

# **FIFTEEN YEARS OF JAPANESE SHIPPING**

## **A Study of the Fortunes of the Mitsubishi Company 1870-1885**

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Cover: The Mitsubishi company marque. Refer Footnote 11.

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# Fifteen Years of Japanese Shipping

## INTRODUCTION

The story of the fortunes of the firm which came to be known as the Yubin Kisen Mitsubishi Kaisha holds a special place in the annals of Japanese maritime history. After the Meiji Restoration the Mitsubishi Company<sup>1</sup> was the first in Japan to make a success of the modern shipping industry. This achievement in, the space of a few years was a remarkable feat in a country where Western shipping technology and business methods were virtually unknown.

The success of Mitsubishi under Iwasaki Yataro has never been completely explained, and it is with the aim of clarifying | the reasons for this success that this critical narrative has been written. This essay does not set out to develop a firm line of argument. Rather it aims to present an accumulation of available evidence in an organised and critical manner.

The narrative falls into three main divisions. Chapters 1 - and 2 show how the company rose with considerable assistance from the Meiji government to complete dominance of Japanese shipping. The third chapter details the extent of non-shipping investment by Mitsubishi which occurred at the same time as the shipping enterprise was subsidised at heavy cost to the taxpayer. Chapter 4 looks at Mitsubishi's "lean years" which followed the so-called Government "crisis of 1831" and the consequent changes in government policy. Finally the Conclusion outlines what can be said from the information to hand about the reasons for Mitsubishi's success.

In explaining the origins of government assistance to the Japanese shipping industry, this essay may give some understanding of the historical basis from which much of present day Japanese government assistance to industries such as shipping and shipbuilding is derived. However in most cases the prime motive for assistance has changed from one of standing an infant industry on its feet to commercial expansion in a harshly competitive world. In the case of shipping, international rivalry and growing world-wide shipping nationalism have resulted in heavy government assistance to and supervision of the Japanese industry in recent times, Prior to World War II there was an emphasis upon Government-assisted regular liner services, although in the post-war era the emphasis has tended more towards the building of new ships through government-sponsored programmes, and consolidation through merger.<sup>2</sup> These techniques are ones that were pioneered

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<sup>1</sup> For the sake of convenience the "Mitsubishi Company" or Mitsubishi" will be generally used in this study to describe the firm which originated as the Tsukumo Shokai, became the Mitsukawa Shokai in January 1872, was renamed Mitsubishi Shokai in March 1873, Maitsubishi Kisen Kaisha (sometimes unofficially written Mitsubishi Jokisen Kaisha) in 1874, and finally became Yubin Kisen Mitsubishi Kaisha in 1875. Japanese historians also use "Mitsubishi" in a general sense to describe. the ownership of. the conglomerate of interests, both shipping and non-shipping, which the Iwasaki family came to control in this period. In this essay "Mitsubishi interests" will be used to denote this wider meaning.

<sup>2</sup> By way of illustration of the extent of present day assistance, the present construction policy announced by the Shipping and Shipbuilders' Rationalisation Council in 1970 states that for vessels built under government programmes, the shipowners need to produce from only. 5% to 20% of construction costs at the time of construction, depending on the type of vessel. See ORIENTAL SCOMOMIST December 170 P.39.

in the time of the Mitsubishi shipping company, and their success now, as then, is quite apparent.

Another link with the present day which this essay illustrates well is the importance of interpersonal relationships and especially group identification in the Japanese business and political world. The essay describes how Iwasaki and the Mitsubishi company became identified with certain political figures, and how the ascendancy of a rival political grouping had adverse effects on the firm.



Left: Iwasaki Yataro, founder of Yubin Kisen Mitsubishi Kaisha and other enterprises.

Right: Yataro's brother and successor Iwasaki Yanosuke who developed Mitsubishi into a *zaibatsu*, depicted with prominent Nagasaki-based British merchant Thomas Glover.

## CHAPTER 1 - The Rise of Mitsubishi

For the shipping industry of Japan, the Tokugawa Period was a time of both stimulation and restriction. The unification of the country at the end of the sixteenth century under a central government and the consequent standardisation of currency greatly increased the exchange of goods and was a considerable stimulus to the shipping industry. At the same time, while coastal shipping flourished with considerable government encouragement<sup>3</sup> overseas trading by Japanese vessels was in effect prohibited by regulations which forbade Japanese to travel abroad and limited the building of vessels to craft of not more than 500 koku (about 2500 bushels) capacity.

Developing from the various trades of pre-Tokugawa times there emerged three main trading routes which all served generally to bring produce such as sake, oil, vinegar, soy, haberdashery, small ware, cotton, and rice from provincial areas to Osaka and Edo. These were the Westabout passage

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<sup>3</sup> Furuta & Hirai "A Short History of Japanese Merchant Shipping", hereinafter given as "Furuta", P.59.[Tokyo New Service, Tokyo, 1967]

from ports on the Japan Sea coast via the Straits of Shimonoseki to Osaka or via Haruto to Edo, the Eastabout passage from Echigo, Dewa and Mutsu via the Straits of Tsugaru to Edo, and the route between Edo and the Home Provinces, being those around Kyoto and Osaka. Some of these services were managed by the various clans, but the Edo/Home Provinces route came to be dominated by the Higaki Line and the Taru Line which although privately owned, shipped goods which were handled by guild-type organisations constituted according to the type of commodity. The two firms continued in competition under this system of trading until the end of the Tokugawa Period when diminishing trade and the appearance of Western type vessels caused the two companies to merge to form the Wasen Kumiai which continued in business for a while but eventually passed out of existence.<sup>4</sup>

In the shipping world therefore the break with the past was a distinct one. The technology of Japanese merchant shipping had been completely outdated by the sudden introduction of modern shipping methods and the need for overseas services had emerged.

To a degree Japan responded to the need for reform of her shipping industry and, in particular, many of the Han acquired Western type vessels for both commercial and strategic reasons. By 1868 some 73 Western style steamers and 55 Western sailing vessels (not including armed vessels) had been purchased by or built for the Tokugawa government and various of the Han.<sup>5</sup> But with the establishment of the new Meiji government and the imminent abolition of Han it was felt that a large Western style shipping company should be established. The government was particularly eyeing the threat of foreign operations on the Japanese coast with some apprehension.

Measures were instituted to encourage Japanese shipping and the semi-official Kaiso Kaisha was formed to run Han and former Bakufu steamers on a thrice monthly passenger and cargo service between Yokohama and Kobe.<sup>6</sup> This firm's operations soon ran into difficulties attributed to inexperience and the inability of the elderly ships used to compete profitably against foreign owned vessels,<sup>7</sup> and the organisation ceased operations late in 1870 after amassing heavy debts.

Undaunted by failure the government in May 1871 established the Kaiso Toriatsukrisho (Sea Transport Management Office) to continue the operations of the former Kaiso Kaisha and to

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<sup>4</sup> One small traditional firm which did survive was that of the Tatsuuma sake brewing family of Nishinomiya near Kobe which had a fleet of Japanese style wooden vessels to transport its produce of Hakushika sake to Edo. This service continued in the traditional manner until it was reorganised into the Tatsuuma Goshi Kaisha in 1909 when steel vessels were acquired and general trading undertaken. In August 1947 the company was reorganised under the title of Shinnihon Steamship Company Ltd., and in April 1964 the firm became part of the newly established Yamashita-Shinnihon Kisen K.K. (from "Port of Kobe", Kobe Port Promotion Association, Kobe.. 1958 edition P.44, 1960 edition PP. 47-43)

<sup>5</sup> For full details see Yamataka Goro "Kindai Nihon Sempaku Shiko" in Sekai No Kansen, Kaijinsha, Tokyo, PPs 136-138 (1968-1969).

Hereinafter referred to as "Yanataka".

<sup>6</sup> Furuta places this company's formation at March 1869, although Iwasaki Yataro Den Vol 2", Iwasaki Den Hensan Kai, Tokyo 1967, hereinafter referred to as 'Iwasaki Den Vol 2"P.41 says January 1870 and Nanajunen Shi", N.Y.K., Tokyo 1956, hereinafter referred to as "N.Y.K. History" says it was registered January 1870 (P.3).

<sup>7</sup> See N.Y.K.History P.4, Iwasaki Den Vol 2 P.41

operate former Han-owned western -style vessels which were taken over by the government in July that year. Shares were subsequently issued and the company was given a joint stock company structure and renamed Dai Nippon Teikoku Yubin Jokisen Kaisha (Japan National Mail Steamship Company), better known as Yubin Kisen, with Mitsui, Ono, and Shinada among the major shareholders. This new firm was the largest in Japan, and enjoyed government patronage through interest free loans, subsidies, and mail and government rice transport contracts.<sup>8</sup>

Meanwhile another smaller company known as the Tsukumo Shokai had emerged at about the same time as Yubin Kisen.<sup>9</sup> The origins of the firm are rather uncertain but it seems that It began trading between Kochi, Osaka and Tokyo in 1870 as a Tosa Han business, and with the dissolution of Han holdings in July 1871 passed into the ownership of its former manager Iwasaki Yataro and two other former Tosa samurai.<sup>10</sup> The firm was renamed Mitsukawa Shokai<sup>11</sup> and as it was no longer tied to Tosa business, was able to undertake general trading for the first time. In March 1873 the firm became the Mitsubishi Shokai and it is thought that this change of name symbolises Iwasaki's gaining of full control which occurred at about this time.<sup>12</sup> By the end of 1873 Mitsubishi had acquired ten vessels and its services had extended around the country. Mitsubishi also had interests in other industries such as coal mining, camphor, silk, and copper mining, but in terms of capital value these were insignificant when compared with the investment in shipping.<sup>13</sup>

Mitsubishi's fleet was soon in fierce competition with the fifteen ships of Yubin Kisen and a price cutting war centering largely on freight charges broke out on the Osaka/Tokyo route and subsequently on the Tohoku, Kyushu and Ryukyu services. One would have expected that Yubin Kisen with government subsidies and contracts, and vessels superior both in size and numbers would have soon achieved victory but the freight war continued into 1874 with Mitsubishi, having obtained the support of Tokyo freight forwarding agents' in April 1873 appearing to have gained the upper hand.

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<sup>8</sup> See Iwasaki Den Vol 2 P.42, Yamamura Kozo "The Founding of Mitsubishi: A Case Study in Japanese Business History" in Business History Review Vol XLI No 2, Summer 1967, Harvard, hereinafter referred to as "Yamamura" P.147. The first mail contract was on the Ryukyu route in 1873.

<sup>9</sup> There is a possibility that this firm may have first operated under the title of Tosa Kaisei Kaisha. Iwasaki Den Vol 2 PP. 4-5, N.Y.K. History P.6.

<sup>10</sup> There is disagreement about the date of the foundation of the Tsukumo Shokai, about when Iwasaki became connected with the firm, and about when he assumed full control.

