corp. as well. This is the task to which the operationally active members of the business family devoted themselves, then as now, while supporting the development of Shiseido into a leading manufacturer of cosmetic products, steered by managers outside the family, from their supervisory role.

133 In 2009, Shiseido was awarded a “global first” rating by the Japanese Ministry of the Environment, given to companies that prioritise environmentally sustainable behaviour in their corporate activities: corp.shiseido.com/jp/sustainability/env/communication.html, last accessed on 22.5.2021.

Within the company and in the Ginza district, family members have other representative roles and functions. For example, the Fukuhara family feels an integral part of the community on Ginza, “Shiseido Street”, where it is involved in many activities: participating in celebrations for the O-Bon festival in July, sponsoring the Shiseido Gallery or the Tokyo Metropolitan Museum of Photography, or cultivating relationships with the traditional Kabuki theatre on Ginza or the Shinbashi Enbujō theatre. The Fukuhara family feels closely connected to the people and the area through what they have been able to achieve as a family business in this location.

5.9 Suntory¹³⁴

Suntory Holdings Ltd (Santorī Hōrudingusu Kabushiki Kaisha) is a Japanese beverage producer of whisky, spirits, and non-alcoholic beverages as well as other products and services. Their market share for whisky sales in Japan is 70 per cent. The company’s headquarters are in Osaka, with Suntory World Headquarters in Tokyo. The turnover¹³⁵ of Suntory Holdings in 2020 was 16.34 billion euros, of which spirits (whisky, spirits, wine, and beer) accounted for 34 per cent, non-alcoholic beverages and food for 56 per cent, and products and services¹³⁶ for 10 per cent; 57 per cent of all sales (2018) are generated in Japan. Suntory employs 40,000 people worldwide. The company is managed by the 3rd and 4th generations.

The foundation

The Suntory company was founded in 1899 by Torii Shinjirō (1879–1962) in Osaka. The then 20-year-old was the second-born son, and his father ran a sushi restaurant. It was at that time common for the first-born son to follow in his father’s profession and, if there was one, take over the business. If the business did not yield enough to support them, the second-born and other sons went their own separate ways.

Shinjirō was born at a time of modernisation in Japan. Those wanting to make an impression wore Western clothes and dined on Western food. Shinjirō was

134 Compiled from information on the company’s website: www.suntory.co.jp/company/history/ (last accessed 23 May 2021) and from interview with Torii Shingo (24 April 2019).

135 In 2020, sales totalled 2,108.3 billion yen; <http://www.suntory.com/about/overview/index.html>.

136 “Products and Services” includes health foods, restaurants, flowers, services, and others; see Suntory Group Corporate Overview Fact Sheet 2020: https://www.suntory.com/about/overview/pdf/suntory_cb2020e.pdf.

apprenticed to a trading house aged 13 and acquired a knowledge of Western imported goods such as wine, their production and processing. He believed that Western drinks would also complement Japanese cuisine. After completing his apprenticeship, he founded his own trading business, called “Torii Shōten”, bought an import licence from two Spanish brothers in Osaka and began importing and distributing Spanish port wine.

Port wine has a longer shelf life due to its high sugar content and is not as sensitive to long voyages from overseas. However, imported goods were very expensive: a bottle of port wine cost about four times as much as a Japanese *isshōbin* (about 1.8 litres) of rice wine. Moreover, not everyone wanted to drink port with traditional Japanese food like sushi. Shinjirō therefore began experimenting to adapt the taste to the Japanese palate. He launched a “Japanified” port wine in 1907, which he called Akadama Sweet Wine. The label featured a red sphere, symbol of the sun, which is revered in Japan as the giver of all life. From early on, Shinjirō saw the potential of unusual advertising for his products. Together with an acquaintance, he developed advertising campaigns around the “red ball”, which he had made into hair ornaments (*kanzashi*) or printed on Japanese jackets (*happi*). Well-known artists advertised his Akadama Sweet Wine on posters. To this day, the poster of an actress pictured with uncovered shoulders and holding a glass of Akadama is famous as the first “nude poster” in Japan (1922).

Shortly before, Shinjirō had converted his company into a corporation (*ka-bushiki kaisha*) and renamed it Kotobukiya. The Chinese character *kotobuki* stands for happiness and long life. Shinjirō wanted to make other Western spirits better known and more affordable in Japan. In 1923, he built his own whisky distillery in Yamasaki, near Kyoto, the first ever in Japan, and began producing single malt whisky. It was at this time that he first used the product name “Suntory”, composed of the English word “sun” and “tory” from his name Torii, although the two “i”s at the end of the name were contracted into a “y” in the Latin transcription.¹³⁷ He began distribution of Suntory Whisky Shirofuda (“White label”) in 1929. In the following decades, two more distilleries were built and further products such as Suntory Kakubin (“Square bottle”, 1937) and the company’s most famous whisky blend, Suntory Hibiki (“Echo”) were launched on the market.

Shinjirō also became involved in the cultivation of grapes in order not only to import wine but also to produce it in Japan. In 1936, he entered a cooperation with Kawakami Zenbei, who is known as the father of Japanese wine. The grape

137 The suggestion that the name derives from reversing Torii-san (“Mr. Torii”) to San-Torii is not confirmed by the company, nor is the company name written with an “a”; interview of 24 April 2019.

variety he grew bears his name and wine made from it is still marketed by Suntory under the name Kawakami Zenbei. The Suntory vineyards are mainly located in Tominoooka, in today's Yamanashi Prefecture. Shinjirō also tried his hand at making beer but soon dropped out of this field.

Expansion and further internationalisation

After the Second World War, the spirits business expanded rapidly in Japan. In the 1950s, the Suntory name became known throughout Japan through whiskies such as Shirofuda, Kakubin and Old Suntory. After his 80th birthday in the year 1959, Shinjirō started to hand over the business to his second son Keizō (1919–1999) who, as a 13-year-old, had taken the name of his mother's family, Saji.¹³⁸ Shinjirō would have expected to be succeeded by his eldest son, Keizō's older brother Kichitarō, but the latter died in 1940, so Keizō became president in 1961. He had studied organic chemistry and after joining the family business set up a research institute for food chemistry, which is now part of the food division of Suntory Holdings.

Keizō launched a new advertising campaign that aimed to replace sake as the “national drink” accompanying food with whisky mixed with warm water. An advertising slogan for this campaign was “Let's drink Torys and go to Hawaii”.¹³⁹ In the 1960s, Hawaii was the most popular overseas holiday destination and was becoming affordable even for average earners in the economic boom. Furthermore, a chain of American-style bars was established – the Tory Whisky Bars. A real whisky boom began in Japan, and the company's name was changed from the pre-war Kotobukiya to the more Western Suntory. At the same time, Keizō started producing beer again and launched Suntory Malt Beer, as well as expanding its range of beverages to include soft drinks such as water, green tea, and lemonades.

In the following decades, Suntory built up an international network. In each beverage sector, cooperations were entered into with well-known producers, bottling licences for Japan were acquired or foreign beverage producers were taken over. Suntory has its own wineries in Japan (Tominoooka, Yamanashi Prefecture) and France (Chateau Lagrange) and maintains cooperation with the Robert Weil winery in Germany. In the soft drinks sector, Suntory mainly sells water, green tea, coffee (e.g. Boss) and fruit juices (e.g. C. C. Lemon), and holds bottling licences for Pepsi (since 1997) and Lipton. With its transformation into a holding company, Suntory took over foreign beverage producers such as the

138 If there is no son in the family to carry on the name, it is still common today to adopt a second-born son from a branch family (see Chap. 4.6. and 4.7).

139 <https://www.suntory.com/about/history/timeline/> (last accessed 21.5.2021).

Italian lemonade producer Orangina, the British energy drink producer Frucor and the beverage division of the British company GlaxoSmithKline. In the lucrative Japanese beer market, Suntory Malt Beer is now the fourth-largest brand after Asahi, Kirin, and Sapporo, with a share of about 15 per cent.¹⁴⁰

Internationally, Suntory is certainly best known as a producer of whisky, with its own brands including Old Suntory Yamazaki, White Label and, of course, Hibiki. In addition, there are foreign brands, above all Jim Beam, the fourth-largest American whisky producer, which it took over in 2014. The group also owns the traditional Scottish labels of Bowmore, Laphroaig, Ardmore, and Glen Garioch.

Following its transformation into a holding company in 2009 with the subsidiaries Suntory Beverage & Food Ltd, Suntory Liquors Ltd, Suntory Beer & Spirits Ltd and Suntory Wine International Ltd – as well as Suntory Products Ltd, Suntory Wellness Ltd and Suntory Business Expert Ltd – Suntory Holdings Ltd is now the fifth largest beverage producer in the world. The company is very involved in the social sphere, supporting foundations and sporting events, a rugby team, musical events and two museums, the Suntory Museum in Osaka and the Suntory Art Museum in Tokyo, as well as offering prizes in the arts, sports, music and science. This commitment derives from the personal interests of the founder, Shinjirō.

The corporate philosophy

The founder, Torii Shinjirō, is portrayed by his family members as a multi-faceted character¹⁴¹ driven by single-mindedness, passion, and a good heart, but not ideology: for him, the good was the doing itself, not the talking about it. For his generosity, he was called the Banzuiin Chōbei¹⁴² of Osaka. On the one hand, Shinjirō was very attached to tradition: he followed Shinto as well as Buddhist rituals and considered the veneration of parents and ancestors very important. On the other hand, he had a great interest in modern science and was very open to the achievements of the Western world. As a businessman, he maintained his

140 Figure for 2014, en.wikipedia.org/wiki/Beer_in_Japan#History (last accessed 21.5.2021).

141 Characterised in the following section by his grandson Shingo (24 April 2019): “Mercy” is often translated as “compassion”, but this does not accurately capture the Japanese term. Moreover, the use of the term “mercy” implies a Christian context, which is to be avoided here. Therefore, the term “good heart” is used here.

142 Banzuiin Chōbei was a samurai who moved to Edo, now Tōkyō, at the beginning of the 17th century after the early death of his father and opened an employment agency for samurai (*rōnin*) who had become masterless in the Asakusa district. He was an excellent swordsman and did much to help those who suffered under the arbitrariness of the samurai. As a result of his chivalry, he was very popular among the townspeople. His life and work were topic of Kabuki plays and a few years ago even of a film.

independence and avoided taking out loans. “Yatte minahare”, in the Osaka dialect, means something like “Go for it, give it a try”.¹⁴³

The idea of doing good is a philosophical approach in the sense that one should be committed to the kindness of the world and give back the good that one has gained: “To do good by stealth. Repaying the kindness of the universe.” Shinjirō also believed that people who respected their parents would become good people.¹⁴⁴ His sons paid him respect and always spoke of him in the polite form even when he was not present.

The second eldest son, Keizō, who had adopted his mother’s surname, Saji, was his father’s equal in terms of the single-mindedness with which he performed this service to the family and the company. With “yatte minahare”, the father had encouraged his son to succeed him¹⁴⁵ and to enter the beer business in which he had himself failed to succeed. With his scientific approach and his constant striving for the best results, Keizō managed to establish Suntory as an industry newcomer in the premium sector. The saying “Yatte minahare” became something like a company motto: “Try it, you can do it!”

The Torii Family

The founder, Torii Shinjirō, was the second-born son. His father’s business would be taken over by his older brother, so Shinjirō started his own business at the age of twenty. He had three children and was already a widower by the age of 40 after the untimely death of his wife. However, his eldest son also died before he could take over. From the beginning, several male family members from one generation were active in the company, and this has remained the case to this day. Shinjirō’s successor in 1961 was his second-born son (Saji) Keizō. A scientist by training, he followed his father’s inclinations in this regard but returned to serve the family and the family business when his first-born brother died. The three lines are closely connected in the third generation, as can be seen in the joint work at the operational management level and family gatherings such as weddings or funerals.

Under the 3rd President, Torii Shin'ichirō, shareholder meetings were regularly held on Sundays at the president’s private house to discuss business matters. These meetings served to reaffirm the family members’ trust in one another and to legitimise their leader with this family trust. After his death in 2006, this tradition of Sunday meetings came to a halt. First, all the important matters

143 Information from visit to Suntory (24 April 2019), where *yatte minahare* is translated as “Go for it! You won’t know until you try. (Don’t look back.)”

144 Quote in English from visit to Suntory (24 April 2019).

145 Interview with Saji Keizō, www2.nhk.or.jp/archives/jinbutsu/detail.cgi?das_id=D000925011_1_00000 (last accessed 23.5.2021) and Yamaguchi & Kaikō (2003).

concerning the company had to be settled and the prescribed Buddhist rituals had to be held. Since then, the ten or so fourth-generation shareholders meet once a year. The aim is not only to maintain contact with each other, but also to attend training sessions on specific topics concerning the family shareholders.¹⁴⁶

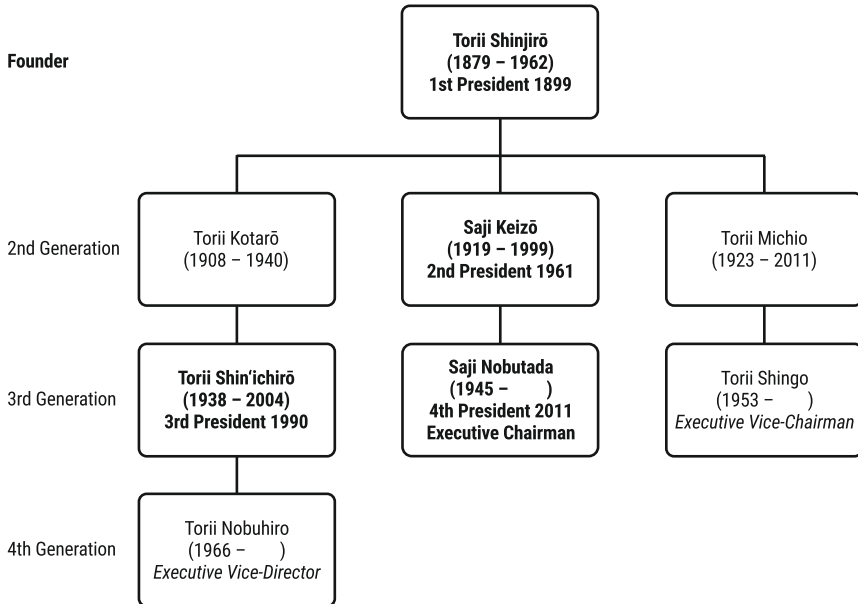


Figure 8. Family tree of the Torii family (male family members). Source: the author.¹⁴⁷

Ownership structure

The founder, Shinjirō, had three sons. The three family lines each hold one-third of the shares, as determined in the 2nd generation. Today, there are seventeen individual family shareholders, each holding a maximum of 4.9 per cent of the shares, due to the high inheritance tax. The shares are not pooled. The remaining shares are held by employees of the company. The subsidiary Suntory Beverage & Food was listed on the stock exchange in 2014 in connection with the takeover of the American company Jim Beam. However, 59 per cent of the shares are held by the Torii family.

146 Interview (24 April 2019).

147 Based on information from Suntory: interview (24 April 2019) and company website, www.suntory.com (last accessed 21.5.2021).

Succession planning

Today, five members of the family are in the operational business. They are descended from all three sons of the founder, but the line of the first-born is the most important; thus, the elaborate management structure follows the Japanese tradition of the *ie*. According to Torii Shingo, there is no limit to the number of family members who can be active in the family business other than the number interested in taking an active part.¹⁴⁸

After the death of the eldest son, Kotarō, the second eldest son, Keizō, became the successor in the second generation (the second president). The third president, however, was his cousin Torii Shin'ichirō, the son of Keizō's elder brother. Thus, the succession reverted to the main line of the founder's eldest son. The fourth president was (Saji) Nobutada, the eldest son of the second-born (Saji) Keizō. One son from each of the other two lines serves as Executive Vice Chairman.

Only time will tell whether the succession will continue in the next generation according to the *ie* principle and whether female family members will enter the operational business.

5.10 The oldest family businesses in Japan

The previous sections presented the long-lived family businesses that the WIFU research team interviewed in April 2019. We add three examples of the oldest Japanese family businesses, which should not be omitted when seeking to identify the factors affecting longevity.¹⁴⁹

This chapter investigates Kongō Gumi (founded in 578), Koman Ryokan (717) and Hōshi Ryokan (718)¹⁵⁰ as examples of the oldest Japanese family businesses. Other of the oldest Japanese companies cannot prove their history in full detail as the written documents that existed were destroyed by fire in war or natural

148 Interview (24 April 2019).

149 Due to the Covid-19 pandemic and entry restrictions imposed by the Japanese government, no research trips could be made to Japan from March 2020 to September 2022. Therefore, other ways of collecting data were sought, including conducting interviews online (with Hiuke Tamio, CEO of Koman, and with Professor Gotō Toshio, see his Foreword) and using internet research to gather supplementary information from company websites and interviews with company representatives that are freely available on the internet. Books written by members of the family businesses, such as Kongō Toshitaka (2013), were consulted, as were articles based on interviews with family members. The content of this section is compiled like the case studies of the 2019 WIFU learning journey.

150 In 2011, the Hōshi lost its 1996 entry in the Guinness Book of Records as the oldest inn to the Nishiyama Onsen Keiunkan Inn, which could present evidence of having hosted its first guests in 705 and is probably the oldest independently run family business in the world.

disasters. Several inns (*ryokan*)¹⁵¹ have thus been in operation longer than they are able to prove. This is highlighted by the *koshu/shachō* of honourable family business *shinise*, who note that there are probably other inns of a similar age whose history is not known because evidence of their origins was lost. Such *shinise* do not, therefore, appear on any list but have similar histories and experiences. This gives even more reason to look at the very old family businesses whose history can be traced back over many centuries.

5.10.1 Kongō Gumi¹⁵²

As is well known, Kongō Gumi is the oldest Japanese family business and is also listed as such in the Japanese Teikoku Databank.¹⁵³ The family members and employees are very proud of these origins, and they still live and work by them, as described by Kongō Toshitaka (39th generation) in his book *A 1,400-Year-Old Venture: Sixteen Lessons Handed Down from the World's Oldest Company*, which was published the day after his death in 2013.¹⁵⁴

On the history of Kongō Gumi

Kongō Gumi can trace its origins back to the year 578. The history of the family business therefore dates back to the beginnings of the Japanese empire, which have already been described in Chapter 2. Buddhism had arrived in Japan and had also found favour at the imperial court. Prince Shōtoku Taishi, described as a deeply religious man, is credited with having commissioned the construction of the Shitennōji Buddhist temple in Japan.¹⁵⁵ Indeed, it is significant that Shōtoku

151 *Ryokan* refers to a “traditional Japanese inn” where the floors are covered with *tatami* and guests sleep on *futon* beds.

