

## Chapter 4

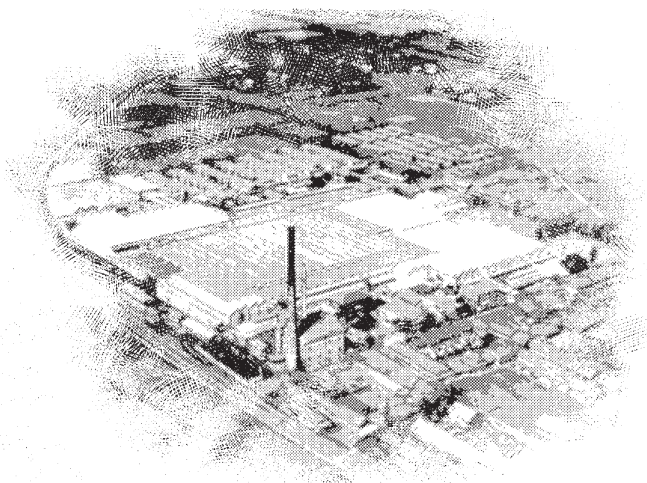
Iwai & Co.

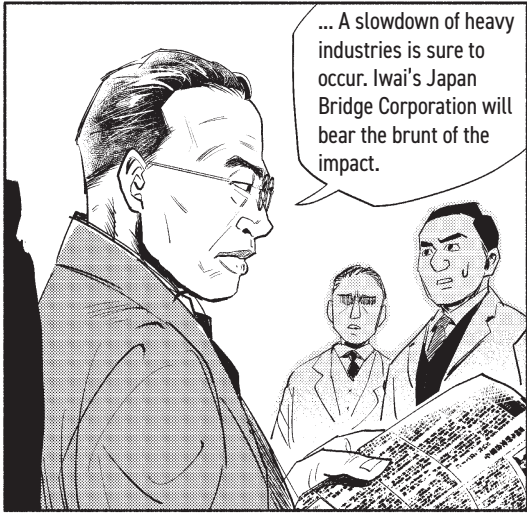
Establishment of the Chuo Wool

Spinning Co., Ltd.

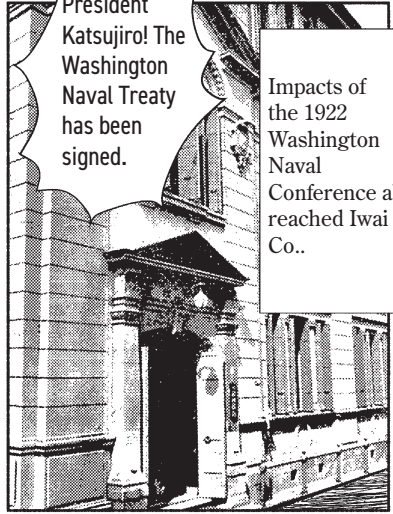
(today's Toabo Corporation)

Founding of Nagaoka Zen Training Center





... A slowdown of heavy industries is sure to occur. Iwai's Japan Bridge Corporation will bear the brunt of the impact.

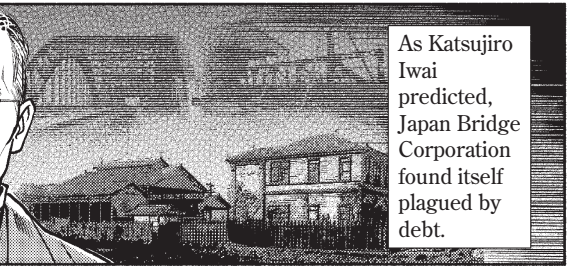


President Katsujiro! The Washington Naval Treaty has been signed.

Impacts of the 1922 Washington Naval Conference also reached Iwai & Co..



Bridgebuilding is vital to this nation. Pay their bonuses from my paycheck.



As Katsujiro Iwai predicted, Japan Bridge Corporation found itself plagued by debt.



I am confident that together we can finally begin domestic production of woolen yarn.



Thank you all for coming back.

During the same period, a large-scale project was underway at Iwai & Co..

Oto Konishi, Hideo Asai, Hajime Hanamizu

All right, now let's make the best wool in the world!