<sup>11</sup> The Mitsubishi marque was also used from this time. There is some evidence (see Iwasaki Den Vol 2 PP.47-48) that this marque was created by combining the features of the Iwasaki family crest or *mon*, the *sangaibishi* with that of the Tosa dainyo, the *mitsugashiwa*. Illustrations of both of these crests can be found on P.1233 of the Meikai Kogo Jiten, Sanseido, 1967 edition.

<sup>12</sup> Op. cit. N.Y.K. History P.6. Other sources talk in general terms of Iwasaki ownership earlier, but these apparently refer to part ownership.

<sup>13</sup> See Iwasaki Den Vol 2 P.73. There are varying stories as to how these assets were acquired and paid for. There is general agreement that some of the former Tosa assets (ships, various industries) were acquired at little or no cost from the Tosa Han. See Yamamura PP.145-146, Iwai Ryotaro "Mitsubishi Konsaan Tokuhon" Shunjusha, 1937, hereinafter referred to as "Iwai" PP.66-69j Tanaka Sogoro "Iwasaki Yataro" Chikura Shobo, 1940, hereinafter referred to as "Tanaka" P.140. The suggestion has also been made that Iwasaki profited on a grand scale by using inside knowledge to gain from the Meiji government's honoring of former Han notes. See Yamamura PP.146-147, Iwai PP.63-66. Others suggest that the capital buildup was financed by loans, chiefly from foreign companies. See Iwasaki Den Vol 2 PP.71-72, Tanaka PP.137-140.

The reasons for Mitsubishi's success appear to lie both in its high standard of service and administrative efficiency and in Yubin Kisen's recklessness of management and lack of discipline of company employees. The bureaucratic samurai like posture which caused Yubin Kisen officials to display coarse manners to passengers contrasted sharply with Iwasaki's policy of "worshipping" the *okyakusama*.<sup>14</sup> Mitsubishi had placed its steamers under foreign officers and had its Yokohama business efficiently managed by the firm of Walsh, Hall & Co. while Yubin Kisen suffered from corrupt management, ignorant Japanese officers who lacked authority over crews, and an unwillingness to follow the suggestions of hired foreign advisors.<sup>15</sup> Whilst government assistance from the second half of 1873 may have been important in strengthening Mitsubishi's hand, it should be emphasised that it only served to work against Mitsubishi in the earlier and more decisive part of the struggle.<sup>16</sup>

It was at this juncture, with Mitsubishi poised for victory that in April 1874 the punitive Taiwan expedition was decided upon by the Meiji government. A fleet of chartered foreign steamers was assembled at Nagasaki but when the British and other foreign governments declared their neutrality in the matter and forbade the use of their various nations' ships the Japanese government immediately purchased a number of foreign steamers and requested that Yubin Kisen operate those ships on the expedition and add to them some of the company's own vessels. However the company showed reluctance, fearing that its temporary withdrawal from the coastal trade would mean the complete loss of its business to Mitsubishi.<sup>17</sup> The contract for operating the newly purchased government vessels on Taiwan transport duties was then snapped up by Mitsubishi, and because of the small size of the Mitsubishi fleet further foreign steamers were purchased by the government so that they totaled ten in number by the end of July.

Mitsubishi's awarding of this contract appears to be largely due to the rise of Okubo Toshimichi and Okuma Shigenobu to positions of political influence which until then had been identified with interests sympathetic to Yubin Kisen. The change resulted from a political dispute on the Korean question, and placed Okuma as Minister of Finance. It is argued<sup>18</sup> that Okuma would not have wished to support Yubin Kisen which had been nurtured by political rivals, had been angered in any case by the lack of cooperation shown by the company<sup>19</sup> and therefore logically chose to support Mitsubishi. The suggestion has also been made that Iwasaki had anticipated Okuma's rise to

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<sup>14</sup> Yamamura PP. 147-148.

<sup>15</sup> Black "Young Japan Vol 2" Trubner/Kelly 1881, hereinafter referred to as "Black" PP.451-453. He states "From the president to the stokers, every native employed was watching for opportunities of helping himself...it is impossible to conceive people more pig-headed, obtuse, slow, suspicious and blind to their own interests than the class of Japanese who belong to this company". There is no record of Mitsubishi having received assistance from the Meiji government before 1873.

<sup>16</sup> Yamamura P.147 states that Mitsubishi "had no subsidy", Iwasaki Yataro Den Vol 2 P.74 states that subsidies and loans were received from the latter half of 1873, while Nihon Keizai Shi Jiten Vol I P.193 states that Mitsubishi received "frequent assistance from 1874."

<sup>17</sup> Op. cit. Iwasaki Den Vol 2 PP.102-105.

<sup>18</sup> Yamamura P.149

<sup>19</sup> Which may have seen advantage in discrediting Okuma and Okubo by refusing to cooperate. Op. cit. Iwasaki Den Vol 2 P.105.

influence and had diligently worked to curry his favour at inns and geisha houses.<sup>20</sup> The Taiwan question was quickly resolved in Japan's favour and the repatriation of troops commenced in December 1874. As vessels gradually became free they remained in Mitsubishi's trust until government policy on their future use could be formulated. Making use of these vessels Mitsubishi reportedly<sup>21</sup> conquered Yubin Kisen<sup>22</sup> "in one blow" and by so doing established itself as the logical instrument for achieving the goals desired by the government.

## CHAPTER 2 - The Decrees and Mitsubishi's Subsequent Operations

It was decided to initiate a new government shipping policy. Previous government-sponsored attempts to establish a sound Japanese shipping industry had failed, but by taking decisive action Okuma and his colleagues apparently considered they could better the performances of their predecessors. The need for decisive government action was made all the more urgent by the heavy inroads made by foreign firms and in particular by the Pacific Mail company of the United States which had commenced a Kobe/Nagasaki/Shanghai service in 1871 with modern vessels. The modern Japanese national postal service had been put into operation in 1873, and not only was there a need for developed nation-wide shipping services to operate the mail services fully effectively but it was naturally desirable that the postal carriage contract, which included the Shanghai route, be given to a Japanese firm. Third there was a need to systematically train Japanese seamen so that Japanese could competently carry out the most skilled aspects of seamanship which on Japanese vessels at the time were largely the responsibility of foreign employees. Finally there was a need to have a fleet of good ships for mobilisation in times of emergency.

Thus in May 1873 Minister for Home Affairs Okubo announced in three Articles the government's new shipping policy. Known as the Kaiun Sansaku it projected the development of Japan's Merchant Marine through government assistance to and supervision of a new private company. This firm was to be created by the merger of "existing companies of significant strength" and was to be "entrusted" with vessels provided by the government to which it was to operate according to strict government direction.<sup>23</sup> The exact meaning of this policy became clear in September when what was later to be known as Dai Ichi Meireisho (First Decree) was handed to Mitsubishi by the Postal Service Director Maejima Hisoka, clearly establishing Mitsubishi as the beneficiary of this new government policy.

The decision to give under favourable terms to Mitsubishi what amounted to a monopoly of the Japanese shipping industry was largely made by three men,<sup>24</sup> Okuma, Okubo, and Maejima, to whom as Postal Service Director the responsibility had fallen of formulating the government's new

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<sup>20</sup> Yamamura P.149.

<sup>21</sup> Iwasaki Den Vol 2 P.115

<sup>22</sup> Yubin Kisen offered its fleet to the government for ¥ 325,000 and the deal, involving eighteen ships was promptly accepted.

<sup>23</sup> Sections of the Kaiun Sansaku are reprinted in Iwasaki Den Vol 2 PP. 117-124.

<sup>24</sup> Though not stated explicitly this is evident from all accounts. See, for instance, Iwasaki. Den Vol 2 P.133.

shipping policy detail. Okuma, of course, was already acquainted with Iwasaki and the other two had heard of him and were favorably impressed with Mitsubishi's performance during the Taiwan affair. Okubo reportedly was sufficiently impressed at his first meeting with Iwasaki to conclude that this was the man in whom the government could rely to successfully carry out its new policies.<sup>25</sup> Similarly Maejima's decision to favour Iwasaki appears to have been largely made after one meeting with the Mitsubishi president.<sup>26</sup> The decision was apparently a controversial and widely opposed one<sup>27</sup> but the concurrence of the views of these three statesmen seems to have made it final.

The First Decree (see Appendix A) which Mitsubishi accepted on 15 September 1875 was basically a fifteen year contract between the government and Mitsubishi for the supervised operation of subsidised shipping services on the Shanghai route and designated domestic routes, the carriage of mail on these routes, and the commencement of a merchant shipping academy. In addition to substantial subsidies, the government assisted by providing Mitsubishi with thirty vessels on very reasonable terms. Seventeen of these were the remainder of the old Yubin Kisen fleet which the government had purchased in its entirety at that company's request for ¥325,000.<sup>28</sup> These were resold to Mitsubishi on a fifteen year loan at 3% per annum interest.<sup>29</sup> The other thirteen ships were those that had been recently purchased by the government for the Taiwan expedition. According to the Preamble and first and Second Articles of the First Decree, the vessels were given free of charge to Mitsubishi whose property they became with provisos that for fifteen years the vessels should be used in accordance with certain government directions and that a small payment for the use of the vessels would be made to the government. However stating, possibly in heed of public criticism,<sup>30</sup> that he did not wish to receive the ships free of charge, Iwasaki wrote to Maejima on 21 July 1877 requesting to purchase the thirty ships for a total of ¥1,200,000, to be paid back over fifty years with interest. The request was granted and the thirty ships were formally sold to Mitsubishi in September 1877 although the government kept the certain controls it had over the vessels.<sup>31</sup> The new terms were subsequently stated in Article Two of the Third Decree.

There can be little doubt that the First Decree was a major windfall for the Mitsubishi Company. It was a virtual guarantee of a monopoly hold on most of the coastal trade. It was a guarantee of abundant government assistance in the form of comparatively large operating subsidies. Although there were provisions for monthly government inspections of the firm's accounts, it would seem from later accusations and from the large amount of investment outside of shipping which Mitsubishi interests were to make that that Mitsubishi may have been able to make excessively large profits at been even more favourable than it appears on casual examination as the articles of the First Decree, although comprehensive in appearance, tend to leave much of their substance

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<sup>25</sup> "Okubo Toshimishi Den" ed. Katsuta Magoya, 1910, quoted in Iwasaki Den Vol 2 P.128

<sup>26</sup> "Ko Shacho Jiseki Shiryo" quoted in Iwasaki Den Vol 2 PP.130-131.

<sup>27</sup> Op. cit. Okuma in "Kosokon" (lit. "Konotori Tsumeato"- Kaejima Hosoka Den", first pub. 1920, Tokyo. P.250. Reprinted as "Jijoden" 1956.

<sup>28</sup> The government had in fact purchased 18 ships from Yubin Kisen but SHUNSO MARU was broken up 1874/5. Yamataka No. 138 P.81.

<sup>29</sup> Yamamua P.150.