152 Valuable information on the history of Kongō Gumi has been shared by Professor Sone Hidekazu (Shizuoka University of Art and Culture) not only in the works cited here, but also in interviews conducted online with Sigrun C. Caspary, including on 7.5.2021 and 30.5.2022, for which we express our grateful thanks.

153 Kongō Gumi is listed as the oldest Japanese company in the Teikoku Databank and by Tōkyō Shōko Research Ltd (Sone, 2010, p. 696). William O’Hara (2004), p. 4, also (prior to the 2006 acquisition) considered Kongō Gumi to be the oldest family-owned company in the world, although its historical documents were not considered sufficient for inclusion in the Guinness Book of Records.

154 Kongō (2013). For the classification of historical events and the change in management after the entry of the Takamatsu Group (2006), see also Sone (2010, 2015) and Sone & Yoshimura (2004).

155 Several sources mention Shōtoku Taishi as the patron, e.g., O’Hara (2004), p. 3 and Jaffe (2020), p. 39, which adopts this source. The dates of Shōtoku Taishi’s life are given as 574–622 (Hall, 1968, p. 50), which would have made him just four years old at the time of the founding

was the first to devote substantial state funds to the building of Buddhist temples. For the construction of the Shitennōji, carpenters – among them, Kongō Shigemitsu – were invited from Korean Baekje, which had become a centre of Buddhism in the region due to its close links with China in the Wei period. The Japanese carpenters of this time had experience in building palaces and Shinto shrines, but not Buddhist temples. These connections are also mentioned in the oldest Japanese chronicle, *Nihonshoki*,¹⁵⁶ and demonstrate the importance of Kongō Gumi in the history of Buddhism in Japan.

As master builder of the Shitennōji, Kongō Shigemitsu received the blessing of the first abbot and therefore remained with his business close to the temple grounds. In the following centuries, the history of the family business was closely linked to the history of the Shitennōji. Evidence for this link is provided by a scroll over three metres long in which the genealogy of the Kongō family and important events in the lives of the respective master builders and family heads are recorded.¹⁵⁷ There you can read about the important buildings Kongō Gumi built, such as the Hōryūji temple (607) in Nara. The skill of the carpenters at that time is shown by the fact that the pagoda is listed in the Guinness Book of Records as the oldest wooden building today.¹⁵⁸ The carpenters' claim to deliver the highest quality in order to satisfy the Buddhas worshipped there, monks and believers, still testifies today to the high level of craftsmanship of the builders. The Shitennōji was repeatedly damaged by natural disasters, and Kongō Gumi's master builders undertook extensive work on it a total of seven times. Other well-known buildings connected with Kongō Gumi include the temple complex of the Kōya (816) and Osaka Castle (1583).¹⁵⁹

Over the centuries, however, the company also had to weather difficult times. Until the end of the Tokugawa period, Kongō Gumi regularly received commissions from the *shōgunate* government or from feudal lords who had supported the temples in the region. With the Meiji government's edict of 1870 separating Buddhism and Shinto, this basis suddenly collapsed.¹⁶⁰ Even though

of Kongō Gumi. Presumably, the commission for the construction itself was made by his father Yōmei *tennō*, and Shōtoku inaugurated the building after its completion, having become regent in 593 (see Chap. 2.1). Not all Shōtoku's deeds and works can be clearly attributed to him. It is certain that he commissioned the construction of the Hōryūji temple in Nara, which was also built by Kongō Gumi.

156 See Chap. 2.1.

157 Kongō (2013), p. 48f.

158 A dendrochronological measurement from 2001 showed that the tree was cut in 594, which supports the theory that the Hōryūji was used by Prince Shōtoku himself; <https://web-japan.org/trends00/honbun/tj010330.html> (last accessed 15.9.2021).

159 Company website <https://www.kongogumi.co.jp/> (last accessed 15.9.2021).

160 For the Meiji government's edict on the separation of Buddhism and Shinto in 1870, see Chap. 3.4.

the separation was not fully implemented, the edict had a considerable negative impact on the economic situation of the monasteries and temples. They now relied solely on offerings and donations, which meant that awarding contracts to carpenters and payment for work became dependent on fluctuations in the economic well-being of the temples and monasteries as well as the faithful. In the 1920s, several crises shook Japan, causing financial difficulties for the temples and shrines and bringing Kongō Gumi to the brink of ruin. Kongō Ji'ichi (in the 37th generation) could not bear to be responsible for the downfall of the traditional enterprise and, consequently, put an end to his life at the grave of his ancestors in 1932.

After the death of her husband Ji'ichi, his wife Yoshie took over the management of Kongō Gumi as *koshu* and shachō. The marriage had produced three daughters but no sons, so Yoshie had to decide whether to give up the family business or take over the management herself. This was the first time in history that a woman had taken on responsibility for the fate of the traditional company. Until then, it had always been possible to find a *koshu* who could also take over the management of the family business. In order that she could run the business, Yoshie separated order management from workshop operations. Women were not allowed to be involved in temple construction due to religious beliefs, so separating these areas allowed her to take the lead in the family business without changing the internal organisation of the craft. Furthermore, she expanded the business and negotiated permission to manufacture wooden coffins, which ensured the company's survival. Shortly after Yoshie took over the business, the five-storey pagoda of the Shitennōji was severely damaged by a typhoon in 1934. Yoshie successfully lobbied for Kongō Gumi to be commissioned to rebuild it and the company was also considered for the construction and repairs of other traditional shrine and temple buildings.¹⁶¹ Thus, she was able to ensure that the business operations continued in accordance with the principles of the house: following traditional training and manufacturing techniques in wooden construction, yet not too dependent on government contracts. In this way, Kongō Gumi, unlike other traditional businesses in temple and shrine construction, was able to avoid accepting lucrative contracts in connection with military procurement programmes. The company did not expand abroad, which would have been the consequence of stronger cooperation with the military, which awarded contracts for construction projects (including Shinto shrines) in Manchuria and the Philippines. Kongō Gumi thus remained small and local compared to other construction and building companies.¹⁶²

161 Kongō (2013), p. 95ff.

162 Sone (2010), p. 701f.

The company's internal structure created individual groups (*kumi*) for certain orders, each headed by a master carpenter. The master carpenter trained his apprentices himself, and it took ten years to reach the next level.¹⁶³ These groups competed for the best apprentices, the best work, and the best reputation, thus promoting innovation and technical advances in woodworking over the centuries.

After the end of the Second World War, legal changes increased the opportunities for state or semi-state organisations to place orders for the protection of national cultural treasures. Until then, contracts for the construction of temples and shrines had been awarded exclusively by the religious communities themselves, which meant that the workload of the shrine builders depended on their financial resources and indirectly on the willingness of the faithful to donate. The Shitennōji pagoda had been destroyed again during the war and was to be rebuilt. For fire safety reasons, however, it was decided that it should not be rebuilt as a purely wooden structure, but with a reinforced concrete core. This was a completely new area of business and presented a challenge for the carpenters to erect the pagoda with other materials in such a way that it would still look as it did 1400 years ago. Initially, another company was to be awarded the contract because Kongō Gumi was not trusted with the concrete work, but Kongō Toshitaka managed to convince those responsible to allow his company to renovate the pagoda for the seventh time in its history using, for the first time, concrete, a material unfamiliar to shrine builders until then. However, other new legal regulations covering workplace and training conditions made it difficult for Kongō Gumi to continue operating the same internal structure for traditional crafts as before.

Acquisition by the Takamatsu Group in 2006

In the following years, orders for repair work included important national cultural monuments such as Osaka Castle and the Heian Shrine in Kyoto. By the end of the 1990s, however, the company was again in crisis, despite a change in the law in 1996 that expanded the provision of public funds for the preservation of “national cultural treasures”. In this difficult period, Kongō Toshitaka handed over the management of the company to his son Masakazu (40th generation) in 2002. There were challenges in fulfilling sufficient orders, but Kongō Gumi had experienced and overcome these before. This time, however, the difficulties were not in order acquisition or rising wages, but in corporate financing. In the aftermath of the economic bubble of the mid-1990s, banks were forced to be much more restrictive in their lending to small businesses and allowed only shorter

163 Kongō (2013), p. 22.

terms for repayment. The banks would not grant Kongō Gumi additional bridging loans because they feared that word would spread, and other industries would demand similar conditions.¹⁶⁴ Now the company was caught by the previous generations' decision not to go international on the one hand while on the other hand trying to preserve traditional way of Shrine and Temple building as the sole basis of the business. This again put Kongō Gumi in the situation of either having to declare bankruptcy or give up its independence.

When the Takamatsu Group expressed interest in taking a financial stake in the oldest family business, Masakazu entered negotiations. In 2006, the Takamatsu Group became an investor in Kongō Gumi, but only to the extent that Masakazu had requested. Thus, only the management of the company was changed, not the traditional organisational and work structure. In this sense, the business is being continued as it has been for centuries, although the price paid was high from the point of view of the family business: for the first time in its existence, no member of the Kongō family was active on the board of directors, and only one member of the family was allowed to remain active in the company as a representative. However, this at least allowed the traditional craft to be preserved as it had been practised for fourteen centuries. The carpenters continue to work in individual groups, although it is becoming more difficult to find apprentices who are willing to dedicate themselves to traditional training. Nevertheless, the number of employees expanded from 80 in 2006 to 110 in 2020.¹⁶⁵

Succession planning in the Kongō family

For over 1,400 years, it has been accepted that only one master carpenter at a time receives the appropriate orders from the abbot of the Buddhist temple to carry out work on the Shitennōji, and that this carpenter must be a member of the Kongō family. This shows the close connection between the temple and the family business. The headquarters of Kongō Gumi were therefore located close to the temple's premises. To fulfil their obligations, the head of the company had to be a temple master builder (*miyadaiku*)¹⁶⁶ who was also capable of running the business. Due to the nature of the business and for religious reasons, the chosen successor had to be male. If the eldest son did not meet expectations, a younger

164 Kongō Masakazu is convinced that Takamatsu's financial participation was only necessary due to the inflexible character of Japanese corporate and commercial law, cited in Sone (2010), p. 702.

165 Nakazawa (2020); Bayangkari (2021).

166 *Daiku* means carpenter and encompasses joiners. The term *miyadaiku* is used for carpenters who primarily make Shinto shrines and Buddhist temples. A *shōdaiku* is a Kongō Gumi carpenter who has received the appropriate authorisation to work on the Shitennōji via a specific Buddhist ritual conducted by the head monk of the temple (Kongō, 2013, p. 50).

brother was appointed. In his book, Kongō Toshitaka describes how the male members of the family were not always in the best of health, and the family was able to continue thanks to the robust health of the Kongō women, whose daughters were married off to suitable *miyadaiku*. Toshitaka admires the family's ability to find over the centuries capable carpenters who married into the family and became successors (*muko yōshi*). Yoshisada, for example, who married into the family in 1768, must have possessed outstanding skills as a carpenter, as evident from the scroll containing the genealogy, in which the great works of their *koshu/shachō* are noted in addition to the Kongō family's dates.

If a son had weak health or proved unsuited to running the business, the succession was changed. This is documented in the succession from the 32nd to the 33rd or 34th generation. When it became apparent after the early death of Kongō Yoshisada (1808) that the eldest son, Kongō Yoshiyuki (33rd generation), had inherited his father's frail health, his younger brother Yoshimori succeeded to the family business. However, the latter proved not to be sufficiently capable to take over the leadership and left the *ie* after two years, leaving his younger brother Yoshinaga to succeed to the family business.¹⁶⁷

In his book, Toshitaka reveals how he came to the Kongō family as a son-in-law in 1948. A friend, himself a *miyadaiku*, had asked him if he could imagine succeeding Kongō Gumi. At the time, as mentioned above, Yoshie was head of the family and was looking for a son-in-law with carpentry expertise who would also have leadership qualities. Toshitaka's friend was married to the eldest daughter but did not trust himself with the task. Shortly afterward, Yoshie herself came to see Toshitaka together with her senior manager (*bantō*)¹⁶⁸ and asked him to become the *koshu* of Kongō Gumi. Toshitaka had felt very honoured to be invited to work in this traditional company. Since he was not attached to his family name Watanabe (in that he had no responsibility or rank in his natural family), he had no reason not to accept. Just 22 years old, he married Yoshie's youngest daughter, Mitsuko, and joined the company. Toshitaka headed the company from 1967 as *shachō*, and Yoshie moved to the position of *kaichō*. After 35 years at the helm, he handed over the management to his son Masakazu in 2002 and became *kaichō* himself.

As described, Kongō Masakazu (40th generation) had to hand over the management of the company to the Takamatsu Group in 2006; thus, the Kongō family lost the position of *shachō* to an external management. However, the tradition of having a family member in the company to signal the family's

167 Yoshimori's departure from the company and therefore also from the *ie* was also noted accordingly in the family tree scroll (Kongō, 2013, p. 77f). However, no information is given on how the decision was made.

168 Nowadays, a *bantō* is equivalent to a managing director.

presence to the staff and customers continues. Currently, this is Masakazu's daughter (41st generation).

The longevity of the oldest family business over so many centuries is closely linked to the Shitennōji. Ceremonies and rituals are performed at the temple to bless the tools that the Kongō Gumi carpenters make themselves and that are essential to their work. On the first and 15th days of each month, other ceremonies are held to commemorate the origins of the business.¹⁶⁹ It is the reverence for this tradition, coupled with pride in history, says Kongō Toshitaka in his book, that drives the carpenters to work so accurately that their work survives the centuries unscathed. The vision of their founder lives on in that the *miyadaiku* of Kongō Gumi have produced the highest quality work and are worthy of erecting a sacred building for the Buddhas and deities worshipped there – as stated in the sixteen rules that have been handed down for 1,400 years and which Kongō Ji'ichi (37th generation) first wrote down as his legacy.¹⁷⁰

5.10.2 Koman Ryokan

The year of foundation of the traditional Japanese inn Sennen-no-yu Koman Ryokan is given as 717. The current president (*shachō*) Hiuke Tamio,¹⁷¹ who is in the 22nd generation¹⁷² to run Japan's second-oldest *ryokan* run as a family business, is humble, recognising his good fortune in being able to prove the age of the business – there are certainly other inns with a similarly long history whose documents are perhaps not yet public or have been destroyed. This is probably true of other inns at Kinosaki, a village of 2,500 inhabitants located at the mouth of the Maruyama River on the Sea of Japan. Its many hot springs have caused the village to be called “onsen”¹⁷³ and become one of the most renowned spas¹⁷⁴ in Japan.

169 Kongō (2013), pp. 64–66.

170 Kongō (2013), pp. 74–76.

171 Interview (remote) with Hiuke Tamio, President of Koman (17 November 2021).

172 Although written documents date the origin of the family business to the year 717, the family tree only goes back to the Muromachi period, which is why the number of Koman successors is only counted from this time onwards. Presumably, the true number would be similar that of the Hōshi, i. e., 45th or 46th generation. A similar procedure is used for Ikenobō (see Excursus III).

173 *Onsen* translates as “hot spring”; the term is used both for the spring itself and for a public bath fed by it. There are about 27,000 *onsen* in Japan (Serbulea and Payyappallimana, 2012). For Kinosaki Onsen, see <https://kinosaki-spa.gr.jp/facility/shisyo/> (last accessed 17.11.2021).

174 For example, <https://www.japan.travel/de/de/guide/onsen-guide/> (last accessed 17.11.2021).

About the history of Koman Ryokan

The history of Koman pre-dates the first Japanese Chronicles. It is reported in the *Nihonshoki* that the 11th *tennō* Suinin¹⁷⁵ invited nobles from the Korean kingdom of Silla to settle in Tajima Province, now Hyōgo Province. Four families accepted the invitation, including the Hiuke family. According to legend, four deities (*kami*) appeared in a dream to a Hiuke descendant named Gonnokami in 709. They showed him the way to Kinosaki, to the Mandara Spring.¹⁷⁶ The Shisho Myōjin shrine was built in honour of the *kami* of the water. In 717, a high-ranking priest named Dōchi Shōnin¹⁷⁷ is said to have thrust his walking stick into the earth where he had been uttering the Mandara sutra for a thousand days. On the thousandth day, a spring appeared and has continued to flow since then. Its water is said to have healing powers. The priest named it the Mandara Spring and instructed Hiuke Gonnokami to take care that the spring did not run dry. Gonnokami then opened an inn for the guests who sought to be healed in the Mandara-Onsen. Nearby, the Goose Spring was already used, and five more springs were developed in the following period so there are now seven hot springs in Kinosaki. Every year, on 15 October, a festival (*matsuri*) with a procession of large wooden carts shaped like shrines with elaborate carvings (*danjiri*) is celebrated to commemorate this founding myth.

The history of the Hiuke family is hence closely linked to the history of the Mandara Spring and the village of Kinosaki. The name “Ko-man” goes back to the “old Mandara” inn, which is located near today’s Mandara-Onsen, that is, the public bath in the hot spring. The Hiuke family continued to run the inn at this place, which has been mentioned in various written sources over the centuries.¹⁷⁸ The spring water is used in the public bath and nowadays also within the traditional inn. To use the other springs, other public baths, inns, restaurants, and shops were built in Kinosaki, all of which have centuries of history.¹⁷⁹ Time and

175 According to *Nihonshoki*, Suinin *tennō* lived from 29 BC to 70 AD.

176 These deities were Yuyamanushi no ōkami, who is worshipped as the patron goddess of hot springs, and Takirihime no kami, Takitsuhime no kami and Ichihiki no kami, who are worshipped as patron goddesses of water at the Shiji Shrine of Kinosaki Onsen.

177 Dōchi is called the “incarnation of Jizō”. Jizō is a Bodhisattva who renounces his personal advancement to Buddhahood in order to assist children, especially, on their way to the underworld. He is also worshipped by travellers from the beginning of the 8th century and is often depicted with a bald head and a travelling staff or wish jewel. As shown in Chapters 2 and 3, Buddhist and Shinto elements are mixed during this period.

178 The hot springs of Kinosaki are mentioned in the letters and poems of many noblemen over the centuries and also in travelogues from the 17th century onwards; see Takahashi et al. (2000), *Kōbe Shinbun Tajima Sōkyoku* (1983), pp. 95, 127.