Yes, sir!



During WWI, Iwai & Co. received mass orders from Russia for army uniforms, and the production of woolen clothing was booming.

Iwai & Co. was the leading importer of yarn in Japan, so the next natural step was domestic production.

The following year, Hajime Hanamizu was dispatched to visit wool mills in Europe.



In 1918, Oto Konishi and Hideo Asai were sent to study wool in Australia.

In 1922, Iwai & Co. established Chuo Wool Spinning Co., Ltd. (today's Toabo Corporation).

Katsujiro Iwai volunteered to serve as president of Chuo Wool Spinning Co., Ltd. and its shareholders included Iwai & Co. executives,\* longtime friend of Iwai & Co. Gisaku Takigawa, and Toyota Boshoku's Risaburo Toyota\*.

The company's factory was built in Ogaki (Gifu) due to the city's abundant water resources, workforce, and convenient transport links.

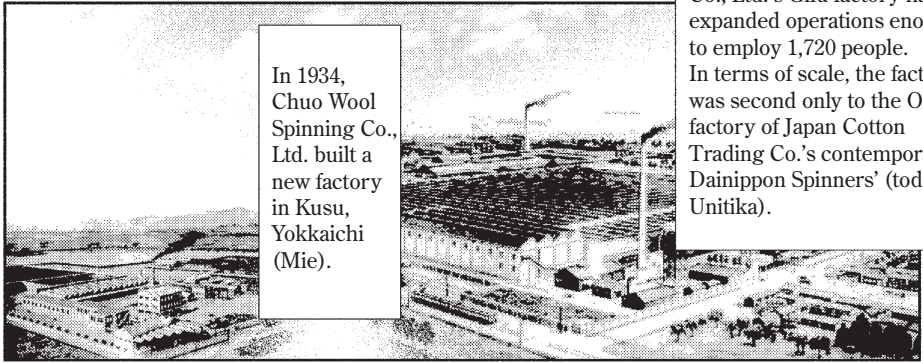
\* Risaburo Toyota, President of Toyota Industries Corporation and first president of Toyota Motor Corporation.

The Great Kanto Earthquake resulted in popularization of utilitarian womenswear, as kimono were impractical during crises.

Dresses (*apapa*) became fashionable, and bus conductresses and department store shopgirls began wearing uniforms.

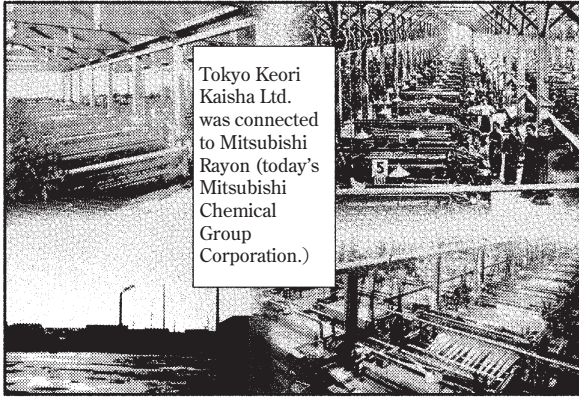


Schoolgirls uniforms across Japan were westernized, and sailor uniforms replaced *hakama*. Due to changing trends in womenswear, the demand rose for woolen clothing.

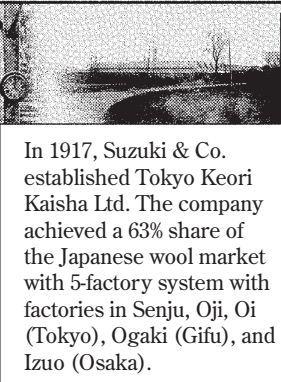


In 1934, Chuo Wool Spinning Co., Ltd. built a new factory in Kusu, Yokkaichi (Mie).

By 1933, Chuo Wool Spinning Co., Ltd.'s Gifu factory had expanded operations enough to employ 1,720 people. In terms of scale, the factory was second only to the Ogaki factory of Japan Cotton Trading Co.'s contemporary, Dainippon Spinners' (today's Unitika).