<sup>30</sup> Iwasaki Den Vol 2 P.233.

<sup>31</sup> Ibid PP.231-233.

open to the discretion of the administering government authority. In a situation where Iwasaki had good personal relations with, the Minister for Agriculture and Commerce and the Postal Service Director General, the conditions of the agreement may have in practice been somewhat more favorable than one would have expected.

In other respects the deal may not have been so favorable. In particular the thirty ships which Mitsubishi received were by no means all in first class condition. A survey made by British engineer John Pitman in 1877 revealed that of the thirteen ships from the Taiwan expedition, nine or ten were suitable for use in their present state while the remainder needed repair or major conversion. Of the seventeen older ships that had originally belonged to Yubin Kisen, five were described as unusable as steamers but suitable for conversion to sail, two unsuitable for use or conversion, three- in need of new engines, three with remarks unclear, and four not listed and therefore possibly no longer in service.<sup>32</sup>

With the handing down of the First Decree Mitsubishi immediately set about implementing its side of the various provisions contained therein. The shipping enterprise was isolated from the other company interests under the name of Yubin Kisen Mitsubishi Kaisha and a company code was promulgated by the end of 1875. Article 12 stated that thereafter non-shipping enterprises should not use this company name and that past accounts should be kept separately, and. these provisions were immediately complied with.<sup>33</sup> Article 11 concerned the establishment of a mercantile shipping academy, which was opened in January 1876 with 44 students.<sup>34</sup> Known as the Mitsubishi Shosen Gakko it offered what was usually a five years' officer's or engineer's course, under the tuition of Japanese and foreign instructors. The 300 ton sailing vessel SEIMYO MARU was immediately allocated to the school as a full time training vessel and a 'machinery building' was added in 1877. The government provided a subsidy of ¥3,000 each year, apparently to help pay off the initial capital costs.<sup>35</sup>

But it was on the Shanghai service, that Mitsubishi's attention was at first concentrated. In February 1875 an important step forward was taken when the company commenced its first overseas service to Shanghai in competition with the Pacific Mail Steamship company which had started a Kobe/Nagasaki/Shanghai service in 1871 with four ships. It may seem strange for Mitsubishi to have entered into overseas competition some seven or eight months before the First Decree was handed down, but it should be remembered that at the time, Mitsubishi was already receiving government assistance<sup>36</sup> and also had the use of the thirteen former Taiwan expedition ships. The move can also be seen as a tactical one designed to win the sympathy of government officials and general opinion at a time when the government was formulating its new shipping policy. Already the year before, Pacific Mail had offered to sell the service complete with ships, lighters, warehouse and

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<sup>32</sup> Information from Pitman's report quoted in Iwasaki Den Vol 2 PP.181-185.

<sup>33</sup> With the later exception of the Mitsubishi Kawaseten, See Chapter 3.

<sup>34</sup> This was later taken over by the government in 1882 when it became the 'Tokyo Shosen Gakko. Yamataka Goro "Nihon ni Okeru Hansokokai Renshusen Keifu" in Sekai no Kansen No 69,1963,Kaijinsha.

<sup>35</sup> Iwasaki Den Vol 2 P.450.

<sup>36</sup> refer Footnote 16.

branch agency facilities to the Japanese government but the government had declined this offer.<sup>37</sup> There can be little doubt that Iwasaki was aware that an offer had been made, and therefore would have entered the Shanghai route with reasonable expectations that Pacific Mail would soon capitulate, giving him a prestigious victory.

It would seem that Pacific Mail became increasingly anxious to sell the branch line when Mitsubishi appeared as a rival early in 1875. The offer to sell the service was repeated with a big reduction in the asking price<sup>38</sup> but Okuma and Okubo did not share<sup>39</sup> Maejima's enthusiasm<sup>40</sup> to purchase. Pacific Mail with the probable intention of hastening a sale by causing difficulty to the Japanese company<sup>41</sup> cut fares and freight charges and a price war followed-with fares dropping to as little as one third of their former levels.<sup>42</sup> The price war continued through the summer until Iwasaki, with Maejima's support, asked for and obtained a government loan of ¥810,000 to be repaid over fifteen years at 4% interest, thereby enabling Mitsubishi to purchase Pacific Mail's Shanghai service.<sup>43</sup> The purchase contract signed on 16 October 1875 provided for the sale of Pacific Mail's Shanghai line ships, branch offices, warehouses and ancillary facilities for \$780,000 and for the payment of \$30,000 to the Occidental and Oriental Steam Navigation Company,<sup>44</sup> with undertakings from both these American firms not to trade on the Japan/China route or Japanese domestic routes for thirty years.<sup>45</sup>

It was after the handing down of the First Decree that the real test of Mitsubishi and of the government's new policy occurred when the British Peninsular and Oriental Steam Navigation company challenged Mitsubishi on the Shanghai service in February 1876.<sup>46</sup> The new threat was a serious one as the foreign firm had made an agreement with the freight forwarders in Osaka with the result that outward cargo from Osaka to Shanghai became a virtual P. & O. monopoly with cargo from Tokyo also to a large extent in P. & O. hands.<sup>47</sup> Iwasaki immediately realised the extent of this new threat and in a speech called upon his employees to rouse themselves. Both companies cut fares drastically and as the struggle drained Mitsubishi funds the need for economy became

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<sup>37</sup> Tanaka P.175.

<sup>38</sup> Tanaka PP. 175,177.

<sup>39</sup> Tanaka PP.179-180.

<sup>40</sup> Iwasaki Den Vol 2 P.214. Maejima wanted to-purchase the Pacific Mail's trans-Pacific service as well.

<sup>41</sup> Tanaka op. cit. P.179.

<sup>42</sup> Tanaka P.188, Iwai P.84.

<sup>43</sup> Iwasaki Den Vol 2 P.218. Iwasaki's petition is reprinted in full PP702-705. Tanaka P.227 says a ¥810,000 loan.

<sup>44</sup> Established in San Francisco about 1875 by various U.S, railway interests, it is probable that at this stage it had not commenced shipping operations.

<sup>45</sup> Iwasaki Den Vol 2 PP.218-21.

<sup>46</sup> P.&O. had operated a service between Shanghai and Japan from September 1859. The commemorative booklet "Century of Service issued by the P.&O. company in 1959 states that the Shanghai/ Nagasaki line was operated from 1859 by four vessels with monthly sailings, and that the service became fortnightly in the early 1860s. It states that in 1867 the company was awarded a mail contract for a fortnightly service between Yokohama, Nagasaki and Shanghai. However writers (Such as Black P.455 and Tanaka P.175) agree that by the mid-1870s P.&O. was not operating between Shanghai and Japan. The P.&O. Handbook for 1871 (quoted in Century of Service P.12) listed a branch service between Shanghai and Japan, so it would therefore seem that the service was suspended at about the time when Pacific Mail commenced sailings.

<sup>47</sup> Iwasaki Den Vol 2 P.220.

apparent. When four of Mitsubishi's executives offered to cut their own salaries, Iwasaki cut his own monthly pay of ¥800 in half, while the executives followed by reducing theirs to one third of their former levels.<sup>48</sup>

The financial problem became so great that one of Mitsubishi's managers Kawamura Hisanao resigned at the height of the struggle saying that Mitsubishi could not hope to survive.<sup>49</sup> He later accused Iwasaki of poor management of financial affairs and said that the company had reached a state of financial collapse during the struggle.<sup>50</sup>

As the rivalry continued for several months Mitsubishi seemed to exhibit greater resilience than its rival whose ships on the service dwindled from four to two and finally to one. Several factors had turned the tide in Mitsubishi's favour. Mitsubishi was receiving an operational subsidy of ¥250,000 per year of which most was intended for the Shanghai route,<sup>51</sup> and it is doubtful if P.&O would have been able to allocate funds on such a generous scale, Mitsubishi had also obtained the allegiances of the freight forwarders in Tokyo and Osaka by proposing a system of offering credit to shippers with the goods being shipped as security, using funds loaned by the Finance Ministry at 7% per annum interest. This scheme, which emerged as the Mitsubishi Kawaseten was promptly jumped at by shippers whose enthusiasm gave the freight forwarders little choice but to support Mitsubishi.<sup>52</sup> There was also direct government assistance in the form of new regulations restricting Japanese travel in foreign vessels. It became necessary in such cases to personally apply for and purchase 25 sen travel permits which if not carried would result in imprisonment.<sup>53</sup> Such a measure is understandable when it is realised that the government was acting not just to protect the Mitsubishi Company, but to ensure the survival of its new shipping policy. The survival of Japanese shipping against foreign firms was the issue at stake, and politicians such as Okuma did not want a failure of such magnitude to mar their records. In July 1876 P.&O. announced the withdrawal of the remaining vessel.<sup>54</sup>

Shortly after, in September 1876 the government handed Mitsubishi the Second Decree (see Appendix B) which confirmed the continuation of the First Decree for another fourteen years as had been foreshadowed in Article 1 of the First Decree. Other provisions specified how the subsidy allowed for in the First Decree should be allocated including ¥5,000 to be used on a new service to Korea, while Article 4 eliminated the fee which Mitsubishi had hitherto been able to collect for the carriage of large amounts of mail.

Competition from other companies was not the only problem which Mitsubishi had to face. As mentioned earlier, the vessels in Mitsubishi's fleet, particularly those inherited from Yubin Kisen,

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<sup>48</sup> *ibid* P.220.

<sup>49</sup> Tanaka P.195.

<sup>50</sup> Iwasaki Den Vol 2 PP.266-26.

<sup>51</sup> See Article 3 of the Second Decree (Appendix B).

<sup>52</sup> Iwasaki Den Vol 2 PP.224-227.

<sup>53</sup> Black PP.455-456.

<sup>54</sup> Tanaka P.200. P.&O. did of course return to Japan at a later date and to this day operates services there.

where not in the best of condition, and an inspection in 1877 had revealed that repairs and conversions should be made. Between October 1876 and July 1877 the government made loans totalling ¥460,000 for the repair of existing Mitsubishi vessels.<sup>55</sup>

Another problem was that cargo forwarding and delivery arrangements still largely operated on the pre-Meiji pattern with freight forwarding cooperatives assembling cargos, placing them in the ships, and delivering then at the final destination. The system did not cope well with the larger volumes of cargo now being handled, and insurance of cargo was non-existent.<sup>56</sup> Following moves by Iwasaki, the Tokyo Kaijo Hoken Kaisha was established in 1879, and Iwasaki also introduced his own insurance of sorts by means of redeemable certificates for cargo carried.<sup>57</sup> At the same time the rights and responsibilities of shipping companies in the handling of cargo were clarified.<sup>58</sup>

One of the intentions behind the government's sponsorship of Mitsubishi was to ensure the availability of a fleet of vessels which could be used for military or emergency purposes if required. This motive and right was clearly stated in Article 13 of the First Decree while other Articles concerning the maintenance of vessels can be seen as being at least partly motivated by the intention of keeping a serviceable fleet available for any strategic need which might arise. The government immediately made use of this right in January 1876 when twelve Mitsubishi ships were requisitioned as transports to form part of the military force which anchored off Inchon in Korea in February, thereby forcing that country to open its ports for trading.<sup>59</sup> The ships were all returned to Mitsubishi's use in March but in November of the same year seven vessels<sup>60</sup> were requisitioned to carry troops and provisions to put down the Hagi uprising. Although the rates paid to Mitsubishi at this time for requisitioned vessels are not available, there can be little doubt that Iwasaki's friends in authority would not have been under-generous. But it was the Satsuma Rebellion the following year which was to be the financial bonanza for Mitsubishi.