179 The traditional inn Yamamotoya dates back 350 years and is closely linked to the history of Kinosaki, as shown in the motto “Yamamotoya with Kinosaki Onsen” (<https://shoukeine.ws.jp/media/interview/yamamotoya>). The Miyika was founded in 1580 and has been run by

again, the region was hit by natural disasters, and the families helped each other rebuild. The Hiuke family took on important tasks in the administration of the town. A great earthquake in 1925 almost completely devastated the town of Kinosaki – the damage was immense. First to be rebuilt was the school, then came the public baths for the hot springs. The town centre was redesigned in the shape of an *onsen*:¹⁸⁰ the railway station forms the entrance and the streets the corridors, where guests in *yukata*¹⁸¹ can walk and visit the various hot springs. This is when the community spirit that has developed in Kinosaki over the centuries proved itself, says Hiuke Tamio:¹⁸² “The water belongs to all of us; when it flows Kinosaki flourishes, but when the springs dry up no more guests come.” For Koman and the other inns, this means sharing the business too: overnight stays are offered with an evening meal, but those who stay longer are asked to eat somewhere else. For breakfast, too, guests are referred to the surrounding restaurants so that the entire region benefits from tourism.

Succession in the Hiuke family

The Koman is currently run by Hiuke Tamio (52 years old as of the end of 2021), who took over the business (*shachō*) in 2020 after the death of his father (21st generation). Tamio’s mother is currently head of the family (*tōshu*)¹⁸³ and holds the majority of shares. Other company shares are held by Tamio himself and by an uncle, one of his father’s brothers, who runs an annexe of Koman. Tamio’s father joined the business at the age of 22, when his father died suddenly, and ran the traditional inn for over 40 years. His father, like his ancestors, had always held offices and taken on responsibility in the village, for example in the reconstruction of the village after the devastating earthquake in 1925, or in the administration of the springs and the organisation of the annual festivals. Over the past centuries, as far as can be seen from the sources, all the ancestors descend in a direct line from the House of Hiuke. In this respect, the family has been very fortunate. Tamio himself has a son who is still in primary school; it is therefore too early to foresee the succession. His mother is the *ōkami* – the manager and

the Kataoka family ever since (and was made famous by the 1917 novella *At Kinosaki* by Japanese writer Shiga Naoya; <http://kinosaki-mikiya.jp/>), and the Yutōya has been run since 1688 by the Nishiyama family (<https://www.yutouya.com/yutoya/>), whose members have often also held the office of mayor. On the sharing of spring water and the connection of the old traditional houses with the community, see Caspary, Gotō & Morishita (2022).

180 See Kinosaki Onsen, <https://visitkinosaki.com/> (last accessed 22. 12. 2021).

181 A *yukata* is a casual *kimono*-shaped bathrobe made of cotton that can also be worn outside the house.

182 Interview (17 November 2021).

183 This is an example of the position of *koshu* passing to the wife after the husband’s death and that of *shachō* passing to the son (see Chap. 4.6).

supervisor of the traditional inn – and his wife is also at the service of the guests. Other family members are not involved in the family business.

The Covid-19 pandemic is taking its toll on Koman and the town of Kinosaki; never before has there been such a long dry spell for business. Hiuke Tamio hopes that the traditional inn will soon be able to welcome guests again at pre-pandemic numbers and that they will feel at home in the entire town.

5.10.3 Awazu Onsen Hōshi Ryokan

The founding history of the traditional inn Hōshi is similar to that of Koman. The *ryokan* is located about 250 kilometres to the northeast on the Sea of Japan in the foothills of Mount Hakusan near Komatsu. Hakusan is one of the three highest peaks in Japan and, together with Mount Fuji and Mount Tateyama, is known as one of the “three sacred mountains of Japan”.¹⁸⁴ In 717, the monk Taichō Daishi came to this region to pray on Mount Hakusan. According to legend, an oracle of the mountain deity Hakusan Daigongen led him to the hot spring of Awazu.¹⁸⁵ Together with the villagers, he uncovered the spring, and the carpenter Sasakiri Gengorō built an inn for those who sought to be healed by bathing in it. Taichō instructed his disciple Hōshi Garyō to run the inn. The healing forces of the spring were attributed to Yakushi, the Buddha of medicine and healing powers. In 718, the first guests were accommodated. Garyō was the second son of Gengorō, who had accompanied the monk Taichō on his ascent of Hakusan.¹⁸⁶ Garyō now became the manager of the inn and thus the first *Zengorō* in the Hōshi. “Zengorō” is the name of the founder, which the successor adopts when taking over the management.

The story of the *ryokan*'s origins became known in Nara and Kyoto through the work of Taichō. Time and again, famous personalities on pilgrimages to Mount Hakusan stopped at the Hōshi to experience the healing properties of the spring. In 990, for example, the Kanzan *tennō*, who had abdicated, was a guest of Zengorō X and stayed at the Hōshi several times on further pilgrimages. In the 15th century, the monk Rennyō hid as a cook with Zengorō XXVII. At the beginning of the Edo period, when Zengorō XXXIII ran the Hōshi, none other

184 O'Hara (2004), p. 19ff; website of the Hōshi <https://www.ho-shi.co.jp/>.

185 Taichō (682–767) was a Shugendō monk or Yamabushi (see also Scheid on the Yamabushi, https://www.univie.ac.at/re_l_jap/an/Alltag/Yamabushi) who helped bring healing to people through ascetic practices and rituals in the mountains. Through his prayers he is said to have healed Genshō *tennō* (680–748), <https://www.env.go.jp/en/nature/nps/park/hakusan/point/index.html> (last accessed 12.9.2021).

186 <https://web.archive.org/web/20091121091421/http://www.ho-shi.co.jp/html/rekishi.html> (last accessed 21.9.2021).

than Kobori Enshū¹⁸⁷ designed the garden grounds, which have also included the Enmeikaku¹⁸⁸ teahouse since the Meiji period. The tradition of welcoming guests in the Hōshi with green tea (*matcha*) originated in this encounter. There is also an Nō stage in the garden, where the story of the house's origins is performed every year in traditional costumes. In 1640, the feudal lord Maeda Toshitsune was a guest and planted the mighty cedar tree that still stands at the entrance today. In the 17th century, the poet Matsuo Bashō stayed at the Hōshi on his travels as, at the beginning of the Meiji era, did the statesman Katsu Kaishū.¹⁸⁹ The Hōshi knew how to entertain distinguished guests and yet stay out of wider politics.

However, the *ryokan* was not spared natural disasters such as floods (in 767, 1897 or 1983) or fires (1881 and 1961) following earthquakes. Valuable documents on the genealogy and cultivation of the Hōshi were therefore lost over time. The lessons of the Zengorōs were simple and effective: “Beware of fire, learn from water, and live in harmony with nature”.¹⁹⁰ This credo is still followed in Hōshi today, as shown, for example, in the selection of dishes according to seasonal products and the motifs that appear on them. For 1,300 years, the overriding principle has been to be at the service of the guests to give them the best possible rest.¹⁹¹

Until the middle of the 20th century, the inn was two-storeyed according to Japanese tradition. With the rise of tourism nationally, the Hōshi also became more popular. The Zengorō XLVI built an eight-storey building in the mid-1980s, increasing the number of rooms to 76, but in the years that followed, international destinations became more popular with Japanese tourists and the number of guests at traditional Japanese inns declined, so Zengorō XLVI already regrets the enlargement.¹⁹² In November 2016, the main house and the tea house were

187 Enshū (1579–1647) was a vassal of Tokugawa Ieyasu. He was the master builder and garden architect of the *shōgunate* at the beginning of the Edo period and built castles in Edo, Ōsaka, Fushimi, and Nagoya, among others. He is known as the founder of the Enshū school of the tea ceremony, which he also taught to the two Tokugawa *shōguns* of his time.

188 The teahouse was built for guests from the imperial family, <https://www.ho-shi.co.jp/en/> (last accessed 21.9.2021).

189 Katsu Kaishū (1823–1899) was the fleet commissioner of the last Tokugawa government and a member of the first Meiji government.

190 O'Hara (2004), p. 21.

191 O'Hara (2015), https://www.henokiens.com/userfiles/file/Case_study_HO-SHI.pdf (last accessed 21.9.2021).

192 Schumann (2016), p.16; the article contains much of the information from the Hénokiens' online interview as well as the photo that graces the cover of the 1/2016 issue of “wir – Das Magazin der Familienunternehmen”; <https://vimeo.com/114879061> or translated into French <https://www.youtube.com/watch?v=PJ-VphDkNr0&list=PL8KkLwKp2tBOAs1BIRPRO1VpW9A5NnnPs&index=19> (last accessed 21.9.2021).

designated national cultural properties.¹⁹³ In 2017, however, the Hōshi had to declare bankruptcy, but the shareholders' meeting decided to continue running the inn as long as Zengorō XLVI handed over the position of CEO to his daughter Hisae.¹⁹⁴

For its 1,300th anniversary in 2019, the Hōshi went digital. Since March 2020, the global Covid-19 pandemic has affected the hotel and restaurant industry. In early 2021, a “Go to Hōshi” campaign was launched under the “Travel Japan” initiative of Japan’s Ministry of Culture, with young employees presenting the history of the establishment in video clips shared on social media.¹⁹⁵ It is hoped that this will also interest a younger clientele in the historical significance of the traditional inn.

Succession in the Hōshi family

In 718, Hōshi Garyō hosted the first guests at the Hōshi. He received the name Zengorō¹⁹⁶ from the monk for his work, and the name was adopted by all his descendants when they took over the management. The current head of the family is the 46th generation of Zengorō. The family was not always blessed with natural sons. Often daughters were married to men who, following tradition, took the family name and the name Zengorō as soon as they succeeded as son-in-law. For all members of the family, the well-being of the guests has been the top priority, alongside care of the spring and the preservation of the traditional house. This also meant that the family had to put their personal needs aside.¹⁹⁷ As far as succession was concerned, Zengorō XLVI (b. 1941) was in a difficult situation. As the eldest son himself, he had no doubt that he would take over the inn. He had worked in another *ryokan* before taking over the management of the Hōshi. His wife Chizuko also came from a family that ran a *ryokan* and was thus familiar from childhood with the duties she would take on as *okami*, the “mother of the house”. The couple had four children: a son, a daughter, a second son and a second daughter. The eldest son should have taken over the inn, but he died after a short period of illness in 2013, and the younger son left the family home in a dispute. The elder daughter is married, but the son-in-law is not willing to take

193 See the online list of Japan’s “Cultural Heritage“ <https://bunka.nii.ac.jp/heritages/detail/288043> and <https://bunka.nii.ac.jp/heritages/detail/273442> (last accessed 21. 9. 2021).

194 Entry in Teikoku Databank, <https://www.tdb.co.jp/tosan/syosai/4648.html> (last accessed 21. 9. 2021).

195 “Awazu Onsen Hōshi – wakate staffu ga rekishi wo katatte mita”, <https://www.youtube.com/watch?v=PJ-VphDkNr0&list=PL8KkLwkP2tbOAs1BIRPRO1VpW9A5NnnPs&index=19>, or the Hōshi’s blog at <https://ameblo.jp/housiawazu/> (last accessed 6. 10. 2022).

196 The fact that the respective head takes the name of the founder is characteristic of the *iemoto* system, which can be described as a special form of the *ie* system, (see Excursus III).

197 Zengorō, in interview, quoted in Schumann (2016), p. 14.

over the succession. The youngest daughter Hisae (born 1971) has now taken over the management of the inn. She was not prepared for this role and only started to think about it when it became clear that her eldest brother would not be able to run the inn for health reasons. After his death, she is now faced with the burden of responsibility. She has taken the dedication with which her older brother prepared himself for the succession as a model. Several attempts to arrange a marriage for her and find a son-in-law to take over the running of the house have not succeeded.¹⁹⁸ Zengorō XLVI did not want to follow this custom of *omiai* and instead wanted to leave his children the freedom to make their own choices. After the marriage of a son had failed for the father, in the sense that his wife spoke out against taking over the succession and carried the argument, the tried and tested tradition of the arranged marriage was to be relied on again for the marriage of his youngest daughter. Now, in a crisis, the daughter has taken over the leadership of the house as CEO. In the past, after the death of a Zengorō, the wife had been at the helm of the traditional house until the sons were old enough to take over the business. In 1,300 years, this is the first time that an unmarried daughter has taken over. Thus, a way has been found to continue the long history of the Hōshi.

Tradition vs. innovation

As different or similar as the backgrounds or the business areas may be, the stories of all these longstanding family businesses show that the greatest challenge is to make the right decision at the right time to be prepared against potential crises. The passage of time means that not all traditions can be maintained. Succession does not always pass smoothly to the next generation. Breaking with tradition to try the new, while still preserving and appreciating the old, is more difficult than ever because of the fast pace of today's world. The strategies available to master these challenges are addressed in the following chapters.

198 Schumann (2016), p. 16.

Chapter 6. Succession in Japanese Family Businesses

6.1 The Witten Phase Model of Succession in the Japanese Context

The following chapter will now look at succession in long-lived Japanese family businesses. As explained in Chapter 4, the Japanese family system of the *ie* is a transgenerational concept. As noted in Chapter 1, the number of family businesses in Japan that have kept the business within the family succession for many generations is substantial; it can therefore be assumed that appropriate mechanisms for “training” the next generation for succession have been developed.

At the Witten Institute for Family Business (WIFU) a ten-phase model has been developed to analyse the transgenerational process of succession.¹ This model breaks the process down into individual steps and looks at what happens in each phase, who is involved, and what factors may have an influence.² In the following section, the ten phases from the WIFU model are introduced and the implications of applying them to the Japanese context considered. We distinguish between the various perspectives from which succession is viewed: those of the entrepreneur at helm, the successor, the family or the company. Where appropriate, we refer to actions, rules and practices from the Japanese family businesses presented in Chapter 5 as well as examples from other longstanding family businesses. Where necessary, cultural specifics are addressed and explained.

1 Here, the Witten ten-phase model is used in its second revised edition; see Groth, Rösen & von Schlippe (2020).

2 Ideally, the ten phases follow one another, although in practice there may be overlaps between individual phases in terms of the people who go through the phases (i.e. the previous, incumbent or next generation) or those who are involved in decision-making within or outside the family.



Figure 9. The Witten Ten-Phase Model of Succession. Source: Groth, Rösen & von Schlippe (2020), p. 5.

Phase 1: Expectations for succession

The first phase of the WIFU model addresses the need for clarification within the family regarding the expectations of the offspring in business families. Depending on the degree to which it is developed, this phase can decisively shape socialisation and growing up in a business family in terms of its members' prospects and the intentions for a successor at an early stage.³ Thinking about succession is a constant preoccupation for family businesses and becomes particularly concrete when the next generation is about to appear. Expectations that one's offspring will continue the business are high everywhere.

In the Japanese example, the expectation that the eldest son will take over as *koshu* and also take the business into the next generation is already inherent in the *ie* family system. This expectation is reinforced by two components: firstly, the common social goal of continuing the *ie* and the family business, with the business usually coming first in long-lived family businesses. Secondly, in the Japanese context, there is the aspect of "filial piety", i.e. the duty of children to show respect to their parents and, associated with this, the obligation felt to comply with the parents' wishes.⁴ The continuation of the *ie* and the family

³ Groth, Rösen & von Schlippe (2020), p. 6.

⁴ "Filial piety" (*kō*) can be described as a special form of the sense of obligation within interpersonal relationships (*giri*) which was discussed in Chap. 3.2.

business as a wish of the parents, which a child is obliged to fulfil, is thus already significant at a very early stage and is perceived as part of a “natural”⁵ life development. Against this background, the expectation of a family head that the first male child will take over the succession of the *ie* is given considerably more weight than can be assumed for the expectations of the other children.

The expectation of the head of the family that the eldest son will be the successor is shared by other family members⁶ and society.⁷ In most cases, however, this expectation is not openly addressed; it is an unquestioned premise from which there is initially no way out without considerable loss of face for all involved. Daughters do not initially consider the option of joining the family business themselves, as they leave the parental *ie* after marriage. Other sons also look elsewhere, as there is only one successor in the *ie*, which is why many family businesses have established that only one male member of a family branch enters the business.⁸

Some of the interviewees in the case studies presented in Chapter 5 described exactly this approach, not only for past, successfully completed, succession processes but also those currently pending.⁹ It is interesting to note, however, that in these interviews it was repeatedly stated that other possibilities are not completely ruled out until the succession takes place. Indeed, it was remarkably often mentioned that the succession had “emerged” over a process of many years and that there had by no means been any premature decision at the birth of the offspring. Despite the widespread expectation that the eldest son will be the successor, direct communication between parents and children about succession occurs remarkably late.

Phase 2: Education for discipleship

This phase lasts from about the 4th to the 16th year in the life of the next-generation members of a business family and creates an appropriate awareness of the specific matters associated with belonging to a family that runs and owns a family business.

5 The term *shizen* (“natural”) was used in several interviews. Missioner et al. (2020), p. 236, also describe it as “natural” for Western countries that the eldest son is expected to succeed.

6 Even if there are one or more elder sisters, the son is supported to succeed over them, e.g. Toraya (Chap. 5.5).

7 For example, the employees in the family business; see Toraya (Chap. 5.5).

8 In extreme cases, they should not even work in the same industry, see Horikin (Chap. 5.7).

9 For example, by Okaya Tokuichi (Okaya, Chap. 5.1), Kurokawa Mitsuhiro (Yamamotoyama, Chap. 5.4), Nakagawa Masashichi/Jun (Nakagawa Masashichi Shōten, Chap. 5.6) or Hori Tomoyuki (Horikin, Chap. 5.7).

In Japanese family businesses, the situation is different in that it is assumed that the eldest son will take over and he is given appropriate treatment and education.¹⁰ In many cases, he is also given a special place at the family table and special instruction, including in the performance of Buddhist ancestor worship rituals.¹¹ In traditional families, for example, holidays are celebrated accordingly: flags in the shape of carp are hung up for the Children's Festival on 5 May¹² and shrines visited on 15 November.¹³ In this context, the importance of rituals that are integrated into everyday life and that follow a specific hierarchy should be considered. These include, for example, greeting the ancestors upon returning home at the Buddhist cabinet – where the pictures or names of ancestors are displayed, and important documents stored – with the striking of a small bell and a commemorative meditation. Another ritual is a joint family visit to shrines and temples on various occasions, such as the New Year's festival or the O-Bon festival in July or August. These rituals are performed by all the family members, but the order in which they do so is determined by their rank in the family: first the father, then the mother and then the children in the order of their birth, followed by other relatives according to the closeness of the family relationship as well as guests, if applicable. In this respect, the children learn in everyday life what the order of precedence for succession looks like.¹⁴

Nowadays, children are given substantial freedom to develop their own inclinations up to the age of twelve, when they complete six years at primary school. When parents of younger children are asked whether their sons will follow in the succession,¹⁵ they often respond, “We don't know yet” (*mada wakaranai*). This communicates to the outside world (*tatema*), i. e. to third parties, a wait-and-see attitude, even though there may be clear preferences internally (*honno*). In the

10 See the example of Gekkeikan (Chap. 5.2): in 1887, the eldest son, who was to take over the family business died suddenly. Only then was the second son, Tsunekichi, considered for succession; until then, he had been given little respect or attention. Or take the example of Hōshi Ryōkan (Chap. 5.10.3): the son was determined to become the successor but when he died, the daughter, Hisae, for the first time and unexpectedly faced the challenge of continuing the family business.