Tokyo Keori Kaisha Ltd. was connected to Mitsubishi Rayon (today's Mitsubishi Chemical Group Corporation.)

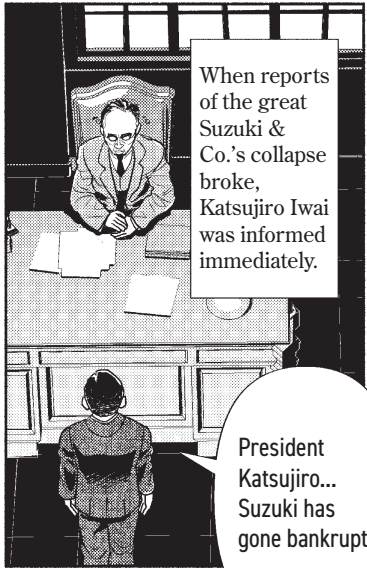


In 1917, Suzuki & Co. established Tokyo Keori Kaisha Ltd. The company achieved a 63% share of the Japanese wool market with 5-factory system with factories in Senju, Oji, Oi (Tokyo), Ogaki (Gifu), and Izu (Osaka).

Suzuki & Co. had also diversified into the production of wool.

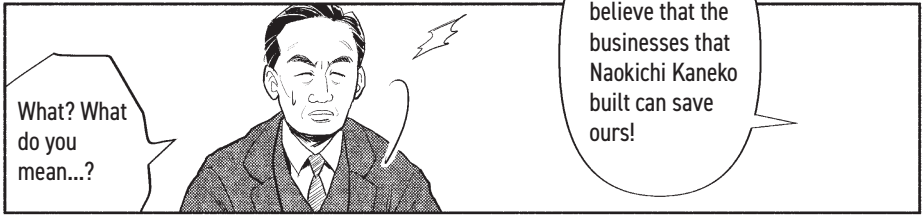


I see ... To think their rapid expansion would come to this devastating fall...



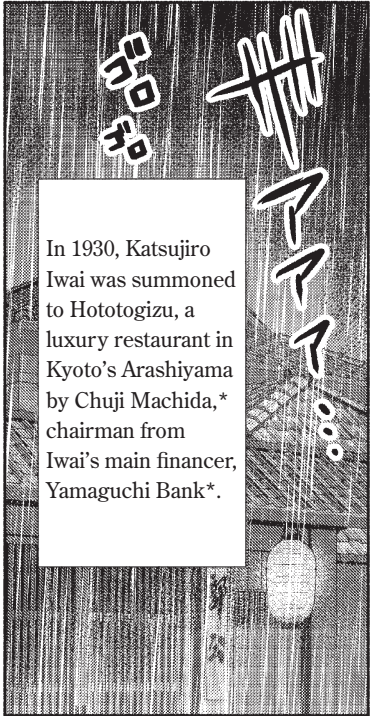
When reports of the great Suzuki & Co.'s collapse broke, Katsujiro Iwai was informed immediately.

President Katsujiro... Suzuki has gone bankrupt.

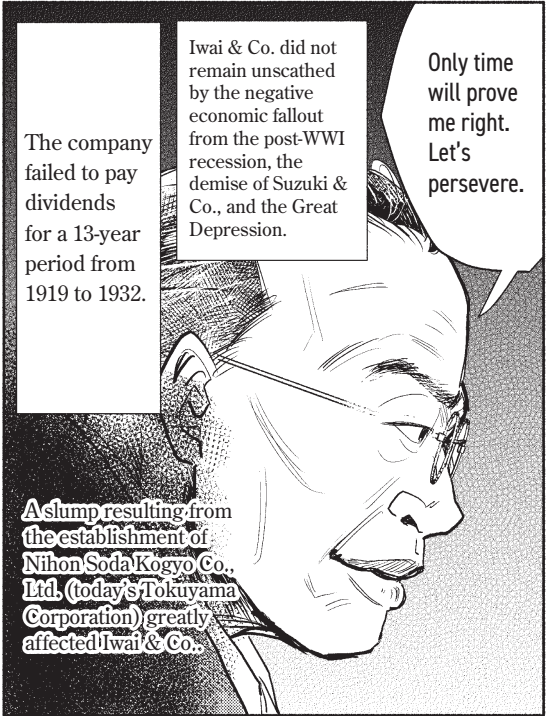


What? What do you mean...?