The Satsuma Rebellion broke out in January 1877 and starting from the ninth of February some forty ships were requisitioned or hired for transport duties including virtually all of the Mitsubishi fleet.<sup>61</sup> In the following eight months Mitsubishi became deeply involved in supply operation in close cooperation with government and military authorities.<sup>62</sup> Iwasaki acted as the general director of shipping operations in the Tokyo head office, while his lieutenants Ishikawa and Kawata were posted to the supply base in Kansai and the Nagasaki office respectively.

With the transfer of most vessels to government operations Mitsubishi became unable to maintain its domestic services satisfactorily so in July 1877 applied for and obtained a \$700,000 loan to

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<sup>55</sup> "Kaiji Shiryo Soshu Vol 20", Iwamatsudo Shoten, Tokyo, 1931 hereinafter referred to as "Kaiji Shiryo" PP. 295-296.

Also Tanaka PP.227-228, items 3, 4 and 5.

<sup>56</sup> Iwasaki Den Vol 2 PP.185-189.

<sup>57</sup> *ibid* P.190.

<sup>58</sup> *ibid* P.190.

<sup>59</sup> Fairbank, Reischauer & Craig "East Asia the Modern Transformation" Mixflin/Tuttle, Boston 1965 P.576.

<sup>60</sup> N.Y.K. History P.12 says four ships.

<sup>61</sup> Derived from details in Iwasaki Den Vol 2 PF.249-253.

<sup>62</sup> *ibid* P.254.

purchase additional vessels.<sup>63</sup> The government had considered the request reasonable in view of the "national crisis".<sup>64</sup> However, when one notes the enormous profit<sup>65</sup> which Mitsubishi made during 1877 the loan seems to have had little justification. Mitsubishi received some ¥2,999,342 from the government during 1877 as payment for the requisition of ships<sup>66</sup> which was only a little below the company's total expenditure<sup>67</sup> for the year in all facets of its business. There can be little doubt that the rate of payment for the requisition of ships was substantially above the expenses incurred to the company for such requisition. In December 1877 Iwasaki, who in July had been awarded the Order of Merit Fourth Class - the highest civilian award of the day<sup>68</sup> - demonstrated his satisfaction with the year's results by allocating ¥12,400 for division among his employees.<sup>69</sup>

The period from 1878 to 1881 represented the golden years of Iwasaki's Mitsubishi.<sup>70</sup> The shipping services had been securely extended all over the country and beyond. Services were extended to North China in May, 1876, Pusan in November 1876, Hong Kong in October 1879, Wonsan in March 1880 and Vladivostok in February 1881. In 1877 the NIIGATA MARU and the TAKASAGO MARU had made a combination training and business trial voyage to London and SHINAHAWA MARU had made a similar voyage to San Francisco.<sup>71</sup> On the domestic scene, services to the developing region of Hokkaido were expanded from 1878<sup>72</sup> and while Mitsubishi by no means had a monopoly of this trade,<sup>73</sup> cargos of fish, kelp, deerskin, sulphur and timber were obtained<sup>74</sup> in addition to the mainstay of transporting government passengers and freight.<sup>75</sup> In terms of tonnage Mitsubishi in 1880 owned 37 vessels of 41,000 tons tens out of a national total of 210 registered ships of 66,000 tons.<sup>76</sup>

Although Iwasaki's main business was shipping, he had also maintained and increased business interests in a variety of other fields. As the extent of the investment outside of shipping is not without relevance in a study of the government-sponsored Mitsubishi Company, brief descriptions

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<sup>63</sup> Yamamura P.151 says a \$700,000 loan on a fifteen year- term at virtually no interest. Kaiun Shiryo P.296 says a \$700,000 loan at 5% to be repaid in \$50,000 installments over fourteen years from 1880. Iwasaki Den Vol 2 P.253 says a \$800,000 loan at 8% interest to be repaid within twelve months and with which seven ships were purchased, and Tanaka P.210 says a \$700,000 loan to which Mitsubishi added \$380,000 of its own funds and was thereby able to purchase ten ships.

<sup>64</sup> Tanaka P.210

<sup>65</sup> Tanaka P.212 estimates clear profit at ¥1,400,000 while Iwasaki Den Vol 2 says ¥1,217,983. For the record Shiroyanagi quoted in Iwai P.88 speaks of a-profit of ¥15,000,000 and on P.89 Iwai estimates-¥5,000,000 net profit, but these seem out of all proportion and should be disregarded.

<sup>66</sup> Iwasaki Den Vol 2 P.265, Tanaka P.212. Other government payments to the company during the year such as ¥262,700 in subsidies and ¥4,000 for a voyage Kobe/Tokyo by the Emperor (Iwasaki Den Vol 2 P.266) have not been included in this figure.

<sup>67</sup> Tanaka P.212 says ¥3,029,034; Iwasaki Den Vol 2 P.265 says ¥3,229,034.

<sup>68</sup> Iwasaki Den Vol 2 PP.267-268.

<sup>69</sup> *ibid.* P.266.

<sup>70</sup> *ibid.* P.453, Yamamura P.151..

<sup>71</sup> Iwasaki Den Vol 2 P.208.

<sup>72</sup> *ibid.* P.274.

<sup>73</sup> *ibid.* P.276.

<sup>74</sup> *ibid.* P.276.

<sup>75</sup> *ibid.* P.277.

<sup>76</sup> N.Y.K. History P.13.

of most of these endeavours are given in the next chapter.

## CHAPTER 3 - The Other Industries<sup>77</sup>

### Coal Mining

Iwasaki's coal mining ventures commenced in 1871 when the Tsukumo Shokai received a fifteen year lease on some mines near the town of Hongu (本宮) in Kishu as part payment for the sale of a steamer to the local Shingu Han.<sup>78</sup> By 1873 some 7,000 tons of coal a year was being mined and mainly used as fuel for Mitsubishi ships, although small quantities were also sold commercially.<sup>79</sup> The enterprise was renamed Ryokosha in 1873 when the Mitsubishi name became reserved for shipping, and although this firm continued in production until about 1916, it seems that Mitsubishi was no longer connected with it by 1885.<sup>80</sup>

Iwasaki's other major coal mining venture was the mine on Takashima Island near Nagasaki, which was operated by Mitsubishi from 1881 under the name of Takashima Tanko Jimusho. The mine had been previously operated by Goto Shojiro's Horaisha but it was not profitable and by the late 1870s Fukuzawa Yukichi and others were trying to persuade a very reluctant Iwasaki to buy it.<sup>81</sup> Eventually Okuma persuaded Iwasaki to purchase the mine on terms which seem highly favorable to Goto.<sup>82</sup> The mine which Goto had purchased from the government in 1873 at price of ¥550,000 and which had subsequently run him into heavy debt, was sold in March 1881 to Iwasaki for ¥600,000. There were provisions that Iwasaki was to also settle the outstanding balance of ¥259,000 on Goto's old government loan the mine and also pay Goto ¥1,000 for every year the mine remained in operation. In all, Goto eventually was paid some ¥971,600,<sup>83</sup> but Iwasaki soon had the mine operating profitably under the supervision of foreign engineers, and it proved to be an important part of the Mitsubishi empire in later decades.

### Insurance

As mentioned earlier Iwasaki had for some time advocated the setting up of a Japanese marine insurance company, and with encouragement from Fukuzawa and Okuma, Saibusawa Eiichi led a

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<sup>77</sup> This survey is mainly based upon that in the Iwasaki Den which appears by far to be the most comprehensive on this subject. Reference has also been made to Iwasaki's investment in enterprises other than those listed here. An article in the Tokyo Keizai Zasshi Nov 19, 1881 implies that Iwasaki was a prominent figure among shareholders at the Tokyo Stock Exchange, supplied much of the original capital of the Yokohama Specie Bank, and had interests in the Kokuritsu Ginko and the Keizai Nippo newspaper. An article in the Meiji Nippo in February 1872 also mentions interests in newspapers.

<sup>78</sup> Iwasaki Den Vol 2 P.305.

<sup>79</sup> *ibid.* P.306.

<sup>80</sup> *ibid.* PP.307-308.

<sup>81</sup> *ibid.* PP.365-369, Iwai .PP.98-99.

<sup>82</sup> Iwasaki Den Vol 2 P.375. Iwai says it was Fukuzawa who persuaded Iwasaki; and Hirschmeiyer "The Origins of Entrepreneurship in Meiji Japan,,Harvard,1964 hereinafter referred to as "Hirschmeiyer" quotes (footnote P.224) Shiroyanagi as agreeing.

<sup>83</sup> Iwasaki Den Vol 2 P.375.

successful petition of peers in 1878 forcing the government to supervise the company's establishment.<sup>84</sup> Known as the Tokyo Kaijo Hoken Kaisha, it was capitalised at ¥600,000 of which Iwasaki, who was the company's first registered head, provided ¥110,000.<sup>85</sup>

In July 1881 Iwasaki and Fukuzawa formed Japan's first life insurance company, the Meiji Seimei Koken Kaisha. Iwasaki is thought to have had a substantial holding of the company's initial capital of ¥100,000.<sup>86</sup>

## Shipyards

Western style shipyards were completed at Uruga in 1854, Ishikawajima (Edo) in 1856, Nagasaki in 1857 and Yokosuka in 1868 but it was still necessary for much work on Japanese vessels to be carried out at Shanghai so Iwasaki established the Mitsubishi Seitetsujo, which was a building and repair yard at Yokohama, in 1875 with a capital of \$100,000.<sup>87</sup> This was initially shared 'between Mitsubishi interests and Boyd of Shanghai, but Mitsubishi bought the foreigner's share in 1879.<sup>88</sup>

In 1883 the government offered Mitsubishi the lease of the former naval dockyard at Nagasaki for a payment of ¥80,000 to cover the cost of certain equipment, and the firm promptly accepted the offer,<sup>89</sup> buying the yard outright in 1887. It seems strange that the yard was offered to Mitsubishi and not to Kyodo Unyu which the government favoured at the time, but it has been suggested that the government considered that the yard would become a liability to whoever took the lease.<sup>90</sup>

## Banking

Though not strictly a bank the Mitsubishi Kawaseten, which was established in 1880 with a capital of around ¥2,000,000,<sup>91</sup> performed many of the functions of a bank including the handling of fixed term deposits and loans.<sup>92</sup> The main purpose of the Mitsubishi Kawaseten was to issue credit in the form of documentary drafts using goods shipped by Mitsubishi as security, and as an extension of this warehousing became a function of the business as well. However it appears that the Mitsubishi Kawaseten may have operated more as a credit institution than as part of a shipping enterprise,<sup>93</sup> although it was valuable in attracting cargoes to Mitsubishi's ships. The firm ceased operations in 1885 as the shipping company, which normally provided the Kawaseten's loan money,<sup>94</sup> could

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<sup>84</sup> Iwasaki Den Vol 2 P.339

<sup>85</sup> *ibid.* PP.340, 333.