11 These rituals are performed by all family members, according to their rank in the family hierarchy; see, for example, Hamabata (1990), pp. 61–64.

12 Carp swim against the current to their spawning grounds and are symbols of strength and persistence. In the past, it was customary to hang a carp for the parents and one for each son. Nowadays, a carp is hoisted for each child.

13 The day is also called the *Shichi-go-san* festival (literally: 7-5-3): Three- and seven-year-old girls and five-year-old boys in traditional *kimono* dress visit a shrine with their parents to pray for a long life for the children.

14 In Western Europe, similar hierarchies can still be found in the context of families, mostly in the houses of the nobility; here, too, the first-born male is assigned a special role from childhood onwards.

15 On identity in the succession process, see, for example, Hamilton et al. (2017) or Missioner et al. (2020).

family, the topic of succession is not discussed much with the children in the first two decades of the offspring's life, or only in the absence of the children. This means that the next generation may not start to link succession to their own identity in this phase.¹⁶ An “education” for succession is thus initially limited to an education for succession in the family. In owner-managed family businesses, however, where all the family members are involved in the business, it is “naturally” assumed by everyone around – parents, siblings, family members, other employees, and customers – that the eldest son will take over the family business. Here, the division of roles is experienced in daily life; the father is “dad” (*otōsan*) at home in the family and “boss” (*shachō*) in the business. This allocation of roles is also expressed linguistically in the use of language whether in the form of address or in speaking of oneself.¹⁷

Whether other relatives are included when considering the selection of the successor depends on the situation in the respective family and this differed among our interviewees: in some cases, the *tōshu* spoke to his wife, in others the previous generation was involved.¹⁸ Any decision by the *koshu/shachō* is respected and not questioned.

Phase 3: Uncertainties among the successors

This phase encompasses the development of young people who are forming hopes, ideas, and goals for their future life. This phase of pubertal development is typically characterised by a high degree of attachment to parents on the one hand, and strong detachment dynamics on the other.

In Japanese family businesses, uncertainties about succession fall differently among the children due to the prioritisation of the eldest son for succession in the family and the associated link with ancestor worship. In traditional family businesses, it is assumed that the eldest son will take over as *koshu*. This means that the phenomenon of “uncertainties among successors” has de facto a different connotation from in Western families or family businesses. There is no uncertainty about a son taking over the parental *ie* as long as he does not decide against it. Nevertheless, a distinction must also be made here between un-

16 Even if the family lives in the same building as the company, according to statements from interviewees, the topic of succession is only addressed at a later stage.

17 See Chap. 4.4 on the designation of members of the family and the company.

18 For example, Toraya (Chap. 5.5) or also according to the account of Nishiura Yuka (*shachō* of Nankai Grill, a *teppanyaki* restaurant in Sakai, south of Ōsaka) in a roundtable discussion between the city of Sakai and Kansai University, accessible online (in Japanese) www.youtu.be/watch?v=CG80QaQ82NI and www.fenice-sacay.jp/event/s20210916/ (last accessed 30.9.2021). No “family council” to manage succession issues was mentioned in any of the interviews conducted by the WIFU research team.

certainties regarding succession in the family (*koshu*) and succession in the management of the family business. Otherwise, problems arise when the successor joins the family business and realises that their expectations cannot be reconciled with their abilities.¹⁹ When changes in the order of sons in the succession process were described, they often related to personnel bottlenecks in the management of the family business, for example, because the designated successor could not perform the task for health reasons. In this case, a second son can be involved in the management, as was the case at Suntory in the second generation.²⁰ The second son, Saji Keizō, was initially reluctant to succeed his elder brother and expressed feelings of uncertainty long after he took the helm during an interview with the Japanese television station NHK.²¹ Although the succession seems to be settled with the birth of the first son, uncertainty hence remains as to whether the succession will succeed. However, a successor has a long time to decide whether they want to take on the role and over what time span they will grow into it.

This topic of “insecurities” has been little researched in Japan, not least because it is much more difficult for outsiders to distinguish between outward behaviour (*tatema*) and inner intentions (*honne*).²² In this respect, it seems reasonable to assume that, while these uncertainties exist, there is a greater reluctance to express them to others than in the West.²³ The challenge for parents is to give their children the confidence that they will master the challenges ahead. This is not an easy task given the growing complexity of tasks involved in running a family business. In fact, in all the interviews conducted by the WIFU research team, this topic was always discussed in the subjunctive, with each statement followed by a comment that the succession had not yet taken place and that it was, therefore, impossible to know what the future would bring.

19 So far, little research has been conducted on whether in such a case the successor decides of his own accord to give up the position or whether he is induced to do so by those around him, i.e. by those responsible in the family or in the management of the business – or by both parties.

20 The eldest son has taken over the management of Suntory together with the second eldest; see Chap. 5.8.

21 Saji Shinzō's interview is available online at www2.nhk.or.jp/archives/jinbutsu/detail.cgi?das_id=D0009250111_00000 (last accessed 21.5.2021).

22 Hamabata (1990), p. 92f, has a conversation with a designated successor who expresses uncertainty about what lies ahead in the company, but does not mention any uncertainty about whether the son will succeed him as *koshu* in the family.

23 Hamabata (1990) gives an example of this issue when a family head dies suddenly, and the family is unexpectedly confronted with questions of succession. Here the concepts of *giri* (obligation) and *ko* (“filial piety”) come into play, which have an effect when children decide to join the succession, see Chap. 3.5.

Phase 4: Training for succession

This phase comprises the school education and subsequent vocational training of the next generation. It is characterised by choices that can be based on interests, abilities and inclinations or predefined tasks and roles.

In Japan, parents set the course for their children's later life as soon as their first choice of school. It is not uncommon for renowned universities to have a feeder stream of upper, middle and primary schools, sometimes even kindergartens. Middle school marks the start of a more rigorous period for all young people, with long school hours and significant amounts of homework. Parents carefully observe how their offspring behave at school, especially whether they want to learn of their own accord (*benkyō suru*²⁴). Almost all Japanese children graduate from senior high school, and about 54 per cent study a four-year university course. When children turn 20, they enter adulthood and are considered full members of the family, in terms of ancestor veneration and succession capability. If they take up a job after completing their school or university education at around 22 to 24 years of age, they are considered a fully-fledged member of society (*shakaijin* or *ichininmae*).

In this section, the term “education” encompasses high school²⁵ as well as university education. The careers of the family business owners described in the literature, alongside the interview findings, reinforce the assumption that attending university is the norm for potential successors (male and female). Indeed, many descendants in family businesses and potential successors currently in management positions studied at Keiō University, one of Japan's most prestigious private universities.²⁶ In most cases, the subject studied relates to the future career, although this is not essential. Life as a student is considered the time of the greatest freedom in the life of every young Japanese person – free from social constraints, able to follow one's own inclinations and, above all, network. Before that was the “learning hell” leading to the entrance examinations to one of the renowned state or private universities and, afterward, the obligations of professional life await. In all the interviews, emphasis was placed on giving as

24 Similar statements are found in the interviews with Okaya (5.1), Gekkeikan (5.2), Yamasa (5.3), Nakagawa Masashichi Shōten (5.6) and Horikin (5.7).

25 Japan has adopted the US school system (6 years of elementary school, 3 years of junior high school, 3 years of high school); 98% of Japanese young people graduate from high school. Of the graduates, more than 50% subsequently attend university, about 30% (mostly women) attend a two-year short university course and 15% enter the workforce directly (Ouchi, 2004, p. 222f.).

26 For example, family members of the Okaya, Shiseido or Yamasa companies; the latter also honour the family's connections to the founder, Fukuzawa Yūkichi. Connections from student days are often cultivated over many years and prove to be a good basis for later relationships. Toyoda Akio, CEO of Toyota, is also a graduate of Keiō University.

much freedom as possible to all children, thereby allowing them to succeed, regardless of their gender, at least in terms of their education.²⁷

If the potential successor has already decided – and possibly already told the family that they will enter the succession – they will likely choose a degree in a subject relating to their future work in the family business. Some successors go on to complete a master’s degree after their first degree; some join the parental company immediately after their first degree; others go first to another company for an average of three to four years before joining the family business at the age of 25 to 28.²⁸ Some also study abroad to become familiar with the company’s activities in the host country, if necessary. For example, Kurokawa Mitsuhiro’s son (Toraya) had already declared his intention to become a successor while studying in the USA and aligned his education to offer the maximum benefit for his future work in his parents’ company.²⁹

The intermediate step of first working in a family business other than one’s own after graduation is found in many longstanding family businesses.³⁰ As entrepreneurs need a knowledge of finance to run a business,³¹ a first job at a bank is considered a good investment. This stage of life is also seen as part of the “training” for succession.

Phase 5: Preparation of the company

This phase involves adapting the company to the succession situation. Structural and organisational preparations must be made to “decouple” the company from the established leader from the business family and to create space for new leadership and new approaches chosen by the next generation. Within this phase, any existing deficits should be made good and necessary reorganisation or restructuring measures completed to ensure organisational fitness for the hand-over process.

In Japanese family businesses, it is common for the eldest son to take over, and this expectation is shared in the family business. His age is usually communicated internally so that the company can prepare for his entry. The procedure depends on the size of the company; in smaller companies, the junior is assisted by

27 For example, Yamasa (5.3) or Toraya (5.5).

28 Working in the parents’ company while studying is more common in small family businesses where all hands are needed.

29 Interview on 19 April 2019. Hori Akari, the daughter of Hori Tomoyuki (Horikin), also only thought of joining her parents’ company after a stay abroad; interview on 7 April 2021 and Chap. 5.7.

30 Nakagawa Masashichi/Jun, for example, worked for Fujitsu before joining his parents’ company, see Chap. 5.6.

31 Statement by Okura Haruhiko (Gekkeikan), see Chap. 5.2.

experienced employees who train him in the relevant activities. Here, the loyalty of the employees to their seniors and the company is relevant.³² In longstanding family firms, it is not uncommon for the second or third generation to be employed there. A process has thus developed in such companies to retain core competences in the company and to pass them on to the next generation. Therefore, it is important also to prepare the employees for this training process to optimise familiarisation or cooperation.

In larger listed companies, no special arrangements are made; the junior will enter the company's internal training processes alongside other "freshmen".³³ Since university graduation and the financial year are often synchronised, all those within one cohort start working on 1 April each year. In large companies, the successor is granted no special conditions; like other employees, they will go through certain career steps.³⁴ The succession is finally decided later by the *koshu/shachō* in consultation with the management.

Phase 6: Selection of the successor

Before the next generation members are integrated into the company or shareholder group, the existing shareholders must agree on the terms of entering and, if necessary, leaving such roles. Particularly regarding the assumption of offices in the company or on committees, it is important to define criteria against which the candidates can be judged. In this respect, it is also crucial that a critical external view ensures that the selection is carried out with the greatest possible objectivity and that the rejection of internal family candidates does not lead to a loss of face or the outbreak of internal family conflict.

In principle, the choice of successor in Japanese family businesses depends on the form of ownership of the family business. As described in previous phases, the eldest son will usually be the successor in family-owned companies. Therefore, the question about whom to select differs from that in other countries; it is not whether, but when, the junior joins the business and when he is assigned which tasks (Phase 8). This makes it more important to address the succession appropriately. If the successor has made a firm decision, then he will make the appropriate effort to achieve the best possible result for the family business and its employees. It should be noted that there are cases where the designated

32 E.g. Toraya, (see Chap. 5.5).

33 This is the case, for example, with Fukuhara Kazuto (Shiseido) (5.9.), and also with Toyoda Akio (born 1956), who joined the company in 1984 together with other freshmen. However, he had worked in the USA for a few years after graduating from university and was therefore older than the other freshmen.

34 For example, the statement of Fukuhara Kazuto (Shiseido) as well as his cousin Yoshihisa in the interview of 16 April 2019.

successor decides not to take over. Some examples have already been mentioned in Phase 3 above and this has become more common in the last two decades. Various reasons are given for deciding against succession. The fear of not being able to meet the expectations of the family and ancestors³⁵ often plays a role, but a lack of interest in running a business is also cited. Not every child shares the entrepreneurial spirit of the founder. Other reasons include a possible transfer of conflicts from the family to the business. Sometimes there is a fear that the current head's wife will not get on with the successor's wife, and the latter is then against stepping into the role of future wife of the head of an ancestral family.³⁶ This is potentially where most conflicts arise in the succession process, and many Japanese business families are underprepared for them.³⁷ The sudden loss of the designated successor is experienced as a severe intra-family crisis.

Phase 7: Entry into the company

In this phase, the entry into the company and the path to the top management should be planned. Within this framework, learning phases and a specific career path are developed that will enable the successor to gain deep insights into the company structure and process flows and, above all, acquire knowledge of the key people in the company or relevant stakeholders.

Following on from the previous section, the entry of a designated successor remains a challenge for many Japanese family businesses today. How readily the successor is welcomed by employees when they join the company may depend on how closely they have grown up with the family business. The process of finding one's identity as a successor faces its hardest test at this stage. In small family businesses, the successor is involved in the operational business at an early stage, with all those around respecting the division of roles and doing (or having to do) what they can to ensure that the successor is trained and promoted in the best possible way.³⁸ In large companies, successors seem to be treated with more

35 Such fears repeatedly lead to desperate acts such as suicide; see Kongō (2013), p. 180, or Chap. 5.10.1. Hamabata also reports that Buddhist priests must work hard before the O-Bon festival to banish suicidal thoughts among young people who cannot report to their ancestors on this occasion that they have married as hoped for; see Hamabata (1990), p. 55f, or footnote 53 in Chap. 4.5.

36 For example, at Hōshi (5.10.3). In this case, the son could leave the parental *ie* and establish his own household, in which case the parents would have to find another successor. Alternatively, it could lead to divorce, although this would also mean a loss of face for both sides and would be accompanied by a more difficult remarriage.

37 See Muta (2015).

38 Toraya (5.5) or Horikin (5.7) are examples of this approach.

detachment.³⁹ They do not always go through all the steps of the career ladder; lateral entry to positions of responsibility is quite common. Often, they can gain respect with entrepreneurial success in finite projects, which then gives them the necessary authority when reaching the top of the company.⁴⁰

It is problematic if, after joining the family business, it transpires that the designated candidate is not suitable for succession to the management level. This not only causes difficulties for succession in the business but also in the *ie* and possibly also in the extended *dōzoku* family. It may be due to health-related issues or personal character, and it is only in the day-to-day running of the company that it becomes apparent how the successor copes. In this context, health and psychological causes are frequently tabooed.⁴¹ It is also repeatedly emphasised that intra-family conflicts should be resolved as quietly as possible behind closed doors, as it goes against social norms to disagree publicly.⁴² If difficulties about a potential successor were to become known, the appointed representative as well as the company would come under public scrutiny, for example by local media.⁴³

39 Suzuki Osamu, Chairman of Suzuki Motors, was the fourth adopted son in a row to be received with scepticism when he joined the company in 1958. He was called *namaiki* (cheeky) and an “uninvited guest”. Toyoda Akio, grandson of Toyota founder Toyoda Ki’ichirō and the third member of the Toyoda family in the company’s management, also reports being treated unkindly when he joined the company in 1984; interview by Kotani Maoko, Toyotatimes, with Suzuki Osamu and Toyoda Akio, September 6, 2019, toyotatimes.jp/feature/special/004.html and www.youtube.com/watch?v=pBoz48UjiQk (last accessed 20.5.2021).

40 This was reported, for example, in the case of Toraya, who was approached by his son shortly before the start of construction work and persuaded to build a four-storey building instead of a ten-storey office building; see Chap. 5.5.

41 Illness and disability are taboo in Japan. For a long time, people with disabilities were expected to appear as little as possible in public so that the stigma around them did not affect others. Holding the door open for wheelchair users was seen as offensive, implying that they were unable to open the door themselves. Illness is considered bad luck for the person affected and their family. People do not reappear publicly until they have recovered. Even enquiries about one’s health are assumed to be a nuisance (*meiwaku*) for the enquirer, for which the sick person must apologise. Concerns about inheriting an illness can lead to marriages not being concluded or even dissolved if an illness was known but concealed; see Zachmann (2010); Hamabata (1990), p. 55; Japan Times after the massacre in a facility for the disabled in Sagamihara in July 2016, www.japantimes.co.jp/news/2016/07/27/national/crime-legal/suspect-sagamihara-care-facility-mass-murder-says-no-remorse/ and Deutsche Welle from 16.9.2016 www.dw.com/de/anonyme-opfer-japan-versteckt-seine-behinderten/av-19558038 (last accessed 20.5.2023).

42 We refer to the example of Yamasa (Chap. 5.3), where the interviewee observed that sometimes there is nothing one can do if family members do not want to accept advice or help. The family business of the brother line Higeta Shōyu has been absorbed by the market leader Kikkoman; see Fruin (1992).

43 The more significant a company is for the region, the more attentively news is followed in the local community. This may only be the regional environment for a smaller company, but when it comes to well-known companies, the public memory is very good and influences

Possible alternatives then include taking other family members into the succession or considering adoption in order not to be forced to sell the family business. However, this leaves the family with the question of how they want to address succession within the *ie*. Often, a distinction is made between succession in the original family and succession in the family business. If unity of succession in family and business is preferred, the son who will not take over the management of the business leaves the parental *ie* and founds his own *ie*, that is, a branch family (*bunke*). The son who takes over the management of the family business becomes the successor also in the parental *ie*. This preserves the unity of the head of the family (*koshu*) in the parent family (*honke*) and the head of the company (*shachō/kaichō*).