However! I believe that the businesses that Naokichi Kaneko built can save ours!



In 1930, Katsujiro Iwai was summoned to Hototogizu, a luxury restaurant in Kyoto's Arashiyama by Chuji Machida,\* chairman from Iwai's main financier, Yamaguchi Bank\*.



The company failed to pay dividends for a 13-year period from 1919 to 1932.

Iwai & Co. did not remain unscathed by the negative economic fallout from the post-WWI recession, the demise of Suzuki & Co., and the Great Depression.

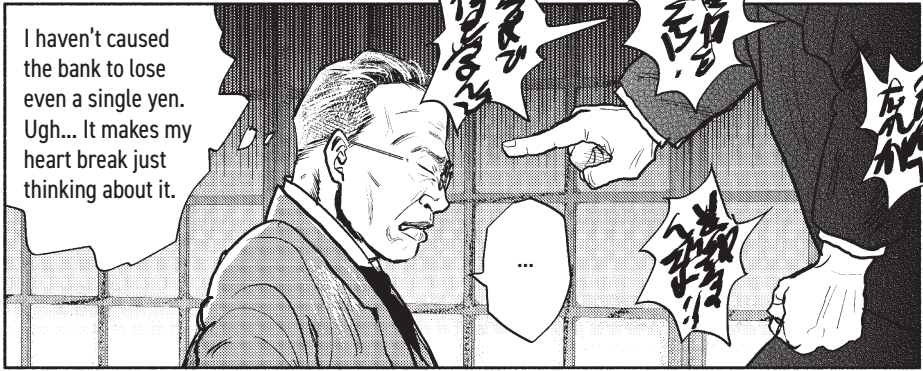
Only time will prove me right. Let's persevere.

A slump resulting from the establishment of Nihon Soda Kogyo Co., Ltd. (today's Tokuyama Corporation) greatly affected Iwai & Co.



Iwai & Co. hasn't paid dividends in years, and you call yourself a man?!

\* Chuji Machida, Former Bank of Japan employee and founder of Toyo Keizai Inc. Served as Minister of Finance, Minister of Commerce and Industry, and Minister of Agriculture and Forestry. President of political parties *Rikken Minseito* (Constitutional Democratic Party) and *Nihon Shinpoto* (Japan Progressive Party).



I haven't caused the bank to lose even a single yen. Ugh... It makes my heart break just thinking about it.

...



When it's pouring rain, you can't do anything but wait it out...

That's true,



Yujiro Iwai, Katsujiro's son set to inherit Iwai & Co.

株式会社  
三和銀行  
三和銀行  
三和銀行

but even the rain comes to an end.

大阪三和銀行合併  
新三和銀行を創立  
常任出口は野等 諸地は平城  
資本金十億 名實共日本  
九月開設

Yamaguchi Bank were put in a precarious position from excessive lending to Iwai & Co. and therefore determined to form a merger with Konoike Bank and Sanjushi Bank.\*

In 1933, the three banks merged to form Sanwa Bank (today's MUFG Bank).

\* Sanjushi Bank had close ties with many Japan Cotton Trading Co. founders, just as Yamaguchi Bank had with Iwai & Co. Postwar, Nissho Iwai and Nichimen joined Sanwa Bank social group, Midori-kai.

Founded in 1918, Kansai Paint Co., Ltd. faced a crisis in its fourth year from the recession.

Iwai & Co.'s years of painstaking effort finally began to bear fruit.

Business is trial by fire. No matter what difficulties we face, we must persist! But to do that, we need a Herculean effort.

You know what sells? New products that no other company offers and a paint that customers want. Kansai Paint has great potential.

I know I just joined Iwai & Co., but may I make a proposal?

Second, we have Masao Kodama.

Let me introduce our new employees. Shunosuke Oda will join us as a managing director. He may be only 32, but he has a good head on his shoulders.

Of course, what is it?

Masao Kodama graduated from Tokyo Imperial University's School of Applied Industrial Sciences. He was introduced to Iwai & Co. by Tokyo Imperial University Professor Yoshio Tanaka.