<sup>86</sup> *ibid.* P.343.

<sup>87</sup> *ibid.* P.200.

<sup>88</sup> Iwasaki Den Vol 2 P.201.

<sup>89</sup> *ibid.* P.392. Hirschneiyer presents a slightly different story saying that Iwasaki asked for the yard. (Hirschneiyer P.224).

<sup>90</sup> Iwasaki Den Vol 2 PP.390-392

<sup>91</sup> Irimajiri Yoshinga "Iwasaki Yataro", Yoshikawako Bunkan, Tokyo, 1960, hereinafter rendered as "Irimajori" P.151. Iwai P.102 says around ¥3 or 4 million.

<sup>92</sup> Iwasaki Yataro Den Vol 2 PP.322,324

<sup>93</sup> *Op. cit.* Iwasaki Den Vol 2 P.326.

<sup>94</sup> Iwasaki Den Vol 2 P.238. The following are total values of Kawaseten transactions in 1880 (PP.327-328):

provide no capital because of financial problems during the struggle with Kyodo Unyu. Banking operations from 1885 were undertaken by the 119th National Bank acquired earlier that year.<sup>95</sup>

The name 'Mitsubishi Kawaseten' seems to contradict Article 12 of the First Decree which prohibits the use of 'Mitsubishi' for other than the shipping enterprise, and some critics called for subsidies to be ceased as a result.<sup>96</sup> However Iwasaki would have had some grounds for justifying the name as the enterprise, in theory at least, was closely related to the shipping business.

### Trading Company

The Boeki Shokai was established in 1880 with a capital of ¥200,000 of which Iwasaki provided ¥80,000. Apparently largely conceived by Fukuzawa<sup>97</sup> and supported by Okuma this followed upon the establishment of the Yokohama Shokin Ginko as another step in Japan's gaining a greater control of her overseas trading. However, strong competition from foreign companies, Okuma's removal from office in 1881 (thereby ending the special finance arrangements Okuma had made for the Boeki Shokai with the Yokohama Shokin Ginko)<sup>98</sup>, the fall of silk prices in 1882/1883 and the Shokai's ineptitude at price speculation<sup>99</sup> led to the firm's closure in 1886.

### Ore Mining

Mitsubishi interests acquired the Yoshioka(吉岡) mine near Niimi (新見) in Okayama in 1873 for ¥10,000. This was rich mine from which copper and other ores were obtained.<sup>100</sup> It is said that at the time of the rivalry with P.&O. a large vein of copper was found at this mine, and the income thus derived was vital in sustaining the company through the struggle.<sup>101</sup> Other mines exploited by Mitsubishi up to 1885 were the Komatsubara (小松原) copper mine in Kochi Prefecture and the Karuizawa (軽井沢) silver mine in Fukushima Prefecture which were both apparently not mined on any scale, and the copper mines at Oppu (尾太) and Hakko (八光) in Aomori Prefecture, at Seiryu (青龍) in Hiroshima Prefecture, and at Yako (彌高), Sasane (笹畝), Kitagata (北方) and Daiei (大栄) in Okayama Prefecture.<sup>102</sup>

### Railways

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Deposits ¥192,842

Loans ¥1,597,254

Freight documentary drafts ¥428,706

Profit ¥92,639

(Profit 1881: ¥175,098)

<sup>95</sup> *ibid.* P.330.

<sup>96</sup> *ibid.* P.331

<sup>97</sup> Iwasaki Den Vol 2 PP.331-332.

<sup>98</sup> *ibid.* P.335.

<sup>99</sup> *ibid.* PP.336-337.

<sup>100</sup> see Iwai P.91.

<sup>101</sup> Iwasaki Den Vol 2 P.317, *op. cit.* P.227. Irimajiri P.146 says the mine probably helped in all times of financial stringency.

<sup>102</sup> Iwasaki Den Vol 2 PP.315, 320.

Nihon Tetsudo Kaisha was formed in 1881 by a large group of Peers, with the immediate aim of building a line from Tokyo to Aomori. Of the total cost of ¥19,000,000 some ¥2,000,000 was provided by shareholders of which Iwasaki was a principal one, and the remainder was provided by the government.<sup>103</sup> The railway was completed in 1891.

### Camphor Production

One of Iwasaki's earlier ventures, this was the former Tosa Han camphor business which Iwasaki acquired with the abolition of Han in 1872. Iwasaki abandoned camphor production three years later.

### Silk Production

Acquired in Tosa about the same time as and under similar circumstances to the camphor industry, the works was closed down in 18753 after Iwasaki had spent, approximately ¥17,000 on equipment.<sup>104</sup>

### Waterworks

The Sengawa Suido Kaisha was formed by Iwasaki in 1880 with ¥50,000 of his own capital. The company piped water to Tokyo from a specially built reservoir from 1881 until around the turn of the century.

## CHAPTER 4 - Government Changes and Their Effects on Mitsubishi

The year 1881 marked the beginning of a drastic downturn in the fortunes of the Mitsubishi Company. The key factor in this was the ousting of Okuma from office and the consequent monopolising of power by the Satsuma-Choshu group. The Mitsubishi Company and Iwasaki were in fact implicated in this very downfall of Okuma through various accusations made by interests opposed to Okuma. These were that Okuma was collaborating with Iwasaki and others such as Fukuzawa in his opposition to the proposed sale of the assets of the Hokkaido Colonisation Office,<sup>105</sup> and that Iwasaki was financing interests opposed to the government.<sup>106</sup> These claims cannot be proved or disproved<sup>107</sup> but they were not the real issue.<sup>108</sup> The conflict was a political one between the Satsuma-Choshu group and Okuma's faction, and the latter, including men such as

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<sup>103</sup> *ibid.* PP.348-349.

<sup>104</sup> Iwasaki Den Vol 2 P.300.

<sup>105</sup> Iida "Iwasaki Yataro", Hakuyosha, Tokyo, 1937, hereinafter referred to as "Iida", PP.203-207.

<sup>106</sup> *ibid.* PP.476-477.

<sup>107</sup> On the Hokkaido issue it was clearly in Iwasaki's interest for the government holdings not to be sold. See Iwasaki den Vol 2 PP.477-478. However, Iwasaki adopted a strictly neutral line on the question.

<sup>108</sup> Reischauer, Fairbank & Craig "East Asia the Modern Transformation" *op. cit.* P.287.

Maejima, lost out and was removed from power. This, the so-called "crisis of 1881", meant that Mitsubishi lost the sources of support that it had within the government, and that they were replaced, by elements hostile to Mitsubishi.<sup>109</sup>

The government changes coincided with an outburst of anti- Mitsubishi opinion and writing which was in sharp contrast to the only occasional criticism of Mitsubishi that had been heard in the late 1870s.<sup>110</sup> Newspapers such as the Tokyo Keizai Zasshi and the Meiji Nippo criticised the company for neglecting the maintenance of ships,<sup>111</sup> charging fares in dollars instead of ¥,<sup>112</sup> importing secondhand rather than new ships,<sup>113</sup> reducing the number of ships by six,<sup>114</sup> carrying out conversion work overseas,<sup>115</sup> charging fares which were high compared with those overseas,<sup>116</sup> and for investing heavily outside of shipping. The government subsidy arrangement was criticized for causing monopoly conditions and for allowing subsidies to become built into Mitsubishi operations, enabling large investment elsewhere.<sup>117</sup> Journalists and politicians condemned Iwasaki at a noisy rally, burning effigies of umibozu (sea monsters) and paper ships.<sup>118</sup>

These criticism had validity although some of them seem a bit petty. Admittedly, as it has already been shown, Iwasaki had made substantial investment outside of shipping. As far as additions to the shipping fleet are concerned, seventeen ships of various descriptions (not including the Pacific Mail vessels) had been acquired between 1875 and 1881,<sup>119</sup> and while only one was a newly built vessel, second hand ships seemed to average a reasonably young four or five years of age at their acquisition. It was doubtless easier to purchase existing vessels than to go through the formalities of ordering from a British yard. It was true that with the post-Satsuma Rebellion inflation, fares on the overseas routes were charged in dollars instead of ¥ although it should be remembered that the ¥'s depreciation would have hit hard a business that relied heavily on foreign equipment and services.<sup>120</sup> With public opinion aroused in this manner the new Minister for Agriculture and Commerce Saigo Tsugumichi<sup>121</sup> and the new Postal Service Director General Nomura Sei were able

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<sup>109</sup> This is universally accepted. See, for instance, Iida P.211, Iwai PP.114-115.

<sup>110</sup> Whether this criticism arose naturally (as implied by Yamamura - P.100) or was deliberately instigated by anti-Mitsubishi government and business interests (Iwasaki Den Vol 2 P.491) is unclear but because of its rather sudden appearance it can be assumed to be connected with the- government crisis. Tanaka PP.249- 251 implies it arose because of the accusations over the proposed Hokkaido sales. Irimajiri states that (P.162) Mitsubishi was drawn into the anti-Okuma feeling.

<sup>111</sup> TokyoKeizai Zasshi 19 Nov 1881 quoted in Tanaka, P.252.

<sup>112</sup> Meiji Nippo. Feb 1882 quoted in Iwasaki Den Vol 2 PP.493-494.

<sup>113</sup> "Mitsubishi Kaisha Iwasaki Kyodai no Keieihō ni Kansuru Hinan" by 'Bogaijin' (anonymous foreigner) in Iwasaki Den Vol 2 P.747.

<sup>114</sup> Tokyo Keizai Zasshi 19 Nov 1881 in Tanaka PP.251-252.

<sup>115</sup> "Mitsubishi Kaisha Iwasaki Kyodai no Keihō ni Kansuru Hinan" by 'Bogaijin' (anonymous foreigner) in Iwasaki Den Vol 2 P.748.

<sup>116</sup> *ibid.* P.750.

<sup>117</sup> Tokyo Keizai Zasshi 19 Nov 1881 quoted in Iwasaki Den Vol 2 PP.491-492.

<sup>118</sup> Irimajiri PP.180-182.

<sup>119</sup> See AppendixD.

<sup>120</sup> *Op. cit.* Iwasaki Den Vol 2 P.495.