If preference is given to the continuation of the family according to its lineage – divided into main and branch families, or *honke* and *bunke* – the model chosen is temporarily to hand over the management of the business from the main family to a member of a branch family. Family businesses that have already experienced personnel bottlenecks in their history that endangered the continued existence of the business are more willing to take a member from one or, if available, further branches of the family (*bunke*) into the operational business.⁴⁴ The management of the company is transferred to the member of the extended family (*dōzoku*) who is most suitable in the respective generation. Nevertheless, the principle applies that preference is given to the oldest or most suitable son from the family line when filling management positions on the company board.

If this is not possible, there is always the option of securing the succession through adoption. Most often, a son-in-law is then taken into the succession, thus maintaining the blood relationship through the daughter, as has happened repeatedly in family businesses such as Hōshi or Kongō Gumi. In the case of Suzuki Motors, the early death of the son-in-law and designated successor resulted in a natural son succeeding for the first time after four adopted sons.⁴⁵ A crisis or misfortune can be seen as an opportunity to break with convention and try a new pattern.⁴⁶

customer behaviour. Sometimes it is necessary to rename the company to disassociate it from the tainted name, as happened with Snow Brand after a scandal involving contaminated milk products; see Japan Times, 21. 1. 2003.

44 See Gekkeikan (5.2), Yamasa (5.3), Shiseido (5.8) or Suntory (5.9).

45 See Reuters on Suzuki Management, www.reuters.com/article/us-suzuki-management-idUSKBN2A00XF (last accessed on 30.3.2021).

46 In Chapter 3, the importance of purification as a principal Shinto ritual was highlighted.

Phase 8: Transfer of responsibility

This phase is characterised by joint activities between the senior and junior generations. Decisive for a successful outcome is the clear clarification of roles, tasks, and decision-making powers among the family members working together. This should create clear expectations among employees and external stakeholders, and parent-child dynamics should be kept out of business communication as far as possible. Ideally, the new ideas and approaches of the younger generation combine with the experience and network contacts of the older one to generate fruitful outcomes.

It usually takes several years for a designated successor to go up through the various departments of the Japanese family business. It is striking that many interviewees reported that there were no discussions between father and son on company matters during work.⁴⁷ The father thus encourages the son to think about certain decisions himself, perhaps to take certain elements into account or to consider how his grandfather might have thought or acted. The hints are indirect; the successor is supposed to copy (*mite-manabu*) but also develop their own style. Despite arguments about what was the right way to act⁴⁸ and an insistence that the younger generation had to act like its predecessors, this did not lead to a break between the generations or to anyone leaving or being asked to leave the company. Ultimately, the younger generation tried to understand what the senior generation might have been thinking, or the senior generation came to the realisation that it is better to leave it to the younger generation. The importance of learning to reflect on and understand the actions of the senior generation has often been emphasised. Nevertheless, it was also emphasised that the freedom to do things differently has also been granted (see next section).⁴⁹

It is not unusual for a successor to be given a task, and thus the opportunity, to prove their abilities or to try something out. This might include, as reported in

47 For example, Okaya (5.1), Toraya (5.5) or Sankōgan, the oldest Japanese manufacturer of traditional medicine in Gose/Nara, founded in 1319 with the permission of the emperor Godaigo (online interview with the managing director (*shachō*) Komeda Toyotaka and his father Komeda Tokushichiro Shunsuke (*komon*) on 18 October 2021; see also <http://sankogan.co.jp/en/>).

48 This is reported on Okaya (5.1) or Toraya (5.5) or also in the interview with Nankai Grill, a *teppanyaki* restaurant in Sakai (footnote 18 of this chapter) where, according to the current *shachō*, when both generations worked together in the business, the multiple disputes between the senior head and his successor (in this case female) left staff not knowing whom to follow.

49 For example, the mother talking to the son, which she reports to the father, who comments on it, which the mother then reports back to the son; reported in an interview with father (*komon*) and son (*shachō*) at Sankōgan (footnote 47) (18 October 2021).

various interviews,⁵⁰ a product launch, the management of a branch office, the supervision of a foreign representative office, or even the establishment of a subsidiary in a country familiar to the successor from student days. It was often emphasised that it was important to be allowed to make mistakes before reaching a very prominent position (as CEO) in the company and to learn how to deal with mistakes. The steepness of the career path to the top of the company depends on various factors: the senior leader's schedule and health, the age of the designated successor when joining the family business, the situation in which the family business or the corresponding industry finds itself, whether other business models must be developed. New tasks may arise which the outgoing leader is likely to leave to the junior.

Senior managers in family businesses are familiar with the expectation that the eldest son should step into the succession. In some cases, it was reported that board members are brought in for advice when the designated successor has worked in the business for a few years. In larger family businesses, there is an expectation that a designated successor must have reached a certain age to be able to take a place on the board.⁵¹ In other cases, the senior reaches an age when he decides to hand over his place to his successor. This may be a special birthday, as in the case of Okaya Tokuichi, who handed over responsibility to his son in the year of his 77th birthday. Sometimes the year of a company anniversary is also chosen to make a caesura or start a new chapter under a new *shachō*.⁵² It may even be that a market launch is held back until the successor becomes CEO.⁵³

Sometimes, however, it can happen that, over time, the outgoing leader and members of the management develop the view that someone other than the eldest son is better suited to take over the leadership of the company. It may then be considered that a younger brother or another male family member should take over the position of CEO.⁵⁴ Opting for adoption in succession places a higher value on the well-being and future of the family business than on the continuation of the family bloodline. Due to the socio-cultural embedding of adoption as a means of preserving the family system in Japan (see previous

50 For example, Okaya (5.1), Shiseido (5.8) or Yamamotoyama (5.4) for a foreign representative office, also the Mori family, which runs the traditional Ryokan Sakaya in the Nozawa ski resort in Nagano Prefecture (interview, 31 October 2021).

51 See the discussion about the succession at Toyota as well as at Suzuki.

52 See Chap. 5.1 and www.okaya.co.jp/en/newsreleases/2021/855 (last accessed on 20.5.2021).

53 For example, the Suzuki Alto model was launched two years later than planned (1987) because the senior head had died shortly before and the handover to Suzuki Osamu had to be completed first; interview by Kotani Maoko, *Toyotimes*, with Suzuki Osamu and Toyoda Akio, 6.9.2019, toyotimes.jp/feature/special/004.html and www.youtube.com/watch?v=pBoz48UjiQk (last accessed 20.5.2021).

54 For example, Tatsuuma-Honke Brewing, remote interview between Caspary, Goto and Morishita (17.10.2021).

chapter), family businesses have structurally different opportunities to achieve this. This is a central difference to family businesses in other cultural contexts. Nevertheless, to avoid conflict all parties must communicate with sensibility.

Phase 9: The senior's exit

This phase includes the change in leadership and the communication of the transfer of responsibility to the successor generation. Often, these transitions are visibly marked for third parties with symbolic actions (a change of office, the handing over of a baton). For this transition to succeed, it is crucial to define the future role of the representatives of the senior generation after the transition.

In Japanese family businesses, different scenarios exist for the senior executive's exit from active management, depending on the size of the business. In smaller companies, he remains at the top of the company until his death. As Japan has one of the highest life expectancies in the world, the length of time a family business owner remains at the helm has increased by an average of about ten years since the end of the Second World War.⁵⁵ However, this does not mean that he must continue to be involved in all decision-making processes. Often, the senior person moves to the position of Honorary Chairman (*kaichō*) and the successor takes over the position of CEO (*shachō*).⁵⁶ Important decisions may still be made without the senior's consent.⁵⁷ This scenario is interesting in that it allows the head to be involved in the fortunes of the family business well into old age, even if he has delegated responsibility, the operational tasks are performed at the board level and he is well prepared for the decisions to be made. Nevertheless, this can necessitate additional communication in the implementation of certain plans, because the senior still brings in his ideas, which cannot always be reconciled with the current operational business.⁵⁸

As a *kaichō*, the outgoing head takes on a representative role in the community (see next phase). This scenario includes the possibility of a return to the operational management of the company if the situation requires it.⁵⁹ For the senior head of the family, this offers the opportunity of a gradual exit from an active role in the family business and shows respect and appreciation for his experience and

55 Ochiai (2019).

56 In the English translation, all positions – CEO, Chairman and Honorary Chairman – are referred to as President so, for clarity, the Japanese designations are also given here where necessary.

57 For example, Toraya (5.5) or Gekkeikan (5.2).

58 For example, Yamamotoyama (5.4).

59 For example, if the designated successor suddenly dies, as in the case of Suzuki Motors, when the son-in-law Ono Hiroataka died of cancer in 2007 and the senior, Suzuki Osamu, took back the leadership of the company.

lifetime achievements. Since, in most cases, he does not leave the business, there is a smooth transition to the next phase.

Phase 10: Reorientation in the post-active phase

This phase includes the senior generation's post-active phase referring to their entry into a completely new lifestyle. Free from a heavy workload and the pressure of responsibility, long-planned alternative commitments can now be made, hobbies pursued and promises (usually made to spouses) kept. In the absence of such activities or concrete planning for them, there is a high risk of the outgoing head interfering with the company and its processes.

In Japanese family businesses, the outgoing head rarely leaves the company completely. He assumes the position either of (honorary) chairman (*kaichō*) or "senior adviser" (*komon*), with the corresponding functions held until the end of his life. This is the understanding of his new orientation in Japanese family businesses.

If the outgoing head has assumed the position of (Honorary) Chairman (*kaichō*), there are several scenarios here as well. As already mentioned in the previous section, the *kaichō* performs representative tasks and leaves *shachō* largely free to act.⁶⁰ In some cases, he continues to act as the "supreme authority" for important decisions.⁶¹ Over time, he will increasingly devote himself to other tasks that are also important for the family business. These include involvement in activities in the local community or the community⁶² of the family business, whether at cultural events such as exhibitions or concerts, commemorative day celebrations, sporting events or local festivals.⁶³ In all these activities, he performs the important function of a bridge between the family business and the community.⁶⁴

It should be clear that the last two phases – 9 and 10 in the Japanese succession model – can hardly be meaningfully separated from each other, in contrast to

60 For example, Sankōgan (footnotes 47 and 49) reports. *Komon* Komeda Tokushichiro Shunsuke (33rd gen.) has handed over the operational business to his son Toyotaka (34th gen.). No bilateral discussions on the operational business take place, as the son must be able to make his own decisions on the management of the company, according to the outgoing head (Interview, 18 October 2021).

61 For example, Yamamotoyama (5.4).

62 A commitment to the local community, or to society in a wider context, was highlighted in many interviews as important for the well-being of the family business. The term "community" was often used to indicate that the local community is important for the family (in terms of schools or local festivals) as well as for the family business (as a place where customers, suppliers or employees' families are located).

63 For example, Gekkeikan (5.2).

64 See Chap. 4.3 on the relationship between the *ie* and the environment.

succession in the Western cultural arena. For example, the outgoing head largely withdraws from the operational business of the family enterprise to allow his successor to take the family business in a new direction. If he withdraws from the management of the business and also relinquishes his chairmanship of the supervisory board, he will assume the position of “senior adviser” (*komon*). Here, he will have no operational function and his direct influence on the company’s business will be limited.⁶⁵ Nevertheless, like the *kaichō*, he continues to be associated with the company’s fortunes and is respected in the company’s immediate environment and by its business partners. His influence on the company’s fortunes is thus present, but indirect.

Since the head of the family manages the company as well as the family, a full handover to the successor only becomes effective upon the outgoing head’s death. This is why it is so important to make succession arrangements at an early stage, to involve all levels and to communicate appropriately with all those involved.

6.2 The adapted phase model of succession in Japanese family businesses

If we look at the phases of succession in the WIFU ten-phase model and compare these with practice in Japanese family businesses, we can see that two of the phases develop somewhat differently.

The selection of a successor (Phase 6) takes place earlier than in the WIFU model, which refers to the Western European – and specifically the German-speaking – cultural area. For the Japanese context, it is therefore suggested that this phase be brought forward to the fourth place in the model. It usually falls before the junior member enters the company. However, although the internal decision (*honno*) may be made, the final commitment to a successor is not made public (*tatema*) until they are given the position of CEO (*shachō*), so some uncertainty seems to remain until that point, as expressed using the subjunctive in Japanese: “It is expected that ... But one does not yet know.” This was a frequent formulation in the interviews. To Japanese ears, the wording may sound like a clear decision, but a hint of uncertainty can be heard, a suggestion that fate may prove otherwise.

Phases 9 and 10 also differ from the Witten model. The senior member does not leave the company completely but remains on the company’s payroll as

65 If he is a member of the founding family who may still hold a considerable number of shares, his influence may still be considerable (see Suzuki Osamu, who moved to this position in June 2021).

Honorary Chairman or Senior Adviser until his demise. Phase 9 is therefore omitted, which means that Phase 10 “Reorientation of the senior member” becomes Phase 9 under the new title “Changes in role for the senior member”.



Figure 10. The phase model, adapted to Japanese family business. Source: the authors.

In this model, too, the steps ideally follow one after another. The phases sketch an ideal succession process; in practice, however, overlaps may occur between the individual phases either for those going through the phases (the previous leader, the incumbent, or the next generation) but also for those involved in decisions within or outside the family.

A prerequisite for the Japanese model, however, is the availability of a son who is a suitable successor. If this is not the case, the selection of the successor is postponed and probably then leads to adoption.

Chapter 7.

Patterns for success in long-lived Japanese family businesses

In the previous chapters described historical developments and religious values, introduced the Japanese family (*ie*) system, and addressed core cultural aspects. Furthermore, examples of longstanding businesses were provided, and the current succession model of many Japanese family businesses was analysed.

This chapter addresses the question of which factors determine longevity in family businesses and business families in Japan. From our interviews with Japanese family businesses, four aspects stood out and these are explained in more detail below:

- An orientation towards tradition and the continuation of the family and company,
- Family patterns and decision-making,
- Flexibility in the context of rules and tradition orientation,
- Values, socialisation, and involvement in the local community.

7.1 Tradition orientation and the continuation of families and businesses

Founding a family business

When examining the origins of long-lived Japanese family businesses, the social order of the societies in each era must be considered. Most of the very old businesses are traditional inns and handicraft businesses. Among those family businesses engaged in trade, there are some in which samurai have exchanged the sword for the abacus, as the Japanese saying goes. These founders gave up their privileged status in favour of one that, although lower in the politically influenced social order, was just as meaningful in everyday life: through their daily work they wanted to contribute to the prosperity of the local community or Japanese society.

In all occupational groups, succession was organised according to the principles of the Japanese *ie* family system: the eldest son continued the family business or, if he was not available for whatever reason, then a younger son. If no biological son was willing to succeed, adoption was a frequently used alternative. A male family member from another branch of the family, such as a cousin, was adopted to take over the management of the family business. If members of more than one family line were involved in the management, priority was given to the stem line and, where deviations to the branch line were needed, the leadership was returned to the hands of a representative of the stem line whenever possible, as seen, for example, at Suntory or Shiseido.

In many longstanding Japanese family businesses, it is common practice for only one child in each generation to remain in the company. Other sons had to choose other paths; Horikin even imposed a condition that they should not seek work in the same industry. The practice of taking only one child into the succession continues to this day in many of the family businesses considered.

Tradition and longevity

In Japan, the continuation of the business and the family behind the family business is a high priority. Social prestige is important not only for the actors involved in long-lived family businesses (*shinise*) but also for the community; longstanding businesses are honoured with special awards¹ by the community. As a result, the business becomes an important part of the family and the personal identity of the family members. Social status is also, thus, dependent on family affiliation.² Therefore, the kinship group behind the family business has a significant interest in continuing the business and keeping it in the family's ownership, and the continuation of the family business can barely be separated from the continuation of the family itself. The high value placed on the continuity of the family business and the business family shows the importance of traditional values in society, linked to religious patterns including ancestor veneration.

Role of religion and ancestor veneration

Although the *ie* was originally established as an economic unit, ancestor worship plays an important role in the continuation of Japanese family businesses (see Chapter 4). Ancestor worship originates in Shinto traditions (see Chapter 3): the heavenly deities are headed by the sun goddess Amaterasu, but the deceased, or

1 Sasaki et al. (2019).

2 Hall (1987).

natural phenomena, are also worshipped as deities (*kami*). Buddhism came to Japan in the 7th century, complementing Shinto traditions and placing great emphasis on the observance of rites after death. Furthermore, Confucian values came to Japan in this early period and play an important role in social norms, for example, in interpersonal and inter-group relationships, where the elders are to be respected. All these perspectives help form social values that strengthen the authority of the elders in the family, the business, and the society.³

Many of the interview partners confirmed that rituals around ancestor veneration are still considered important today. The Buddhist temple in whose cemetery the family grave is located is of particular importance. The head of the family is responsible for the care of the family grave and for the observance of Buddhist rites and rituals. Thus, as reported by almost all interview partners, the family celebrates the Buddhist O-Bon festival of the soul of the dead in August. The New Year is welcomed with a visit to the Buddhist temple, the Shinto shrine or both, to pray for good health, childbirth, marriage, issues relating to one's personal life or that of family members and, in the case of family businesses, also for the well-being of the company. Thus, the preservation of the family business as a component of the family system is a core task that is underpinned by a "ritual mandate". The continuation of the family business, hence, not only strengthens family traditions but also preserves unity with the ancestors.

7.2 Family patterns and decision-making

The patriarchal pattern

Given the focus on the continuity of family and business, it is not surprising that relatively strict rules exist for decision-making, and patriarchal patterns are still prevalent. As seen in the previous chapters, the decision on succession within the *ie* system is made by the head of the family (*koshu*). Linked to this is the decision on the leadership of the family business. All the interviewees confirmed that in the family business the president – whether *shachō* or *kaichō* – decides who will succeed. Externally (*soto*), the president has a supreme decision-making power, which is widely respected and accepted. As a rule, the positions of head of the family and the business management are held by one person, and exceptions are only temporary, generally only in the final stage of the handover process or in the case of absence at the top due to illness or death.

However, there is certainly evidence that other family members are also heard in the informal discussions around decision-making and enforcement. In the

3 Bellah (1985); Hamabata (1990); Hendry (2019).

family firms introduced here, the parents or wife may, for example, suggest that a son be preferred for succession, even if he has an older sister whose husband might also be considered. In other cases, the wife of the *koshu/shachō* may advocate that the sisters of a designated successor receive appropriate training so that they can enter the family business, if necessary, and possibly rise to management – or that all children should receive appropriate training, as in the case of Nakagawa Masashichi Shōten. In other cases, for example at Toraya or Horikin, in addition to the informal involvement of other family members, it is also considered important to ascertain the employees' opinion because they, together with the future successor, will determine the fate of the family business.