A good product speaks for itself. If we sell a good product cheaply, everyone will come to buy it, even if we sell it in the backstreets. If we sell a subpar product at a high price, no one will come even if we set up shop in the middle of Ginza.

As salesmen, you must never forget this maxim!

The era of automobiles and mass production is fast approaching.

Please let us develop lacquer.

Conventional paint requires a long dry-down time, but lacquers are unique in that they dry quickly, have a sheen, and are waterproof!

Yes, sir!

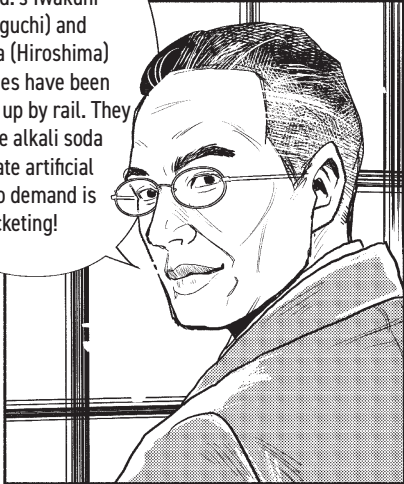
I'll allow it! Go and create the best lacquer for Iwai & Co..

In 1926, Iwai succeeded in producing the first lacquer in Japan (brand: Celva). Around the same period, the Japanese automobile industry took off, and Kansai Paint promoted their new spray-on lacquer for cars.

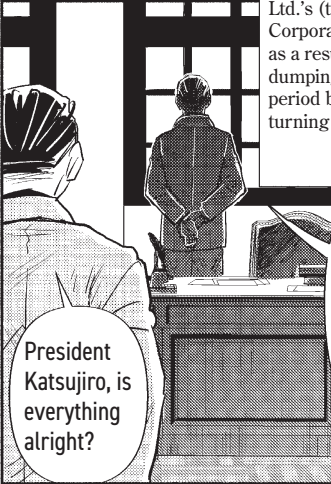
In 1930, Kansai Paint resumed dividend payments 12 years after its establishment.



Teikoku Rayon Co., Ltd.'s Iwakuni (Yamaguchi) and Mihara (Hiroshima) factories have been linked up by rail. They require alkali soda to create artificial silk, so demand is skyrocketing!



Nihon Soda Kogyo Co., Ltd.'s (today's Tokuyama Corporation) had suffered as a result of foreign dumping in the postwar period but faced a new turning point.



President Katsujiro, is everything alright?

Look at Naokichi Kaneko now. Even after Suzuki went bankrupt, his businesses survived.

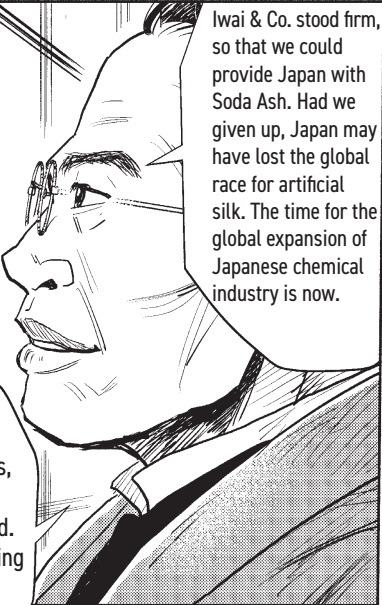
What a turn of events...! Artificial silk is certainly an important export for Japan.

Suzuki & Co. have many stupendous businesses that will operate independently while bearing their debts. Teikoku Rayon alone has a production volume to rival France.

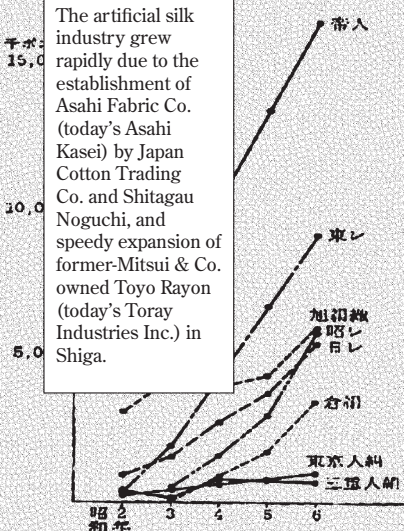


But... Didn't Suzuki & Co. collapse?