<sup>121</sup> Saigo largely left the new shipping policy in the hands of his vice-minister Shinagawa Yajiro, but his attitude critical of Mitsubishi is revealed in an amusing episode told of by a Mitsubishi official named Yamamoto (see Iwasaki Den Vol 2 PP.507-508) who was a fellow passenger with Saigo on a voyage from Sendai to Tokyo in a Mitsubishi ship in

to confidently formulate a new policy.

The first part of this policy was the handing down of the Third Decree (see Appendix C) on 28 February 1882. The main provisions of this document seemed to be designed to answer various of the main criticisms of the firm's operations. Article 1 limited the firm's operations to sea transportation and forbade the purchasing and selling of merchandise. This clarified the position for the operation of the Mitsubishi where the process of allowing credit on goods being shipped may have at times been indistinguishable from that of the company actually purchasing goods for resale at the destination. Article stated a minimum size for the Mitsubishi fleet thus answering the problem of Mitsubishi's alleged reduction of the fleet size. Other provisions required ships to be fast in operation (and therefore fairly young in age) as well as maintained in good condition, clearly stated the amounts the company was to be paid when the government requisitioned ships, and forbade the company for charging "unjust amounts" for services. The document also generally indicated a tightening of government assistance to the company.<sup>122</sup>

However, the Third Decree does not appear to have been a particularly severe document, and certainly does not explicitly reveal any anti-Mitsubishi policy. The government's moderate attitude is partly explained by the fact that Mitsubishi was, after all, the nation's main shipping company and it therefore would not be in the nation's interest to strike it too great a blow,<sup>123</sup> and by the fact that the document was not one-sidedly forced upon Mitsubishi, but arrived at after considerable consultation with the company.<sup>124</sup>

The second part of the government's new policy was the establishment of the Kyodo Unyu Kaisha. Already in 1880 Shibusawa Eiichi and Mitsui interests had established the Tokyo Fuhansen Kaisha with a capital of ¥300,000 but the new firm had met with little success.<sup>125</sup> Then in 1882 Vice-Minister of Agriculture and Commerce Shinagawa Yajiro organised a merger of Tokyo Fuhansen Kaisha, Etchu Fuhansen Kaisha and the government-owned Hokkaido Unyu Kaisha to form a new company known as Kyodo Unyu Kaisha.<sup>126</sup> The new firm was, however, more than a mere merger of these three companies. Of its huge capital of ¥6,000,000, some ¥2,600,000 was provided directly by the government<sup>127</sup> (which required a dividend of only 2% per annum to be paid on this capital),<sup>128</sup> ¥730,000 represented the merged assets of the three companies, and the balance was made up by the issue of new shares which were taken mainly by Mitsui and by anti-Mitsubishi interests in the

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March 1883. After an evening of drinking brandy in the lounge, the Minister came forth in strong language with criticism of Mitsubishi and the policies of Okuma and Maejima whom he reportedly 'slandered'. When he finally got up to leave Saigo seemed most unsteady on his feet, and walked back to his cabin with great difficulty. Shinagawa also enthusiastically opposed Mitsubishi. See Irimajiri P.169.

<sup>122</sup> Op. cit. Iwasaki Den Vol 2 P.504. This was in accordance with the general Government financial policy at the time.

<sup>123</sup> Op. cit. Iwasaki Den Vol 2 P.504.

<sup>124</sup> Iida P.215

<sup>125</sup> Yamamura P.152, Iwai P.113, N.Y.K. History P14.

<sup>126</sup> Irimajiri PP.189-190, Iida P.239, Iwasaki Den Vol 2 P.509.

<sup>127</sup> Irimajiri P.139, Iwasaki Den Vol 2 P.516. Originally it was intended that the capital would be ¥300,000 with the government providing ¥1,300,000. (ibid. P.509).

<sup>128</sup> Iwasaki Den Vol 2 P.509.

Kansai region.<sup>129</sup> A Decree was also handed down with provisions for subsidy although not on the scale that had been offered to Mitsubishi.<sup>130</sup> Immediately upon the company's formation, company president Ito went to Britain to order the construction of several new vessels.

In its justification of such massive expenditure<sup>131</sup> on another shipping company the government placed strategic reasons very high.<sup>132</sup> The Korean uprising of 1882 had made it necessary to requisition eleven Mitsubishi vessels,<sup>133</sup> and the active policies of both China and Russia in Korea were continuing to give Japan some cause for alarm. The Decree issued to Kyodo Unyu on 26 July 1882 emphasised the military purpose, for which the company had been designed, and placing the control of the company largely in government hands allowed the appointment in October of military men as President and Vice-President. The other reason for establishing the new company was, of course, to provide a competitor for Mitsubishi, thereby improving the standards of the nation's shipping.<sup>134</sup>

Kyodo Unyu commenced operations in January 1883, and soon extended services around Japan's coasts as well as overseas to destinations such as Shanghai, Korea, Vladivostok and Hong Kong.<sup>135</sup> From the start Mitsubishi had been opposed to the creation of the new company and was not without support in the press,<sup>136</sup> but a petition by Iwasaki Yanosuke<sup>137</sup> to the government met with no success. As most of the new firm's services coincided with those of Mitsubishi, the latter set about meeting the challenge by cutting down on personnel, by closing the Hong Kong and Ryukyu services,<sup>138</sup> by ordering new ships from British yards, by repaying the ¥1,056,000 remainder of the loan money for the thirty ships acquired in 1875 together with interest of ¥369,190 thus giving Mitsubishi greater freedom to control its own operations,<sup>139</sup> by improving service aboard the company's ships, and by reducing fares.

Over two years of intense rivalry ensued. Fares plummeted while the two firms' ships literally pursued each other at sea,<sup>140</sup> with the result of a sharp increase in collisions and strandings.<sup>141</sup>

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<sup>129</sup> *ibid.* P.515.

<sup>130</sup> The Decree can be found reproduced in *ibid.* PP.512-516.

<sup>131</sup> Yamamura P.153 also mentions that the government lent Kyodo Unyu twelve steamers and a cruiser as well, although other sources do not mention these. It may be that Yamamura is referring to the Government-owned ships of The Hokkaido Unyu Kaisha which became part of the Kyodo Unyu fleet.

<sup>132</sup> Iwasaki Den Vol 2 P.509, Iida PP.225-226, N.Y.K. History P.15-16, Irimajiri P.187.

<sup>133</sup> Iwasaki Den Vol 2 P.511.

<sup>134</sup> This is universally accepted. See, for instance, Shibusawa Eiichi quoted in Iwasaki Den Vol 2. P.507, N.Y.K. History P.16, Iwasaki Den Vol 2 P.519, Iwai P.217.

<sup>135</sup> Iwasaki Den Vol 2 P.518.

<sup>136</sup> Papers favorable to Mitsubishi included the Meiji Nippo, Jiyu Shimibun, and Chugai Bukka Shimpō, while others supported the government's position. The division appears to have been along the lines of support for the respective government factions. (*ibid.* PP.539-540).

<sup>137</sup> Quoted in *ibid.* PP.520-538.

<sup>138</sup> *ibid.* P.555.

<sup>139</sup> *ibid.* PP.554-555, Irimajiri PP.191-194.

<sup>140</sup> Iwasaki Den Vol 2 P.560.

<sup>141</sup> See Tanaka P.311.

Kyodo was generally regarded as having better ships but Mitsubishi had a name for service.<sup>142</sup> Even the Emperor apparently preferred the style of Mitsubishi to that of the government-backed company as he used Mitsubishi's YOKOHAMA MARU and TSURUGA-MAUJ for his visit to Yamaguchi, Hiroshima and Okayama Prefectures in July 1885.<sup>143</sup>

By the end of 1884 Kyodo had captured about a third of Mitsubishi's former market<sup>144</sup> but in doing so had heavily strained its finances. From the second half of 1885 the firm found itself unable to issue any dividend,<sup>145</sup> and Mitsubishi, similarly affected, was forced to close the Mitsubishi. Kawaseten which had relied on money from the shipping business. The difficulties of both firms had been compounded by the formation of the Osaka Shosen Kaisha by a merger of small Osaka firms in May 1884.<sup>146</sup>

On the seventh of February 1885 Mitsubishi President Iwasaki Yataro died of stomach cancer at the age of fifty-two. The illness, aggravated by drink,<sup>147</sup> had troubled him for some eleven years, but it had become serious in the middle of 1884 at which time his brother Iwasaki Yanosuke had largely taken over the role of company president. Yanosuke assumed the presidency on his on his brother's death and immediately showed a greater willingness for compromise.<sup>148</sup> Following government mediation an agreement was reached -between the companies in February 1885<sup>149</sup> but this soon collapsed as the battle intensified yet further with fare reductions by both companies in April and again in June and July.<sup>150</sup>

However the government persisted with measures to end the struggle. In April it removed the naval officers in charge of Kyodo Unyu and replaced them with an official of the Ministry of Agriculture and Commerce, Morioka Masazumi who was staggered to discover the extent of the company's losses.<sup>151</sup> He immediately recommended to the government a merger of the two competing companies and held secret consultations with Iwasaki Yanosuke who was of the same opinion.<sup>152</sup> In the second half of August both firms formally decided upon the merger which was effected on the First of October, and the new company was named Nippon Yusen Kaisha with Morioka as president.<sup>153</sup>

For the purposes of the merger Kyodo Unyu estimated its assets at ¥6,526,340 and Mitsubishi its

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<sup>142</sup> N.Y.K. History P.19.

<sup>143</sup> Iwasaki Den Vol 2 P.571.

<sup>144</sup> Irimajiri PP.197-198, Iwasaki Den Vol 2 P.553.

<sup>145</sup> *ibid* P.562.

<sup>146</sup> *Op. cit. ibid.* P.555. The O.S.K. was established with 93 small ships and at capital of ¥1,200,000 (from the commemorative booklet "75 Nen no Ayumi" published by O.S.K., Osaka 1959).

<sup>147</sup> Iwasaki Den Vol 2 P.592, *lida* P.279.

<sup>148</sup> *ibid.* PP.272-274, Iwasaki Den Vol 2 PP.574, 570.

<sup>149</sup> *ibid.* PP.564-575.

<sup>150</sup> *ibid.* PP.558-559, *lida* P.293.

<sup>151</sup> N.Y.K. History P.21.

<sup>152</sup> *ibid.* P.21, Iwasaki Den Vol 2 PP.577-578. Yanosuke told Morioka that Mitsubishi could only last another year, while Morioka said Kyodo could only last another hundred days.