In listed companies, the share distribution determines whether the president alone decides on the succession. If the owner's family holds the majority of the shares, the decision-making authority remains in the hands of the family (as in the case of Suntory). In companies such as Shiseido, the situation is different, and the decision is made by the supervisory board, comprised of people from outside the family. Even if the founding family only holds a few shares in the company and can thus no longer be called the owning family, it may – like the Fukuhara family – consider itself a “proud owner” and be seen as such by Japanese society. Such standings or perceptions are of the greatest importance not only in maintaining the image of the brand but also in consolidating relationships with suppliers and employees. Family-related succession issues in prominent listed family businesses are of widespread interest and are publicly discussed in the media, whose opinion can influence decision-making, as seen in the examples of Toyota or Suzuki Motors. The founding family, therefore, has a somewhat different status in the Japanese business community compared to Western economies.

Family cohesion

In terms of interactions within the families of family businesses, we learned that it is important to hold regular meetings. In some cases, outings are held jointly, partly because people enjoy spending time together, as in the cases of the Okaya (Okaya), Ōkura (Gekkeikan) or Fukuhara (Shiseido) families, and partly because it is felt necessary to get to know each other better as the extended family increases, as in the case of the Hamaguchi (Yamasa) family. In the latter case, Sunday family reunions stopped for a while after the former president passed away. To revive the tradition of seeing each other regularly, a female family member started organising regular meetings of all shareholders which have taken place for a few years now.

In the Torii family (Suntory), family meetings have also been held among the wider family circle for several years. The purpose of these meetings is not only for

the family to see each other more often, but for representatives of the “next generation” to learn together about topics important in the family business. The Fukuhara family (Shiseido) is also considering introducing a structured programme for shareholder training. With an increasing number of family members and shareholders (Yamasa), they need a structure to maintain contact with each other and stimulate the interest of the co-owners in the family business to strengthen a shared responsibility.⁴ However, there are also exceptions, such as the Hori family (Horikin), where only one child remains in the company and is therefore closer to the employees than to the family members outside the company.

On the role of women

In Japan, traditionally, many marriages were arranged, and great care was taken in the choice of spouse to ensure that the status of the house was at least maintained or, if possible, enhanced. This pattern is still found today: many marriages are still arranged, even if their number is declining. In most cases, marriages were and are made “according to status”, for example from those of similar age from other trading families. In other cases, the daughter of a samurai family was married into the family, as seen in the cases of the Kurokawa (Gekkeikan) or Hamaguchi (Yamasa) families.⁵

Women had an important role to play: they were responsible for bringing up the successor and also the other children who were to make “good matches”. It was not uncommon for entrepreneurial households to engage children of other traders in a form of apprenticeship, so that their own children grew up and were educated together with their peers in the business. Even when daughters married and then left the parental *ie*, care was taken to ensure that the status of their new family reflected positively on the family business.

In most cases, wives were – and are – not found taking an active management role in the family business. In earlier times, they were responsible for the children’s education in the home, and in trading-related enterprises they helped in the business in various ways. In craft families, it was unusual for the women to be involved in the manufacturing. For example, at the sake producer Gekkeikan, a mother – Ōkura Ei – supported her young son Tsunekichi after her husband’s death but did not run the business herself. A notable exception was Kongō Yoshie, who entered the management, but only having reorganised the business of Kongō Gumi after her husband’s death so that she could oversee part of it as a

4 Rügen, Kleve & von Schlippe (2021).

5 Or Higeta, the company of the brother of the founder of Yamasa, which is now part of the Kikkoman Group; see Chap. 5.3.

woman. She did not become involved in the craftsmanship side and only ran the business until she found a successor who was willing to marry into the family and take over the overall responsibility for managing the family business. The Yamamotoyama company is also a special case. Here there was a regional division between the production of green tea in the Kyoto region, which was considered the task of the men, and the sales in the Tokyo area, which were seen as the women's work. This division of labour between the male and female members of the family was accompanied by a spatial separation of the business areas. However, the overall management was always in the hands of the male head of the family. Nowadays, the picture is starting to change: at Yamamotoyama, the daughter of the CEO Kurokawa Nami manages the branch office in the USA together with her American husband. At Nakagawa Masashichi Shōten, the mother is involved, as she is best placed to continue cultivating long-term relationships with the farmers and the suppliers of the preliminary products, but she is not involved in the management. At Horikin, women have also not been involved in management in the past, but Hori Yuko, the wife of the current president, heads the finance and human resources functions in the family business. Things are different at the traditional inns, where the *okami* supervises the hospitality. For example, since 2019 at the Hōshi Ryokan, the second and unmarried daughter is responsible for running the company for the first time. At Ikenobō, a change in the *iemoto* headship to a first female successor is also going ahead.

Notwithstanding, the role of female family members in the preservation or continuation of family businesses still seems to lie less in the management of the business than in the family. Their priority is producing offspring who become successors to ensure the continuation of the family business tradition, training them, and bringing them up according to the values handed down over generations. Most of the interviewees confirmed that this distribution of roles endures. For example, in the Okaya, Gekkeikan or Yamasa companies, the wives are not involved in the business. With a few exceptions, their mothers and grandmothers would also have kept it that way. However, this sharp separation between business and family may also be surprising in view of the statements that employees are regarded as family members. In other words, the head of the family continues to play the role of the father of the family in the company, but his wife no longer plays the traditional role of bringing up the family. In some interviews, it was said that the wife is not publicly visible in the company. Therefore, the task of conveying the values of the family – and thus of the company – is transferred to the patriarch in such cases. The role of the wife and mother in the family seems to be important still in raising the children, for example, and ensuring that emotional cohesion is maintained within the family, especially since the number of children and thus the number of potential successors is declining sharply.

There is one further issue that should be raised here: daughters were not traditionally considered for succession in the family business but often played an important role as wives of the sons-in-law. In this role, they contributed decisively to the preservation of the bloodline in the family, while the son-in-law took over the leadership of the family business.

Number of children

Until the middle of the 20th century, business families had many children and the sons, in particular, were considered for succession. Indeed, towards the end of the 19th century, child mortality was so high that only the strategy of having enough children helped to preserve the family line. In the companies visited, the eldest son usually succeeded, but in some cases, after the death of the eldest, it was the younger brother and only then a male member from another family line – usually a second-born son.⁶

Nowadays, families often have two or three children but, in some cases, only one. The strategy of allowing only one child to stay in the *ie* as the successor prevails. Where possible, the son takes on the role of successor, or the son-in-law takes on the family's name. However, the declining birth rate, seen since the beginning of the 20th century but especially since the 1960s, does not present an immediate threat to Japanese business families. In most cases, there are several children and, in some cases, the next generation has already announced its intention to succeed or has done so in the meantime, as in the cases of Okaya or Toraya. In some cases, the sons were already working in the company, but the decision about the succession had not yet been made, as in the case of Yamasa. In the remaining cases, the interviewees held out hope that one of their children would succeed them, but they were still too young to make a statement at the time of the interview, as in the case of Horikin or Nakagawa Masashichi Shōten. Whether the number of children of entrepreneurial families is higher than the national average, as has been found for German family businesses, has not yet been investigated for Japan. Presumably, however, this need not necessarily be the case, as adoption is a frequently chosen alternative to ensure succession.

Generation sequence

In the longstanding family businesses surveyed, succession was secured from within the family (“We were lucky that there was always a son”). In the past, the high mortality rate or early death of a successor usually led to another son

6 There may have been cases of infant mortality where the eldest son of age was re-named “the eldest”, as in the case of Shibusawa Eiichi (see Excursus II).

continuing the family business (e.g. Gekkeikan). This son would return to the business family in question after setting up his own household and taking over the position of head of the family and the management of the family business. Some successors initially pursued other professions, which they then abandoned to meet their succession obligations (for example, at Yamasa, Shiseido or Sun-tory).

Generations are counted according to succession in management rather than in the sense of a parent-child logic. If a president vacates the position at the top of the company, and the successor from the original family is still too young to run the company, another family member (brother, cousin, or uncle) joins. Thus, the generation count includes members of a different branch of the family, not just that of the eldest son and his descendants. However, the position of head of the family is usually returned to a child from the line of the founder's eldest son. In cases where this was not possible, the younger brother was adopted and took over the role and functions of the elder brother in the family business, including the succession in the following generations, rather than returning to the line of the elder brother (as, for example, with Gekkeikan or Kongō Gumi).

7.3 Flexibility in the context of rules and tradition orientation

Adoption and marriage

Intra-family succession is a high priority in Japan. It should be emphasised that not only the blood relatives are considered for succession. If the preservation of the *ie* and the company require it, preference is given to a non-blood-line but capable successor and his position in the *ie* is solidified by adoption and a corresponding inclusion in the family register (*koseki*), as in the case of Kongō Gumi or Suzuki Motors, for example. More important than biological kinship is that the family name and family business – the *ie* – are preserved.

For this purpose, a capable son-in-law is brought into the family through marriage. In this respect, it is also accepted that the marriage is strategic and does not follow the Western ideal of a love marriage. It is quite common for a daughter's marriage to be based on this premise. Sometimes, however, it is not only about finding a capable successor for the company – other strategic considerations for the company may play a role: new markets may open up, new business partners become integrated, or complementary qualifications introduced.

Whenever possible, the succession was secured within the family, whether in the family of origin, the extended family or through the adoption of a son-in-law. It has not yet been possible to obtain figures on which of these options occur in

practice and how frequently. Nevertheless, the procedure demonstrates impressively how, in Japan, tradition is handled strategically and flexibly for the benefit of the continuation of the *ie* and the family business.

7.4 Values, socialisation, and involvement in the local community

Education/training

As shown in Chapter 6, the education and training of the successor can be divided into different phases. Education first takes place in the family and the domestic environment. Traditionally, male successors were given a special education, as they had to gain the skills needed for the relevant craft business and rituals of ancestor veneration. In merchant families, too, the successors were given a separate education by their father⁷ while the mother was responsible for teaching the children the rules of social interaction and etiquette. The principle in both is *mite-manabu* (learning by copying).

This form of training is still common today: *senaka wo miru* literally means “looking at the back (and learning from it)” or figuratively “looking over the shoulder”. This term was used in several interviews relating to the form of education that current presidents such as Okaya Tokuichi of Okaya, Ōkura Haruhiko of Gekkeikan or Kurokawa Mitsuhiro of Toraya received from their fathers, and as a recommendation for what future generations should do to learn how to run a business. The daughter of the Kurokawa family at Yamamotoyama also received this kind of training from her father and her grandfather.

Training also occurs outside the family and the company. Traditionally, it was common for the next generation to learn the business elsewhere and then join their father’s company. Since the end of the 19th century, training at a university has been added, often in a company-related topic, such as banking (Gekkeikan) or management (Okaya, Toraya, Yamasa). However, university education does not necessarily have to be related to later employment in a company. Here, the children are encouraged to choose their subject independently, regardless of whether they later join the family business (Nakagawa Masashichi Shōten). In some cases, the successors have worked in another company after graduating from university (Gekkeikan, Nakagawa Masashichi Shōten) and have been able to bring what they have learned elsewhere into their own company. Finally, periods spent abroad are considered useful in preparing for succession (Horikin, Okaya,

7 Sone (2010, 2015).

Suntory, Toraya), as are programmes that systematically prepare for succession (Okaya).⁸

Employees as family members

The statement that employees are regarded as family members and are treated as such runs like a red thread through all the interviews. The view was previously held by earlier founders and the principle remains true. At times when the employees still lived with the family under one roof, it was customary to eat together. In those days, the wife of the family head was responsible for ensuring good education and appropriate behaviour.

As family businesses became larger, a spatial separation between family and business occurred, although many families still live near their business (Gekkeikan, Horikin). In companies of a certain size, the spatial distance between work and home increases (Okaya, Yamasa). All the interview partners emphasised the importance of the employees in the success and continuity of the company. People who feel good about themselves enjoy coming to work, so care is taken to involve the employees in company matters. Regular exchanges about work are organised, including opportunities for the discussion of confidential matters. Even festivals are celebrated together with the employees, including the New Year's festival or the O-Bon festival (Gekkeikan, Horikin, Okaya, Suntory), and shrine or temple visits, which are not obligatory (Toraya). Some rituals are held communally, such as a memorial service for the deceased relative of an employee (Okaya), a pilgrimage to the shrine located on a mountain, or the seasonal hanging of the cedar ball *sugi-dama*⁹ (Gekkeikan). Gifts from the company president on special occasions, such as marriage or childbirth, are also common practice.

In several cases, employees hold shares in the company. Share programmes were introduced by the fathers or grandfathers of the current presidents at the beginning of the 20th century, sometimes to avoid having to rely on banks after or in the event of a crisis and in other cases to express their appreciation towards the employees. This is intended to convey that the family business does not only belong to the family, that its success across generations is the responsibility of those in charge but that this cannot be achieved without the efforts of the employees, who are indispensable for the operational success of the business. This special "symbiosis" is particularly evident in succession planning activities. Here, several members of the company (in larger companies, the top management) are integrated into the process of guiding, training and introducing the successor to

8 www.henokiens.com/content.php?id=1&lg=en (last accessed 20.5.2022).

9 For explanations of both rituals, see Chap. 5.2.

the company. The success of the succession thus also becomes a central concern for employees.

The community responsible for the family business extends to the employees' family members, who are included on certain occasions (Okaya, Horikin, Toraya). This creates an emotional bond which has a positive effect on the working atmosphere.

It is, thus, clear how important so-called human capital – the relevant human actors – is for the longevity of the family business. The success of the trans-generational project is not exclusively dependent on the owner family, but also concerns the employees and their families. Owners and employees form a responsible community, whose members support and stabilise each other.¹⁰ For example, among the employees, children may follow their parents into the company, so that succession processes can be seen here as well (Horikin). This leads to a strong cohesion within the workforce and increases its identification with both the company and the business family.

Engagement with the local community and society

The circle of the family business becomes even larger when the local environment is included, which happens in a particular way in Japanese family businesses. All the interviewees expressed how much the family business feels a sense of belonging to the region in which it has been located for generations. This appreciation of the local community was and is expressed in various ways. Visits to shrines at New Year are an expression of attachment to the local deity. This ritual was followed in all family businesses and highlights the different character of this religiosity compared to Western beliefs (Nakagawa Masashichi Shōten).

In many cases, a sense of responsibility to the community is regarded as essential for the success of a company and its continued existence over generations. Examples of how presidents of family businesses have been involved in local community activities were mentioned several times (Gekkeikan, Yamasa), including providing rice and money to distressed areas after natural disasters.

It is also customary to donate to educational institutions on special occasions such as a milestone anniversary. This applies to schools in the vicinity that the company's children or those of its employees attend and to Buddhist (family) temples or shrines, which in Japan are financed exclusively by donations. Hospitals are also supported or, in the case of Suntory or Yamasa, established. The promotion of cultural institutions (Suntory Hall) or national cultural assets such

10 This has given rise to the principle of "lifelong employment" in modern companies, which was discussed in Chap. 2.6.

as Nagoya Castle (Okaya) or the Munakata Grand Shrine¹¹ (Idemitsu Kōsan) should also be mentioned. Horiguchi Goryō (Yamasa), whose courageous efforts saved the local population of Inamura from a tsunami and who subsequently had a protective wall built, is mentioned again here, as this commitment is now even cited in Japanese school textbooks.

Japanese family-owned companies not only provide support in the form of donations; they also aim to make an innovative and sustainable contribution to the advancement of society in their research (Gekkeikan, Shiseido, Suntory, Yamasa). They see their commitment to the local community as an obligation derived from various sources. Importantly, there are the traditional values handed down from ancestors to descendants in family constitutions. The rules of conduct listed here have always included cultivating Shinto and Buddhist rituals, treating employees like family members, respecting the authorities and treating the local community with gratitude, because it is only by using its resources that family businesses have been able to survive over the centuries. The deep rootedness of the family business in the local community is thus also vital, leading not only to the recruitment of labour, but also to an interaction with the community, which can be of enormous importance in the event of disasters.

The traders from Ohmi province are known for this philosophy of *sanpō yoshi* or “win-win-win”, that is, “good for the seller, good for the buyer, good for the world”, but this kind of philosophy can also be found in the family constitutions of other family businesses, such as that of Mitsui. The commitment to the local environment or, more broadly, to society, and a belief that this is a value to be preserved and maintained, was mentioned in all interviews. The high value placed on education, including a knowledge of the Chinese classics, has also influenced the mottos of many family businesses, even if not always as explicitly as in the name of the family business Shiseido.¹² Similar values are written down

11 Idemitsu Kōsan is Japan’s second largest oil and energy company. Founded in 1909 as a trading company for lubricating oils, it was converted into a joint-stock company in 1911. The founder, Idemitsu Sazō (1885–1981), was unusual in treating employees as members of the family: there were no official rules on retirement; whoever wanted to work was kept on. This arrangement was only changed after the death of the founder in accordance with current labour laws (Shimamoto, 2013). Sazō was very committed to Shinto and used his own funds to finance the restoration of the Munakata Grand Shrine – the second-highest ranked shrine in Shinto – in his hometown, thereby helping the society to preserve its history. The author owes this reference to her former colleague from the Institute for International Economic Research, Tōkyō, Mr Okazaki Tomomi (email correspondence October–December 2020); see also Caspary & Herrmann-Pillath (2022).

12 Although not directly related to family business, these thoughts also led Shibusawa Eiichi to formulate his notion of “Japanese capitalism” that uses capital for business to serve the greater good and not just accumulate profits for the benefit of the individual entrepreneur. He was seeking to describe an alternative to Western capitalism, which focuses solely on profit maximisation for individuals; see Excursus II, and Moriya (2010), p. 16.

in many family constitutions – and it is to these values that Japanese companies are turning as they seek a way out of the recession that followed the bursting of the speculative bubble in the mid-1990s and the global financial crisis caused by the collapse of Lehman Bank in 2009. The Japanese government has also referenced Shibusawa's ideas by depicting his likeness on 10,000-yen notes from 2014 onwards, thus promoting his ideas of an economic form for the common good (*gappo-shugi*¹³) in Japanese society. The preservation of traditional values in combination with the pursuit of innovative technologies for the benefit of society is a pattern that is lived out in Japanese family businesses and has helped them to achieve longevity. The local business and the social community are intertwined in a tightly woven web and are seen and respected as pillars of society. What is often seen in the West with suspicion as corruption and “local cronyism” has a centuries-old tradition of mutual give and take in Japan.¹⁴

Networks and earthquake resistance

In all the companies studied and interviewed, it was striking how frequently and intensively the importance of social relationships was emphasised. The social networks that exist between the family business, the business family, the employees, the local community and also the customers, business partners and suppliers are considered particularly valuable and extremely important.