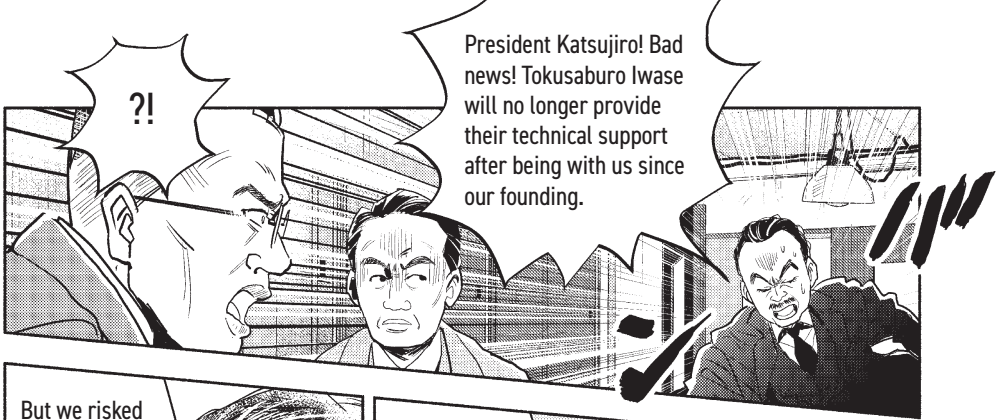
Iwai & Co. stood firm, so that we could provide Japan with Soda Ash. Had we given up, Japan may have lost the global race for artificial silk. The time for the global expansion of Japanese chemical industry is now.



After 14 years, Nihon Soda Kogyo Co., Ltd. is finally getting its chance!



第15圖 会社別人絹生産高の推移

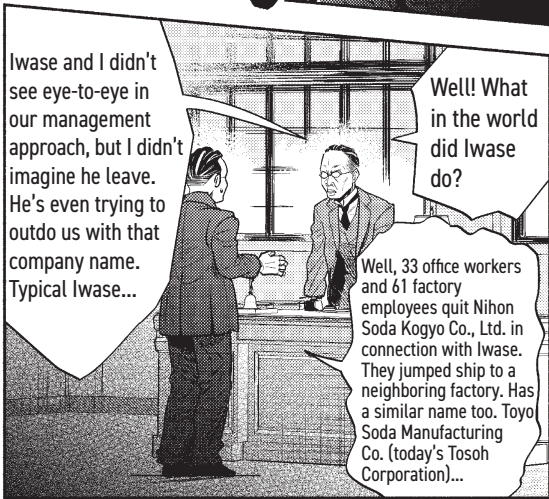


President Katsujiro! Bad news! Tokusaburo Iwase will no longer provide their technical support after being with us since our founding.

?!



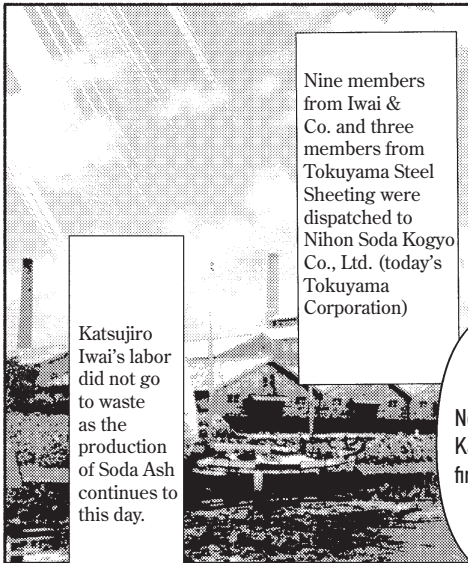
But we risked everything to finally start seeing profit! There'll be no stopping us!



Iwase and I didn't see eye-to-eye in our management approach, but I didn't imagine he leave. He's even trying to outdo us with that company name. Typical Iwase...