<sup>153</sup> Morioka was succeeded by a number of Mitsubishi men.

shipping company assets at ¥6,521,668 although the latter decided to give 15% (¥978,250) of this value to the government as "an expression of good will" and therefore became the slightly junior party in the merger.<sup>154</sup> Each firm contributed 29 steamers (Mitsubishi's vessels totalled 36,599 tons while those of Kyodo amounted to 28,010 tons) as well as sailing vessels, harbour steamers, store ships and lighter totalling over 4,700 tons, shore facilities, and company offices.<sup>155</sup> Nippon Yusen Kaisha was capitalised at ¥11,000,000, an amount unprecedented for a Japanese firm,<sup>156</sup> and 220,000 shares were issued of which Mitsubishi received 100,000 and Kyodo 120,000.<sup>157</sup> The new firm was immediately guaranteed ample government backing when a Decree handed down on September 29 provided for subsidies and a government guaranteed dividend on shares of 8% for the next fifteen years,<sup>158</sup> and thus was in a good position to eventually expand services around the world.<sup>159</sup>

Thus the shipping company which Iwasaki Yataro founded outlived him by a little under eight months. Although some regarded the new firm as a mere continuation of the Mitsubishi Company,<sup>160</sup> the merger technically meant the complete passing cut of existence of Yubin Kisen Mitsubishi Kaisha on September 30, 1885, and with it the disappearance, albeit a temporary one, of the Mitsubishi name and the Mitsubishi marque.<sup>161</sup>

## CONCLUSION

The main factors enabling Mitsubishi's success in the period until 1881 seem to be Iwasaki Yataro's business genius and ability to establish and use political connections, and the generosity of government assistance.

Even in the period before his firm received official backing, Iwasaki demonstrated his competence at planning, administration<sup>162</sup> and human relations, succeeding where others had failed miserably. He was able, for instance, to avoid the blunders of other pioneer modern Japanese shipowners who

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<sup>154</sup> Iwasaki Den Vol 2 PP.582-583, N.Y.K. History P.22

<sup>155</sup> Statistics from Iwasaki Den Vol 2 P.584. Similar figures in N.Y.K. History P.23.

<sup>156</sup> Iwasaki Den Vol 2 PP.584-585.

<sup>157</sup> N.Y.K. History PP.22-23. Iwasaki Den Vol 2-F.589 states that Mitsubishi received half the shares, but the N.Y.K. History version is more precise and corresponds to 'the value of assets contributed by each company. However, nothing would have prevented the Iwasaki family from acquiring shares "in Kyodo Unyu, and in fact Hirschmaeiyer (P.224) states that "...Iwasaki had secretly bought up the majority of the rival company's stock...".

<sup>158</sup> Iwasaki Den Vol 2 P.583.

<sup>159</sup> In April 1964 the N.Y.K., reconstructed after enormous losses in World War II, incorporated the Mitsubishi Kaiun Kabushiki Kaisha which had developed as a branch of the Mitsubishi Trading Company.

<sup>160</sup> Including Shibusawa Eiichi. See Iwasaki Den Vol 2 FP.589-590. Mitsubishi was the largest single shareholder in N.Y.K. as Kyodo Unyu was owned by a multiplicity of shareholders among whom the Kyodo shares in N.Y.K. were divided.

<sup>161</sup> Iwasaki Den. Vol 2 P.590. Iwasaki Yanosuke reintroduced the Mitsubishi name and marque the following year for some of the non-shipping businesses.

<sup>162</sup> Admittedly this writer has noted one accusation of financial mismanagement but it would seem from accounts such as that of Black, from the firm's performance in managing military supplies during the Satsuma Rebellion, and from the company's ability to survive the struggles with Yubin Risen, Pacific Mail, P.&'O., and Kyodo Unyu that administration was at least satisfactory.

had purchased worthless vessels from unscrupulous Western brokers. He did not imitate the management incompetence of the Kaisei Kaisha and Yubin Kisen but profited by the extensive use of foreigners, on the administrative side of the business. Even after the First Decree, Iwasaki's genius seems to have been in evidence as an important part in the firm's success. He rallied the company through the struggle with P. & O. He complemented the shipping business by mining coal for his ships, by building shipyards, by founding insurance, warehousing and other companies which assisted the shipping company and at the same time brought in other income. Whether or not, as some writers have asserted, he instilled into his company a patriotic "samurai spirit" is unclear,<sup>163</sup> but he did demonstrate good relations with his employees even though the business was run on autocratic lines.<sup>164</sup>

However, what proved to be the most important part of Iwasaki's genius was his ability to form close ties with government leaders such as Okubo, Okuma and Maejima and to use these relationships to obtain government backing. There can be little doubt that the resulting extensive government assistance in the form of loans, subsidies, cargo contracts, and substantial payment for the requisition of vessels was the major key to the company's survival against foreign firms, and its expansion into many other areas of endeavour.

Government assistance at certain times allowed Mitsubishi to make excessively large profits. That finances allowed wide ranging and extensive investment outside of shipping is testimony to this. Talking payments for the use of requisitioned vessels as an example, it would appear from figures quoted that the amounts paid to the company at occasions such as the Satsuma Rebellion were excessive. The problem was recognised and in due course this tendency was rectified when the Third Decree included, for the first time, a table of amounts to be paid on such occasions. But this and other measures were clearly too little to save hundreds of thousands of ¥ of taxpayers' money which had already enabled Mitsubishi to expand into such areas as banking, mining and insurance.

But improper as such overgenerous assistance to a private firm and favoritism on the basis of personal connections may seem by present day standards, it must be realized that to an extent these were accepted practices of the day.<sup>165</sup> For a newly opened nation like Japan, there was little alternative to assisting a fortunate few firms in order to enable industries to stand securely on their feet, and in cases such as shipping, to compete successfully with their more experienced Western counterparts.<sup>166</sup>

While Iwasaki may have been treated the most generously, he was not the only entrepreneur to

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<sup>163</sup> See Hirschmeiyer PP.222-223, Yamamura PP.155-158.

<sup>164</sup> Yamamura P.155 quotes an incident where Iwasaki discovered that an employee was using company stationary for private purposes. He fined the man 15 ¥, but two months later raised his 60 ¥ salary by 30 ¥.

<sup>165</sup> Reichauer "Japan, the Story of a Nation", Duckworth, London 1970 PP154-155, Ballon "Doing Business in Japan" Sophia, Tokyo 1967 PP.50-51. Tanaka (P.213) mentions the profiteering by Mitsui and others during the Satsuma rebellion. Also Irimajiri PP.138-139.

<sup>166</sup> Yoshimura (PP. 159-160) points out that government policy in this case was. not a conscious, carefully conceived set of measures.

build a financial empire on the foundation of government assistance and inside contacts, but was one of a number among which may be included Mitsui, Okura and Yasuda.

Thus Iwasaki, by aligning his own interests with the schemes of the government, virtually obtained a government guarantee that his business would be successful. But when the government decided to sponsor a rival, the profitable effects of this happy arrangement were, negated by the chaos of a price war. It is to Iwasaki's credit that the empire he had engineered was solid enough to live on.

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#### APPENDIX A - The First Decree

To the Mitsubishi Kaisha:

In accordance with the aim of expanding this country's present Merchant Marine the TOKYO IIAKU and twelve other steamers listed on a separate document together with their equipment and transferred to this company without charge, and as a subsidy for operational expenses 250,000 ¥ is to be granted, annually for use according to the following articles:

##### ARTICLE 1

The said ships may be proclaimed as the Company's vessels from the day of their handing over. Furthermore they are left to the Company's use but they should not be sold or mortgaged, nor should individual ships or subsidy money be used as security nor should liability be allowed to outside groups or organisations. If in planning the state of the enterprise ships are, for the sake of convenience, sold off, mortgaged, loaned for security, or scrapped this should only be done after the reasons have been put forward and permission has been obtained.

##### ARTICLE 2

If during the fixed period through some difficulty, regardless of cause, the company ceases operations or is dissolved, the price of these ships shall not be entered in the profit and loss statement, but the vessels will all be returned to the government. If after obtaining permission a mortgage had been obtained, there will be no objection to that part of the ship used as security being entered in the accounts.

##### ARTICLE 3

Foreigners may be carefully selected and permitted to sail as experienced crewmembers of each ship, from captain to stokers and seamen. They should comply with any requirements for examination by either this office or an appropriate government authority.

##### ARTICLE 4

Repairs and maintenance to the hull, engines etc. of each ship, should not be neglected. From time

to time this office or an appropriate government authority will carry out inspections, and any directive that may be consequently issued should not be disobeyed.

#### ARTICLE 5

The government should take care not to cause loss or interference with the Company's operations when it examines crew members or inspects ships' hulls and engines or carries out other requirements. If interference or loss is caused, the Company may put in a claim for compensation.

#### ARTICLE 6

The Shanghai route will be carried on as previously, and shall be considered to have, the objective of achieving accounts comparable to those of the internal services, and this expansion shall be by mutual agreement. The government will provide additional subsidy when it requires regular services to unprofitable areas.

#### ARTICLE 7

Accounting shall be carried out very precisely and a monthly report shall be presented each month and may be examined by this office or an appropriate government authority. If in those accounts there is any disorder, this may be required to be reorganised, and if there are any unnecessary expenses, they will be required to be reduced.

#### ARTICLE 8

In each sailing articles of mail and their containers shall be carried without charge up to the weight of 100 *kamme*,\* and over this weight at what shall be a suitable charge at the time. Furthermore, the method of transport shall be in accordance with the directives of this office. Sailing and arrival times and dates of mail vessels shall be in accordance with the directives of this office.

#### ARTICLE 9

The ships named above as well as the ships that the Company owned to start with will in their operations be entrusted to the Company's own arrangements. Nevertheless if there is any lack of equipment on these vessels, on direction this should be provided, and if there is any dangerous or precarious performance, on direction this should be rectified.

#### ARTICLE 10

Although the company president fundamentally has the prerogative of laying down the work and action of the head office and branch offices and also the conduct of other company business, if, through performance results, liability is caused to the government, this should be rectified on direction.

#### ARTICLE 11

The Company must establish a private mercantile shipping academy as well as an establishment dealing with seamen and firemen, and engage in the training of sailors. From the day the establishment of these institutions is provisionally approved and the teaching method licensed, a

subsidy at the rate of 15,000 ¥ per annum will be allocated.

#### ARTICLE 12

The day this document is accepted will be the first day of the Company's reform, and past accounts shall be dealt with separately. Furthermore, the Company shall not in future undertake other enterprise under this company name.

#### ARTICLE 13

In both normal and extraordinary circumstances the abovenamed ships, if required by the government, will of course be made available regardless of the Company's circumstances and notwithstanding the fact that the ships are the Company's own.

#### ARTICLE 14

The above articles shall be adhered to and the business affairs carried out for twelve months from the date of this document, and the accounts shall be arranged in a clear and concise manner. If the state of business hereafter shows signs of success, the term of the contract will be extended to fourteen years from that time, and the present conditions will be continued. If during the period of validity the above-mentioned directives in these articles are disobeyed without reason, or if business irregularity giving rise to injury to national interests exists, the above steamers may be confiscated at any time and the subsidies cut off. If however, the directives are fully observed and business is made to progress, the agreement will not be broken off because of government circumstances.