One of the experts with whom the WIFU team talked during the research trip told us, for example, that in his opinion, the Japanese car industry is not expanding electromobility as intensively as in other countries because the production of electric cars would fundamentally call into question established business relationships with supplier companies. The mechanics of electric motors are far less complex than those of internal combustion engines, so certain industrial partnerships would no longer be needed when switching to these motors. However, these partnerships are seen as social network relationships that must be respected and continued.¹⁵ Since the mid-1990s, the Japanese automotive industry has been focusing on the development of internal combustion engines powered by hybrid fuel cells.¹⁶ This allows the corporate networks that have

13 See Excursus II.

14 See the comments in the next paragraph; that this is indeed a state-protected link can be seen in relevant works on Japanese industrial policy, for example Caspary (2003a), pp. 10–12; Klein & Kreiner (2019), p. 436f; Johnson (1986).

15 Network relationships are referred to as *keiretsu* and developed after the Second World War in part from supplier relationships between large enterprises and many small enterprises; see Chap. 2.6.

16 With the Prius, Toyota is the world market leader in hybrid technology, which combines the combustion engine with a battery drive (https://de.wikipedia.org/wiki/Toyota_Prius). Toyota had thus already adopted this new technology at the end of the last century and has slowly

grown up to remain intact and all the companies involved in the respective networks can (at best) benefit from the corresponding innovations in the development of new types of internal combustion engine.

This unusually strong emphasis on social relationships and networks suggests that social dimensions are placed before economic interests: maintaining social relations appears more important than the potential economic benefits which could result from the development of new technical innovations, for example. The classic growth mindset that generally prevails in the market economy was also not observed in the self-descriptions of the Japanese family entrepreneurs. Rather, self-limitation and satisfaction with the status quo were cited. How can these phenomena be explained?

One hypothesis is that the special importance of social relations in the Japanese economy and the growth-neutral perspective of entrepreneurs may be connected to the country's specific geographical location. Japan is part of the Pacific Ring of Fire and may be hit by an earthquake at any time. The people who live there have already experienced many such earthquakes – sometimes mild, but more often severe to catastrophic, for example, the Great North Tajima Earthquake (report at Koman, 5.10.2). Tsunamis triggered by these earthquakes repeatedly threaten life on the coasts (tsunami of Inamura, Yamasa, Excursus V), and typhoons sweep across the island kingdom every year (reports of flooding at Gekkeikan). After such catastrophes, the task is to rebuild together what has been destroyed. In such situations, it is crucial to have binding social relationships on which people can rely, which form sustainable support networks in which individuals are integrated and by which they are held. This appears to be a plausible explanation for the unusually strong social network orientation of Japanese family businesses and entrepreneurial families.

prepared its suppliers to switch to alternative drive technologies. By 2030, the production of combustion engines will be discontinued in Japan and the country is targeting net zero emissions by 2050 (<https://www.handelsblatt.com/politik/international/energiewende-japan-will-bis-mitte-der-2030er-jahre-autos-mit-verbrennermotoren-verbieten/26749174.html>).

Chapter 8.

Outlook: Challenges facing Japanese family businesses today

In the previous chapters, we looked at many aspects of longevity in Japanese family businesses. The challenges that Japanese family businesses faced have varied over the centuries: political, economic, or social upheavals have forced them to rethink; natural disasters such as earthquakes, tsunamis or floods have threatened the continuity and ability to pass on what they earned, and illnesses and sudden deaths have hit families and businesses unexpectedly. These varied levels of external and internal influences on the intergenerational continuity of the family and the business have already been examined in other cultural contexts and addressed in several publications.¹ With the information we have gained through this research, we have attempted to identify the specific factors behind the longevity of Japanese family businesses.

Since the WIFU research team began research on Japan in 2018 and conducted its own interviews with representatives of longstanding family businesses in Japan in April 2019, two major crises have shaken the world: the outbreak of the Covid-19 pandemic in March 2020 and the Ukraine war in February 2022. Both crises pose major challenges for many family businesses around the world.

A quantitative study conducted by the Institute of Centennial Research in Tokyo in May 2020 revealed that Japanese family businesses managed to navigate the pandemic crisis better than non-family-owned companies² In Autumn 2021, online interviews with longstanding Japanese family businesses were conducted in a joint WIFU project with partners in Japan.³ The results revealed that, although it is the job of an entrepreneur to manage difficult situations, the current generation in top management has rarely had to cope with upheavals on such a

1 Astrachan et al. (2002); Rösen, Kleve & von Schlippe (2021); Sharma (2005); Simon, Wimmer & Groth (2005); von Schlippe, Groth & Rösen (2019); Zellweger (2012).

2 Gotō Toshio, Institute of Centennial Research; see Caspary, Gotō & Morishita (2022).

3 The online interviews with six longstanding family businesses were conducted as part of the joint German-Japanese project on “Narratives of Survival” by Sigrun C. Caspary (WIFU), Gotō Toshio and Morishita Ayako (both from Japan Economic University, Tōkyō) from October 2021 to January 2022. One of the interview partners was Hiuke Tamio, CEO of Koman (5.10.2).

scale. Restrictions in public life due to pandemic control measures have had a profound impact on interactions and behaviours. Nevertheless, some optimism was expressed that the businesses would be able to overcome even this severe situation. Many family businesses reacted immediately to the requirements, quickly developed suitable solutions, and implemented them without delay.⁴

In all the interviews with long-lived family businesses, the participants expressed that keeping the family business in the hands of the business family is at the centre of their efforts: the *ie* is the economic basis of the family's existence, and the preservation of the *ie* is thus essential for the continuity of the family business. This prioritisation is supported by an environment that is shaped by religious, philosophical, and social values. For knowledgeable readers, this may not sound unexpected in the context of family businesses, especially when considering the longevity of family businesses in different countries and regions: the respective cultural imprints of the notions of family, cross-generational transfer of wealth and responsibility and social embedding lead to specific forms of transgenerational entrepreneurship.

Perhaps this book presents an important insight, in that in Japan, too, despite the wide heterogeneity of family businesses, this type of business has a specific cultural imprint. The logic of subordinating everything to the preservation of the *ie*, even transferring responsibility, if necessary, outside the blood relationship, is a core distinguishing feature in the success of longstanding Japanese family businesses.

It will not always be easy for listed family businesses to follow this ideal pattern of family business ownership, as can be seen in the example of Shiseido (see Section 5.8). The expansion of the business into world markets was only made possible by a considerable reduction of the family's influence over the company's fortunes. In this case, the well-being of the company took precedence even over the family principle. Nevertheless, it is possible to ensure that the founder's visions are sustainably anchored in the company's philosophy and thus preserved visibly for posterity. The model of the "proud owner" is certainly one that family businesses must have in mind in prioritising company growth above co-creating family influence. However, the idealistic imprint of the founding family on the business remains, even if the family's influence on the management of the business is considerably reduced.

The alternative chosen in this case – to radically change the business model and transform the family business into a "tenanto"⁵ in the "rental business" –

4 Interviews with Koman's Hiuke CEO on 17 November 2021 (remote) and 25 September 2022 (on-site). Further findings of the research on Kinosaki Onsen presented by Caspary, Goto and Morishita at EURAM; see respective EURAM Conference Proceedings 2022.

5 *Tenanto* is the Japanese term for a property owner who lives off rental income.

perpetuates a trend mentioned in the first chapter⁶ which will probably intensify in the future: the high inheritance tax rate of 55 per cent⁷ makes it increasingly difficult to pass the family business on to the next generation. The case studies presented here show that the strategy of expanding the business through internationalisation – whether through the establishment of trading branches as in Okaya (Chap. 5.1), through its own foreign production facilities as in Yamamotoyama (5.4), or acquisitions abroad as in Suntory (5.8) – is chosen by very different companies in different sectors. Only time will tell whether it will be possible to convince political decision-makers to reconsider the level of inheritance tax to ensure the survival of traditional family businesses.

As explained above, the majority of longstanding family businesses in Japan are not listed on the stock exchange but are still wholly or predominantly owned by the founding family. For this reason, we looked at alternative development paths to the pure growth orientation of listed companies. It quickly became clear to the WIFU research team that the Japanese *ie* family system is the central criterion when considering the “Methuselah factor” in longstanding Japanese family businesses. Related to this, several socio-cultural factors can be identified as having contributed to the longevity of family businesses, linking the owning family with its business and the surrounding society in a “community of fate”. The view that the continuation of the family (and thus of the business) is not solely dependent on one’s natural offspring but that it is a tradition, many centuries old and practised in all strata of the population, to keep open the option of adoption, is certainly a pattern that would not easily transfer to other cultural contexts.

A characteristic also frequently encountered is the decision not to risk the family’s loss of control through the decline of shares and, therefore, to maintain a certain size of business – in other words, a deliberate strategy to remain relatively small. Although the optimal size for a business has been redefined in each generation – in some cases even leading to a reduction in the business, such as Koman in the mid-19th century after the smallpox epidemic (5.10.2) – in the cases considered here, it has ensured the survival of the family business. Too much growth does not suit all traditional businesses, as the 46th generation Zengorō of the Hōshi (5.10.3) had to admit. He has long regretted his unwise decision to expand, caused by what he described as “greed for size”. This example shows particularly clearly that the tightrope to be walked between tradition and innovation continues to be a major challenge. Only the future will show whether and how this strategy can be maintained in an increasingly globalised and digitally networked world community. Here, too, the question arises of a specific

6 See the business of “Office Rental”, Chap. 1, Tab. 3, p. 29.

7 Cole (2015); Okamoto (2004).

Japanese path that combines promising opportunities with deliberative alternatives for action.

Another characteristic is the perception, derived from the *ie* tradition, of employees as family members. More important than growth at any price or the distribution of the highest possible dividends is a focus on the well-being of the people who work in the family business. This appreciation of employees is transferred to their families and, thus, also the local environment and brings important resources to the family business in the form of people, resources and assets.⁸ The importance of the local area in longevity was emphasised in all the interviews. It is reflected in the handling of resources and the emphasis on a sustainable relationship with nature, as found in early family constitutions. A reconsideration of the correct strategy to address contemporary challenges and take the business into the next generation must take place anew in each generation: this is the narrative that, according to the interviewees, the senior members also tell their children and grandchildren. Traditionally, sons were the focus of the business succession. Daughters were indirect guarantors of longevity, married to bring suitable sons-in-law into the family. Both practices have come under pressure for some years in an ageing society where birth rates are declining, and it is becoming increasingly difficult to find sons-in-law willing to join a traditional family business. This could offer greater opportunities for daughters to become successors if they so wish and provided they have received appropriate education and encouragement from their parents from an early age. The examples of daughters in business mentioned from the oldest family businesses in the world – Hisae from the Hōshi (10.5.3), Nami from Yamamoto (5.4) or Senko from Ikenobō (Excursus III) – are encouraging, even if they are still the exceptions.

It is still remarkable how such companies continue to succeed in identifying the family with the company and in keeping alive an appreciation of the founder's family values among the workforce, customers, business partners and society. They somehow seem to follow the *sanpō yoshi* philosophy of the Ohmi traders: "Good for the seller, good for the buyer, good for the world".⁹ Long-lived family businesses succeed in giving the next generation the freedom to find their own way, declare themselves ready for succession, and handle succession responsibly.

8 Isagai (2016), p. 156, names the components *hito* (people), *mono* (things), *kane* (money) and *jo* (information) as the most important resources of a company, to which locality (*ba*) is added as the fourth.

9 Suenaga (2019). This philosophy was first termed *sanpō yoshi* in 1931 by the founder of Reitaku University Hiroike Chikusō: "*jibun yoshi, aite yoshi, daisansha yoshi*" (roughly translated: good for oneself, good for partners, good for third parties), according to Prof. Ohno Masahide in a lecture on 17.04.2019; see also Ohno (2012), p. 241.

Family role models such as Hamaguchi Goryō of Yamasa (5.3, Excursus V) or Ōkura Tsunekichi of Gekkeikan (5.2), and mottos such as “*yatte minahare*” (“Go for it! You won’t know until you try”) at Suntory (5.8) serve to pass on narratives about the company’s values and convey to descendants a positive sense of responsibility to continue the family business. It is an obligation felt not only to parents or ancestors but also to the society to which one is indebted. “We owe a lot to society because it has enabled the family and the business to continue for many years.” Such sentences may seem sentimental but were expressed earnestly and sincerely by all interview partners, regardless of their age. This gives us hope that the resilience acquired over centuries by overcoming crises will enable long-lived family businesses to pass their traditions, values, and innovative strength on to the next generation in a sustainable way.

The specific Japanese solutions of the past, as outlined above, create challenges that will need to be monitored in the coming years and decades.

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This book summarises the key findings from our research project on the longevity of Japanese family firms. The project was initiated by Tom A. Rösen after a meeting with Professor Gotō Toshio at the IFERA conference in the summer of 2018, where they exchanged ideas on longevity patterns in family businesses. At WIFU, a team of researchers then formed the WIFU-Japan Project to look more closely at the background to the development of long-lived Japanese family businesses. The research team consisted of Tom A. Rösen, Rudolf Wimmer, Heiko Kleve, Tobias Köllner, and Sigrun C. Caspary. What was special about it were the disciplines brought together within it, which included expertise in business management, sociology, anthropology and Japanology. The Japan project aligns with WIFU projects already conducted on family businesses and entrepreneurial families in other countries and regions, such as India and China.

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- Hamaguchi Michio (Yamasa Corp.)
- Kurokawa Mitsuhiro (Toraya Co., Ltd.)
- Yamamoto Kahei (Yamamotoyama Co.)

1 See <https://www.henokiens.com/index.php?lg=en> (last accessed 21. 11. 2021).

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2 <https://eng.moralogy.jp/> (last accessed on 03.05.2021).

3 On the visit of the WIFU delegation to Reitaku University, see <https://www.reitaku-u.ac.jp/news/event/69187/> (last accessed 03.05.2021).

4 <https://www.reitaku-u.ac.jp/news/news/1775838/> (last accessed 03.05.2021).

We hope that what we have written in this publication will provide many other family businesses and members of entrepreneurial families, as well as the interested public, with valuable insights into the cultural influences that have fostered family business longevity in Japan.

If reading this book has given the reader knowledge, suggestions, and insights regarding patterns for success in the longevity of family businesses, the hopes of the authorial team will have been fulfilled.

Glossary

Note: Terms capitalised in the book are also capitalised here, e.g. Shinto.

Azuchi-Momoyama period	Period of the three “Great Unifiers” (Excursus I) from 1573 to 1600, named after the locations of the castle residences of Oda Nobunaga in Azuchi (Shiga Prefecture) and Toyotomi Hideyoshi in Momoyama (Fushimi/Kyoto respectively)
<i>ba</i> , <i>-ba</i>	Literally “place”; “place”, also as an appended syllable <i>-ba</i> , as e.g. in <i>shoku-ba</i> (“workplace”)
<i>bakufu</i>	Literally “tent government”, military government (1192–1868) -> <i>shōgunate</i>
<i>bantō</i>	Literally “chief supervisor”, used by merchants or money changers (-> <i>shōmin</i>) until the end of the 19th century. Term for office manager, managing director or authorised signatory
<i>bekke</i>	Literally “forming a collateral line” of the main family (-> <i>honke</i>) of a household -> <i>ie</i> , -> <i>bunke</i> , -> <i>renke</i>
<i>bentō</i>	Japanese food box in which the dishes are separated from each other by partitions
<i>bon</i>	Buddhist festival to honour the spirits of one’s ancestors -> O-Bon
<i>buke</i>	Japanese hereditary military nobility (until 1868) (-> <i>kuge</i>)
<i>bunke</i>	Branch family of a household -> <i>ie</i> , -> <i>honke</i> , -> <i>renke</i>
<i>bushi</i>	Literally “warrior”, “knight”, military nobility, more commonly used in Japanese than -> <i>samurai</i>
<i>bushidō</i>	Literally “The way of the warrior”, philosophy of the Japanese warriors -> <i>bushi</i> , -> <i>samurai</i>
<i>butsudan</i>	Japanese Buddhist house altar
<i>chōki sonzoku</i>	Japanese for “longevity”
<i>chōnin</i>	Literally “city dweller”, in the -> Edo period it encompassed the merchant and artisan classes, as distinct from the -> <i>samurai</i> , -> <i>bushi</i> or farmers (<i>hyakushō</i>), -> <i>shī-nō-kō-shō</i>

<i>daimyō</i>	Literally “large private landowner”, feudal lord (until 1868) in a feudal estate or domain assigned by the -> <i>tennō</i> or the -> <i>shōgun</i>
<i>-dera</i>	Japanese suffix for Buddhist temple -> <i>tera</i> , -> <i>-ji</i>
<i>dōzoku</i>	Extended family group of the -> <i>ie</i> , comprising both stem (-> <i>honke</i>) and branch families (-> <i>bekke</i> , -> <i>bunke</i> , -> <i>renke</i>)
Edo	Name of the city of Tokyo until 1868, the seat of the -> Tokugawa <i>shōgunate</i>
Edo period	1600–1868, period of government by the <i>shōguns</i> of the Tokugawa family, therefore also called the -> Tokugawa period
<i>en</i>	Japanese term for currency -> <i>yen</i>
<i>gappōn-shugi</i>	Developed by Shibusawa Eiichi (Excursus II) in the Meiji period as a contrast to Western capitalism: the “theory of community money” was an Asian economic form based on Confucian values, according to which companies and banks used capital accumulated by the population for investment in infrastructure etc. for the benefit of society
Ginza	Literally “silver guild”, originally a settlement of money changers, today a main boulevard in Tokyo
<i>giri</i>	Literally “sense of duty, obligation, virtue, moral conduct” derived from family and interpersonal relationships (-> <i>on</i>)
<i>gumi</i>	Literally “group”, “team”, used until the end of the 19th century for small businesses with a “team” for the business in question, e.g. Kongō Gumi (Ch. 5.10.1)
Heian period	794–1185, seat of government in present-day Kyoto (literally “peace, harmony, tranquillity”)
Heisei period	1989–2019, reign of <i>tennō</i> Akihito (b. 1933), emperor emeritus, literally “peace everywhere”
<i>honne</i>	Literally “original tone”, true intention, real attitude, true face -> <i>tatemae</i>
<i>hotoke</i>	Japanese term for “Enlightened Buddha” (Shakyamuni), also used for a Buddha statue or soul of the deceased
<i>ie</i>	Japanese term for “house, household, family”, originally regarded as an economic unit (see Chapter 4), -> <i>ie-seido</i> (in the sense of household)
<i>iemoto</i>	Literally “origin of the house”, school for traditional arts organised like an -> <i>ie</i> , also used for the head of the school (-> Excursus III)
<i>ie-seido</i>	Literally “household system”, structure of the family tribes (-> <i>bunke</i> , -> <i>honke</i>) in the household (-> <i>ie</i>), also -> <i>dōzoku</i>
<i>ikigai</i>	Literally “meaning of life”, passionate occupation, meaningful purpose in life