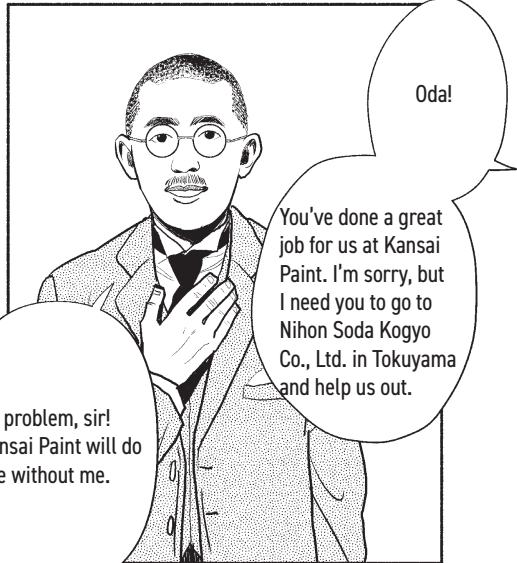
Well! What in the world did Iwase do?

Well, 33 office workers and 61 factory employees quit Nihon Soda Kogyo Co., Ltd. in connection with Iwase. They jumped ship to a neighboring factory. Has a similar name too. Toyo Soda Manufacturing Co. (today's Tosoh Corporation)...



Katsujiro Iwai's labor did not go to waste as the production of Soda Ash continues to this day.

Nine members from Iwai & Co. and three members from Tokuyama Steel Sheeting were dispatched to Nihon Soda Kogyo Co., Ltd. (today's Tokuyama Corporation)



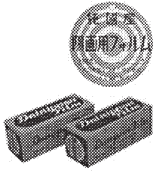
Oda!

You've done a great job for us at Kansai Paint. I'm sorry, but I need you to go to Nihon Soda Kogyo Co., Ltd. in Tokuyama and help us out.

No problem, sir! Kansai Paint will do fine without me.



Preparations were under way at Dainippon Celluloid Co., Ltd. to domesticate manufacturing of a new celluloid material for photographic film.



In 1934, Fuji Photo Film Co., Ltd. is established as a subsidiary of Dainippon Celluloid Co., Ltd..



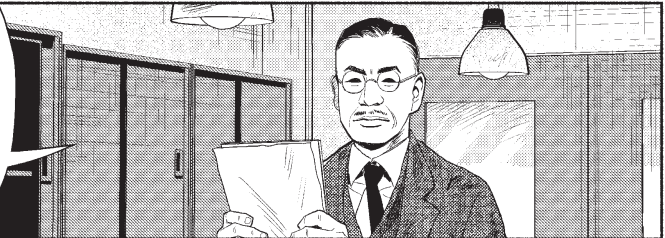
Dainippon Celluloid Co., Ltd. sold celluloid to the world via Iwai & Co. Setsutarō Kobayashi, at the London branch, was instrumental to their success in the European market.



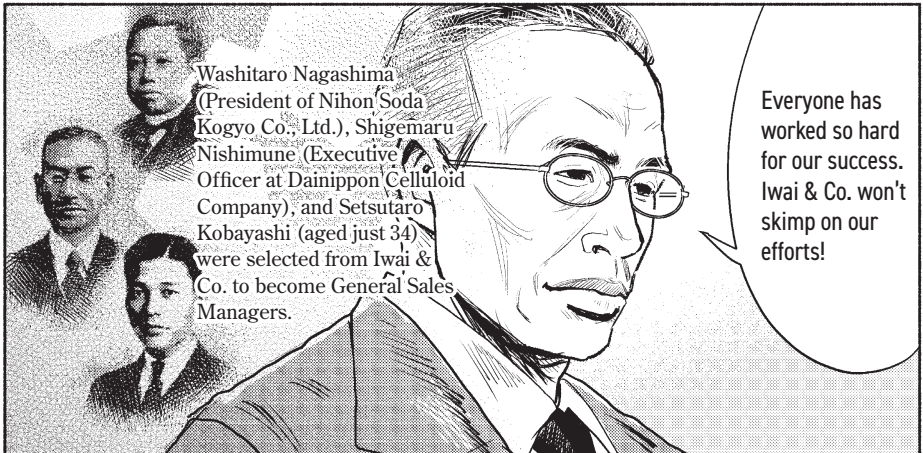
\*\*Setsutarō Kobayashi's son, Yotarō Kobayashi

\*Dainippon Celluloid Co., Ltd.'s Setsutarō Kobayashi

President Katsujirō. The Ministry of Commerce and Industry have plans to subsidize the photographic film manufacturing industry as well as the Soda Ash and dye industries.