#### ARTICLE 15

Any objection to continuing the above operations after the period of twelve months shall be declared by two months before the end of the twelve months' period. If operations are to be ceased, any objections or irrationality concerning the business which necessitated ceasing operations must be made clean, and if operations are continued, consultations may take place to adjust subsidy payments or add to these articles.

#### ARTICLE 16

At the time of such a declaration, if there are circumstances such that the terms and logic of the agreed conditions cannot be willingly complied with, it is reiterated that explanation and justification may be requested.

#### ARTICLE 17

Business shall be commenced with the aim of conducting it continuously for fifteen years. Each year shall be regarded as a period, but temporizing shall not take place. Hence, if in the interval up until the end of the twelve months' term an order to cease is given, the government will take responsibility for a proper and reasonable portion of expenses such as repairs and remodeling of ships, replacement of boilers, and the establishment of a mercantile shipping academy and the provision of equipment for this, and an appropriate amount of money shall be allocated to the

Company.

The above Articles have been arrived at by the command of the Minister for Home Affairs.

15 September 1875      Postal Service Director

Maejima Hisoka

Source: Kaiji Shiryo Sosho Vol 20

Ganshodo Shoten, 1931 PP.274-279.

The slightly differing version given in Iwasaki Yataro Den Vol 2 PP. 142-148 was also consulted.

Translated by S. Kentwell.

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\*One *kamme* equals about 8.33 lb.

## APPENDIX B - The Second Decree

To the Yubin Kisen Mitsubishi Kaisha:

### ARTICLE 1

The decree handed over with the date of 15 September 1875 shall be referred to as the First Decree, and this decree as the Second Decree, and both shall exist together.

### ARTICLE 2

In accordance with Article 14 of the First Decree, the agreements of each of the Articles published in that document shall be maintained for a period of fourteen years from September of this year.

### ARTICLE 3

The operational subsidy of ¥250,000 per annum shall henceforth be allocated henceforth he allocated in fixed amounts to the following mail routes, and the amounts shall be designated as the subsidies for each route:

¥200,000	Shanghai route
¥20,000	Tokyo-Yokohama-Osaka-Kobe route
¥10,000	Tokyo-Yokohama-Hakodate route
¥10,000	Tokyo-Yokohama-Niigata & coastal ports route
¥5,000	Tokyo-Yokohama-Seishu (Ise) route
¥5,000	Nagasaki-Goto Islands-Tsushima-Pusan route

There is no obstacle to reallocating the amounts here according to the Company's desires, and the amounts may also be reallocated at the order of this department.

#### ARTICLE 4

The clauses proclaimed in Article 8 of the First Decree regarding weight shall be disregarded, and henceforth all mail shall be carried free, regardless of weight.

The above Articles have been arrived at by the command of the Minister for Home Affairs.

15 September 1876

Postal Service; Director  
Maejima Hisoka

Source: Kaiji Shiryo Sosho Vol 20

Ganshodo Shoten, 1931 PP.281-282

The slightly differing version given in Iwasaki Yataro Den Vol 2 PP.229-230 was also consulted.

Translated by S. Kentwell

#### APPENDIX C - The Third Decree

To the Yubin Kisen Mitsubishi Kaisha:

#### ARTICLE 1

The Company's sole business shall be sea transportation, and it may definitely not engage in the business of purchasing and selling merchandise.

#### ARTICLE 2

Although the ships previously transferred to the Company are regarded as the Company's property, if the sales price in connection with the above of ¥200,000 is not paid in full, these ships may not be mortgaged or sold elsewhere without special permission.

#### ARTICLE 4

The additional steamers should have a total registered net tonnage of not less than 22,000 tons, and with the aim of expanding on this, old vessels shall be improved and new vessels purchased, thereby gradually replacing elderly ships.

#### ARTICLE 5

Each vessel's hull and engines shall be inspected at least once a year. However the ship's name, the time, place etc. of this inspection must be arranged by the company and the despatch of a representative from the Investigation Bureau must be requested.

#### ARTICE 6

The purchase and construction of new ships, and other matters such as the remodeling of hulls and

engines and reconstruction must be reported to this office in advance.

#### ARTICLE 7

As up until now, ¥180,000 per annum of public bonds shall be left in trust at this office in readiness for the construction of new ships or repairs. This reserve fund may only be used for items named in this Article.

#### ARTICLE 8

The mail ships operating on the subsidised routes are required to be kept stable and safe as well as fast in operation. Vessels operating on the Shanghai route must have a speed of over eleven knots per hour, and on the said route the regular schedule shall not be reduced or altered. However flexibility to provide connections with overseas ships such as those of the Pacific Mail Company is not restricted.

#### ARTICLE 9

Students who have graduated from the navigation and engineering departments of the government school will be made, through this office, to travel in the Company's ships for practical sea study. If the Company objects, on the grounds that interference is caused to its business, it may be asked to show the grounds for this objection.

#### ARTICLE 10

When unjust amounts are charged for transportation on domestic and overseas routes, the Company shall be ordered to change the charges to a suitable rate. However charges will not diminish to the extent that just profit for voyages is not obtained.

#### ARTICLE 11

In accordance with: Article 13 of the First Decree, if the government requisitions the Company's steamers, payment for the use of the vessels shall be made according to the rates published below. However to calculate the number of days a vessel is used, one shall take the period from the day when voyage preparations are commenced in the port of departure until the voyage's business has been completely finished, after the vessel has returned to port. Furthermore if a steamer sustains damage or loss through enemy attack or cruising in unsurveyed waters, the reasons shall be certified and appropriate compensation paid. However this does not apply to damage or loss caused through the negligence or error of the Company or crewmembers.

For vessels over 1,500 gross tons the amount of 4 ¥ 50 sen in silver coinage per ton per month.

For vessels of from 800 gross tons up to 1500 gross tons the amount of 5 ¥ 10 sen in silver coinage per ton month.

For vessels of up to 800 gross tons the amount of 5 ¥ 80 sen per ton month.

The silver coinage mentioned in the preceding three clauses may be paid in other currencies. However the market rate at that time shall be paid. In addition, when the number of days a vessel is

used does not exceed thirty, an extra 10% shall be paid, and when it does not exceed fifteen an extra 20% payment for the use of the vessels shall be made. Besides the above, coal and passengers' food shall be provided by the government or paid for according to cost. Furthermore if by order special equipment is installed, or if lighters or labourers are employed, such expenditure shall be provided for by the government.

#### ARTICLE 12

If the above orders are violated, appropriate punishment shall be made according to the circumstances of the case.

#### ARTICLE 13

The previously landed down First and Second Decree will, except for the portions amended by Articles in this paper, all continue to be valid. However the Articles dealing with vessels provided free of charge etc. are amended as set out in the official Postal Service Notification No.29 of 1877.

#### ARTICLE 14

Until the expiry of the period published in Article 2 of the Second Decree further decrees may be issued to continue this business operation.

The above Articles have been arrived at by the command of the Minister for Agriculture and Commerce.

28 February 1882

Postal Services Director General  
Nomura Yasushi

Source: Kaiji Shiryo Sosho Vol 20  
Ganshodo Shoten, 1931 PP.284-282

The version in Iwasaki Yataro Den Vol 2 PP.498-504 was also consulted.

Translated by S. Kentwell

#### APPENDIX E - Summary of Loans and Subsidies

The following list should only be viewed as a general guide.

In cases where the commencement or ending of a subsidy meant it only covered part of a year, the present writer has apportioned amounts appropriately, and where this has been done an asterisk has been placed after the figure.

1873/1874\*

Small subsidies to Mitsubishi reportedly commenced at time. Refer footnote 16.

1875

Subsidy ¥72,750\* operating subsidy (mail routes)  
¥4,375 seamen's educational establishments

Loan ¥810,000 at 6% for 15 years to buy Pacific Mail ships and facilities.

1876

Subsidy ¥250,000 operating subsidy (mail routes)  
¥15,000 seamen's educational establishments

Loan ¥165,279 at 2% for 14 years - "remainder of navigation expenses."  
¥350,661 at 1% for 15 years for repairs to steamers.

1877

Subsidy ¥250,000 operating subsidy (mail routes)  
¥15,000 seamen's educational establishments

Loan ¥1,200,000 with interest for 50 years - purchase money for 30 ships obtained in 1875.  
\$700,000 at 5% for 14 years to buy additional vessels to maintain coastal services during Satsuma Rebellion  
¥60,000 at no interest for 12 years - repairs S.S. NAGOYA MARU.  
¥50,000 at 5% for 10 years to convert steamers to sailing vessels.

1878

Subsidy ¥250,000 operating subsidy (mail routes)  
¥15,000 seamen's educational establishments

1879

Subsidy ¥250,000 operating subsidy (mail routes)  
¥15,000 seamen's educational institutions  
¥15,000 operating subsidy (Okinawa route)  
¥1,000\* operating subsidy (Aomori/Hakodate route)

1880

Subsidy ¥250,000 operating subsidy (mail routes)  
¥13,000 seamen's educational institutions  
¥15,000 operating subsidy (Okinawa route)  
¥8,333\* operating subsidy (Vladivostok route)  
¥2,000 operating subsidy (Aomori/Hakodate route)

1881

Subsidy ¥250,000 operating subsidy (mail routes)

¥15,000 seamen's educational institutions  
¥15,000 operating subsidy (Okinawa route)  
¥10,000 operating subsidy (Vladivostok route)  
¥1,000\* operating subsidy (Aomori/Hakodate route)

Loans silver ¥30,000 at no interest for 10 years to acquire equipment for the Vladivostok route.

1882

Subsidy ¥250,000 operating subsidy (mail routes)  
¥5,000\* seamen's educational institutions  
¥15,000 operating subsidy (Okinawa route)  
¥10,000 operating subsidy (Vladivostok route)

1883

Subsidy ¥250,000 operating subsidy (mail routes)  
¥15,000 operating subsidy (Okinawa route)  
¥10,000 operating subsidy (Vladivostok route)

1884

Subsidy ¥250,000 operating subsidy (mail routes) ¥10,000 operating subsidy (Vladivostok route)

1885

Subsidy ¥187,500\* operating .subsidy (mail routes)  
¥7,500\* operating subsidy (Vladivostok route)

TOTAL SUBSIDIES (1875-1885) ¥2,729,458

TOTAL LOANS (1875-1885) ¥3,419,940

GRAND TOTAL ¥6,149,398

(For the purposes of these calculations, one dollar has been taken to equal one yen.)

It should be noted that in addition to the above amounts, the government also paid Mitsubishi for the use of ships for military purposes during the Taiwan, Korea (1876), Hagi, Satsuma and Korea (1882) disturbances.

Sources:

Kaiji Shiryo Sosho Vol 20, Ganshodo Shoten, 1931 PP.295-296

Tanaka Sogoro, "Iwasaki Yataro" Chikura Shobo 1940 PP.227-229.

and other sources listed in References.

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