<i>-ji</i>	Suffix for Buddhist temple (-> <i>tera</i>) in Sino-Japanese reading
<i>jingū</i>	Grand shrine, e. g. of Ise -> <i>taisha</i> , -> <i>jinja</i>
<i>jinja</i>	Shinto Shrine, literally “seat of the -> Shinto deity”, -> <i>jingū</i> -> <i>taisha</i>
<i>jōkamachi</i>	Literally “city-under-the-castle”, castle towns of the -> Sengoku and -> Edo periods
<i>kabu</i>	Japanese term for shares, company shares
<i>kabushiki kaisha</i> , also <i>kabushiki kaisha</i> or <i>kabushiki-gaisha</i>	Literally “joint-stock company”, abbreviated to k. k. or K. K.; in English, Corp. (US) or Co. Ltd. (UK)
<i>-kai</i>	Literally “meeting, gathering, assembly”, also for institutionalised meetings such as conferences or associations
<i>kaichō</i>	Literally “chairman”, in companies, used as the title of the chairman of the supervisory board, often referred to as “chairman”, but also as “honorary president” (-> <i>shachō</i>)
<i>kaidō</i>	Literally “trade route”, e. g. Tōkaidō from Edo to Kyoto
<i>kaisha</i>	Literally “firm, company, trading company”, translated under English law as “company”, under American law as “corporation” -> <i>kabushiki kaisha</i>
Kamakura period	1185–1333, seat of government of the first <i>shōguns</i> of the Fujiwara family in Kamakura (south of present-day Tokyo)
<i>kami</i>	Literally “deity”, but also “divinity” or “the sacred”; the deities and spirits worshipped in Shinto, also used for the souls of the deceased as well as for gods of other religions
<i>kamidana</i>	Literally “shelf of the gods”, Shinto house shrine, usually placed high up under the ceiling
<i>kana</i>	Japanese term for syllabary
<i>kanji</i>	Chinese characters
<i>kanreki</i>	60th birthday, fulfilment of the cycle according to the Chinese calendar -> <i>onmyōdō</i>
Kansai region	Osaka-Kōbe region with Kyoto and the prefectures of Nara, Wakayama, Hyōgo and Shiga, also known as the Kinki region in Japanese
Kantō plain	Largest plain in Japan, including the capital; one-third of Japan’s population lives here today
Kantō region	Region of Greater Tokyo-Yokohama with the adjacent prefectures of Chiba, Gunma, Ibaraki, Kanagawa, Saitama and Tochigi
<i>kazoku</i>	Japanese family (in the sense of nuclear family) (not to be confused with <i>kazoku</i> for the Japanese nobility which is written with different characters)

<i>keiretsu</i>	Literally “system, series, a grouping of enterprises, order of succession”, usually referred to as “economic network of enterprises”; the companies in the groups are linked by the same name, a common house bank and the crossholding of shares (successor networks of the -> <i>zaibatsu</i> ; see Chap. 2.6)
<i>ki</i>	Japanese term for spirit, willpower, but also for being, personality, enthusiasm, feeling/emotion, attention, sympathy, atmosphere or mood (-> <i>kimochi</i>).
<i>kigyō shōkei</i>	Company succession
<i>kimochi</i>	Literally “having spirit”, mood, attitude (physical and mental) state of mind, attention to others
<i>kō</i>	Literally “thought, opinion, attitude”; used in the sense of “filial piety” and based on Confucian ethics as well as Buddhist ethics; ethical and Buddhist teachings; reverence of children for their parents based on gratitude and reciprocity
<i>kōhai</i>	Literally “successor” in the sense of junior or younger among colleagues or fellow students, -> <i>sempai</i>
Kojiki	Literally “record of ancient events”, historical chronicle from the year 712, contains, among other things, the history of the origin of Japan (Chap. 2.2, -> Nihonshoki)
<i>koku</i>	Japanese unit of measurement, corresponds to approx. 180.37 l as a unit of volume or 0.278 m ³ as a volume of wood ≈ 278 l
<i>koshu</i>	Literally, the “head of the family”, whose name is listed first in the family register (-> <i>koseki</i>)
<i>komon</i>	Literally “adviser”, in companies often long-serving employees or patriarchs after leaving the company management
<i>koseki</i>	Literally “family seat”, family register, historically kept in temples with the personal data of the household, nowadays important for marital status and inheritance law issues
<i>ball</i>	Japanese court nobility that emerged from the -> <i>Uji</i> , headed by the -> <i>tennō</i> ; in contrast to the military nobility (-> <i>buke</i> , -> <i>daimyō</i> , -> <i>shōgun</i>)
<i>kura</i>	Japanese term for wooden building used as a storehouse
Kyoto	Japanese city in central Japan (-> Kansai region), formerly Heian (794–1192); until 1867 seat of the Japanese emperor -> <i>tennō</i>
<i>matcha</i>	Green powder tea (-> tea ceremony)
<i>matsuri</i>	Japanese term for shrine or folk festival, often used with courtesy prefix -> <i>o-matsuri</i> (-> <i>o-</i>)

Meiji period	1868–1912, reign of the Meiji <i>Tennō</i> (1852–1912), re-location of the capital from Kyoto to -> Edo or -> Tokyo, shift from feudal society to the modern era
<i>mibun-seido</i>	Class system of the Japanese feudal period -> <i>shi-nō-kō-shō</i>
<i>mite-manabu</i>	Literally “to see and learn”, learning by imitation
<i>miyadaiku</i>	Literally “palace builder”, master woodworker for the construction of palaces, -> Shinto shrines and temples
<i>muko</i>	Japanese term for groom, -> <i>yome</i> , -> <i>yōshi</i>
<i>muko yōshi</i>	Japanese term for adopted son-in-law -> <i>yōshi</i> , -> <i>yome</i>
<i>nengō</i>	Government motto valid for the entire reign of an emperor since 1868 that becomes the posthumous name of the -> <i>tennō</i>
Nihonshoki	Literally “Chronicle of Japan in individual writings”, also Nihon Shoki or Nihongi (720), -> Kojiki or Chap. 2.2
<i>ningen kankei</i>	Literally “interpersonal relationships”, the basis for the formation of personal networks
<i>nobemai</i>	Additional tax in the -> Tokugawa period or -> Edo period
<i>noren</i>	Divided curtain in front of the shop/store, usually with logo
<i>nori</i>	Japanese term for seaweed
<i>o-</i>	Polite prefix “honourable”, e.g. -> O-Bon, -> <i>o-matsuri</i> , -> <i>o-tera</i>
O-Bon	Buddhist festival of the soul of the dead (-> <i>bon</i>) in July in the -> Kantō region or in August in the -> Kansai region and Western Japan
<i>onmyōdō</i>	Japanese system of cosmology, doctrine of the five elements
<i>o-matsuri</i>	Shinto shrine festival, -> <i>matsuri</i>
<i>omotenashi</i>	Japanese term for hospitality, hosting
<i>on</i>	Japanese term for sympathy, compassion, favour, grace, mercy, charity, -> <i>kō</i> , -> <i>giri</i>
<i>onsen</i>	Literally “hot spring”, also called <i>yu</i> ; hot spring-fed bath
Osaka	Large city in the -> Kansai region with a castle designed by Toyotomi Hideyoshi after the castle of -> Azuchi; since the 16th century, Japan’s trading centre and the seat of the first stock exchange; today Japan’s third largest city after Tokyo and Yokohama
<i>o-tera</i>	Buddhist temple (-> <i>tera</i> , -> <i>-ji</i>)
<i>o-yome</i>	Daughter/wife marrying into another household
<i>rakuza</i>	Also <i>rakuichi</i> , marketplaces officially recognized by Oda Nobunaga in the -> Sengoku period
Reiwa period	Since 1.4.2019, reign of the incumbent -> <i>tennō</i> Naruhito (b. 1960)

<i>renke</i>	Household associated with the parent house, -> <i>ie</i> , -> <i>honke</i>
<i>ryokan</i>	Traditional Japanese inn
<i>rōnin</i>	Masterless -> <i>samurai</i>
<i>sadō</i>	Literally “tea way”, also <i>chadō</i> or <i>cha no yu</i> ; philosophy of life based on drinking green powdered tea (-> <i>matcha</i>) according to Zen Buddhist rituals (-> tea ceremony)
<i>sake</i>	Japanese term for rice wine, also used as a synonym for alcohol in Japanese
- <i>san</i>	Suffix salutation for “Mr” or “Mrs” (-> <i>sama</i>) in everyday language
- <i>sama</i>	Suffix form of address for “Mr” or “Mrs” (-> <i>san</i>) in polite language
<i>sararīman</i>	Also <i>sarariman</i> , anglicism for Japanese office workers
<i>samurai</i>	Literally “warrior”, in feudal times a sword-bearing retainer, more commonly used outside Japan as -> <i>bushi</i>
<i>sankin-kōtai</i>	Alternating residences between Edo and their home provinces for -> Daimyō in the -> Tokugawa or -> Edo period
<i>sanpō yoshi</i>	Ohmi traders’ philosophy: “good for the seller, good for the buyer, good for the world”
Sengoku period	Literally, the “warring states’ period” (<i>sengoku jidai</i>) from 1477 to 1573 at the -> Azuchi-Momoyama time of the three “Great Unifiers” (Excursus I)
<i>sempai</i>	Literally, the “elder” or senior, used among colleagues, pupils and fellow students who are responsible for the training of the younger (-> <i>kōhai</i>) in the group
<i>sensei</i>	Literally “first or forerunner”, teacher, preceptor
<i>shachō</i>	Japanese term for company president/company owner/ boss/ director, mostly translated in English as “president”, -> <i>kaichō</i>
<i>shinise</i>	Literally “long-established company, business rich in tradition”, usually over one hundred years old and family-owned
<i>shi-nō-kō-shō</i>	Four-class system in the -> Tokugawa or -> Edo period: <i>shi</i> = warrior (-> <i>bushi</i> , -> <i>samurai</i>), <i>nō</i> = farmer, <i>kō</i> = craftsman, artisan, <i>shō</i> = merchant, trader (-> <i>chōnin</i> , -> <i>mibun-seido</i>)
Shinto	Literally “Way of the gods”, indigenous Japanese belief -> <i>kami</i>
<i>shōgun</i>	Literally “great general defeating the barbarians” (full title: <i>seii taishōgun</i>), dating back to the 8th century, used from 1192 to 1868 as a (hereditary) military title for the supreme commander of the -> <i>samurai</i> , who held the military and political leadership of the country on behalf of the -> <i>tennō</i>

<i>shōgunate</i>	Government of the -> <i>shōgun</i>
<i>shōnin</i>	Merchants and traders, in the Edo period pronounced as <i>akindo</i>
<i>shōyu</i>	Japanese term for soy sauce
Shōwa period	1926–1989, reign of <i>tennō</i> Hirohito (1901–1989)
<i>shūkyō</i>	Japanese term for faith, religion (in the Western sense of religiosity)
<i>soroban</i>	Japanese term for abacus; used to mean “calculating”, e. g. for the class of merchants and money changers
<i>soto</i>	Literally “outside” in the spatial sense as well as in the sense of a social group (-> <i>uchi</i>)
<i>sugi-dama</i>	Literally “pine ball”, pine twigs stuck into a ball, ornamentation when delivering freshly harvested rice to a -> sake or soy sauce brewer (-> <i>shōyu</i>)
<i>tate-shakai</i>	Literally “vertical society”, hierarchical relationship according to status groups, where interpersonal ties are stronger than those between groups
<i>tatemaie</i>	Literally “to stand in front”, in the sense of expressing an opinion in front of others or in public (also used for topping-out ceremony), -> <i>honne</i>
<i>tera</i>	Buddhist temple, also attached to temple names as <i>-tera</i> , <i>-dera</i> or, in the Sino-Japanese reading, <i>-ji</i>
<i>-tera, -dera</i>	Buddhist Temple, -> <i>tera</i> , -> <i>-ji</i>
<i>tera-goya</i>	Buddhist Temple schools (until the end of the 19th century)
<i>tenanto</i>	Japanese term for real estate owner who generates income from rentals and leasing
<i>tennō</i>	Japanese Emperor, literally “heavenly sovereign”, hereditary monarch and head of state of Japan
Tokugawa period	1600–1868, reign of the -> <i>shōguns</i> from the Tokugawa family, the first <i>shōgun</i> was Tokugawa Ieyasu (Excursus I)
Tokyo	Literally “Eastern capital”, capital of Japan in the -> Kantō region (-> Kyoto), formerly -> Edo (until 1867)
<i>tonya</i>	Japanese merchants or wholesalers for special groups of goods existed from the 12th century into the -> Edo or -> Tokugawa periods
<i>tōshu</i>	Literally “acting/active head of the family”, usually also holds the position of -> <i>shachō</i> or -> <i>kaichō</i> in the family business
<i>uchi</i>	Literally “inside”, in the spatial sense as well as in the sense of a social group (-> <i>soto</i>)
<i>uji</i>	Japanese term for family clan, clan association of the -> Yayoi period, -> <i>ujigami</i>
<i>ujigami</i>	Local deities, ancestors of clan or clan associations (-> <i>uji</i>) of the -> Yayoi period worshipped as -> <i>kami</i>

<i>wagashi</i>	Japanese confectionery
<i>washi</i>	Japanese paper
<i>-ya / -yashiki</i>	Suffix for house or shop, also “elongated house”
Yamato	Term for the Japanese heartland around Nara in the 7th century
Yayoi period	Japanese historical period, 5th century BC to 3rd century AD.
Yen	Japanese currency, in Japanese “en” -> <i>en</i>
<i>yome</i>	Japanese term for bride, used synonymously for “to marry” (<i>yome ni iku</i>), -> <i>o-yome</i> , -> <i>muko</i>
<i>za, -za</i>	Japanese term and suffix for “guild” in the -> Tokugawa or -> Edo period (-> <i>rakuza</i> , -> Ginza)
<i>zazen</i>	Literally “sitting meditation” in -> Zen Buddhism (-> Zen)
<i>zaibatsu</i>	Literally “financial clique”, a term for pre-war financial conglomerates whose property was often in the hands of one family; dissolved in 1945 (See Chap. 2.6)
Zen Buddhism	Buddhist belief based on meditation (-> Zazen), widespread in Japan from the 12th century onwards

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List of interview partners

Name	Position held at the time of interview*	Company affiliation	Date of interview
Berndt, Enno	Professor	Ritsumeikan University, Kyoto	23.04.2019
Fukuhara, Kazuto	n.a.	Shiseido Ltd., Tokyo	16.04.2019
Fukuhara, Yoshihisa	n.a.	Shiseido Ltd., Tokyo	16.04.2019
Gotō, Toshio	Research Professor	Graduate School, Japan University of Economics, Tokyo	16.04.2019
Hamaguchi, Michio	Chairman of the Board	Yamasa Corp., Tokyo	12.04.2019
Hiuke, Tamio (online**)	President	Sennen no Yu Koman, Kinokasa Onsen	17.11.2021
Hori, Tomoyuki	President	Horikin Metal Leaf & Powder, Kyōto	23.04.2019
Knauf, Frederick	Representative Director	Knauf Group, Seizan Co., Ltd.	15.04.2022
Komeda, Toyotaka (online**)	President & CEO	Sankōgan Co., Ltd.	18.10.2021
Komeda, Tokushichiro Shunsuke (online**)	Senior Advisor	Sankōgan Co., Ltd.	18.10.2021

(Continued)

Name	Position held at the time of interview*	Company affiliation	Date of interview
Kondo, Akihito	Associate Professor	Faculty of Economics and Business Administration, Reitaku University, Kashiwa	17.04.2019
Kurokawa, Mitsuhiro	CEO/President	Toraya Confectionary Co., Ltd., Tokyo	19.04.2019
Nakagawa, Masashichi Jun	Chairman	Nakagawa Masashichi Shōten Co., Ltd., Nara	25.04.2019
Ohno, Masahide	Professor	Faculty of Economics and Business Administration, Reitaku University, Kashiwa	17.04.2019
Ōkura, Haruhiko	CEO/President	Gekkeikan Sake Co., Ltd., Kyoto	23.04.2019
Okaya, Tokuichi	President	Okaya Estate Co., Ltd., Nagoya	22.04.2019
Schürmann, Marcus	CEO	German Chamber of Commerce and Industry Tokyo, Tokyo	16.04.2019
Shimoda, Tatehito Ken	Professor	Faculty of Economics and Business Administration, Reitaku University, Kashiwa	17.04.2019
Sone, Hidekazu (online)	Professor	Department of Regional Cultural Policy and Management, Shizuoka University of Art and Culture, Hamamatsu	07.05.2021 and 30.05.2022

(Continued)

Name	Position held at the time of interview*	Company affiliation	Date of interview
Torii, Shingo	Vice Chairman of the Board Representative Director	Suntory, Kyoto	24.04.2019
Wiesheu, Hiroki	n.a.	Metzler, Tokyo	24.4.2019
Yamamoto, Kaichirō	CEO/President	Yamamotoyama Co., Ltd., Tokyo	18.4.2019

* According to the business card; if no business card received: n.a. (not available), ** Interview conducted jointly with Professors Gotō Toshio and Morishita Ayako from the Japan University of Economics

Interview guide

Semi-structured interview for qualitative content analysis

Discussion topics: Family dynamics

1. What is your family (ie) history?
This topic deals with the definition, structure, and identity of the business-family.
2. How do you define family and who belongs to the family (family, shareholder, business family)?
This topic aims to get information about criteria of belonging/not belonging to the family.
3. Family development
This topic aims to get information of the specific understanding of family development, dynamics, and current changes.
4. Identity as a business family
This topic aims to get information about the feeling of being part of the family business the owners have.
5. Family governance and rules
This topic aims to get information about the specific rules, self-management and governance practices of the business family.
6. Practices to solve potential discussions and conflicts?
This topic aims to get information about conflicts in the family and family history.
7. Business dynamics
This topic aims to get information about specific dynamics and developments in Japanese family firms in comparison to non-family firms, and its influence on the Japanese economy.

Reflection

8. Reflection

At the end there should be a reflection about the development of the above-described rules and structures during the time passing (past, present, future).
(...)

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