Washitarō Nagashima (President of Nihon Soda Kogyō Co., Ltd.), Shigemaru Nishimune (Executive Officer at Dainippon Celluloid Company), and Setsutarō Kobayashi (aged just 34) were selected from Iwai & Co. to become General Sales Managers.



Everyone has worked so hard for our success. Iwai & Co. won't skimp on our efforts!

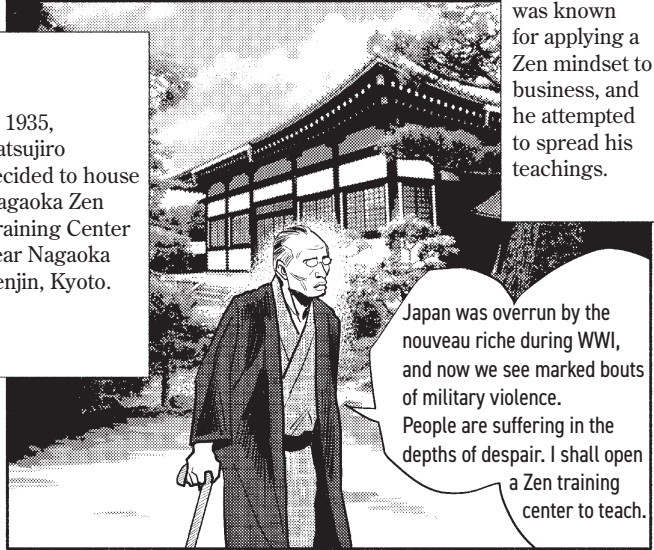
\*1 Setsutarō Kobayashi served as the 3<sup>rd</sup> President of Fujifilm (1960-1971).

\*2 Yotarō Kobayashi became President of Fuji Xerox and Director of the Japan Association of Corporate Executives.



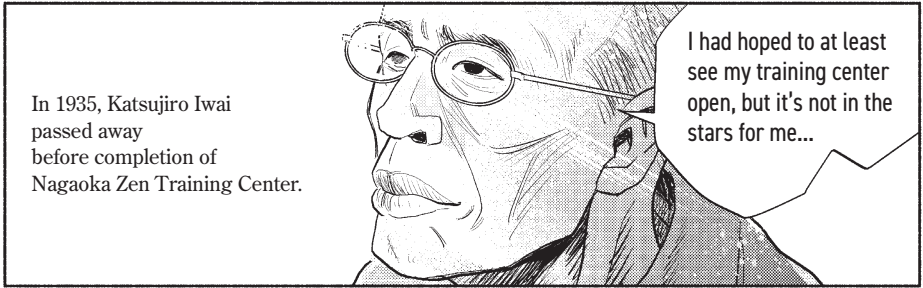
In 1935, Katsujiro decided to house Nagaoka Zen Training Center near Nagaoka Tenjin, Kyoto.

However...



Katsujiro Iwai was known for applying a Zen mindset to business, and he attempted to spread his teachings.

Japan was overrun by the nouveau riche during WWI, and now we see marked bouts of military violence. People are suffering in the depths of despair. I shall open a Zen training center to teach.



In 1935, Katsujiro Iwai passed away before completion of Nagaoka Zen Training Center.

I had hoped to at least see my training center open, but it's not in the stars for me...

In the twilight of his life, Katsujiro Iwai dictated his final wishes.

In Katsujiro Iwai's final advice to his son Yujiro, he wrote: Business requires advancing balance of management and hiring competent employees. Don't chase easy profits. Success demands honest, hard work. Be sure to maintain a happy household.

Iwai & Co. changed its operating name to Iwai Sangyo Co., Ltd. and continued business operations.

