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**Overseas Business Activities of Japanese Companies in the Prewar Period:  
The Japanese Style Foreign Investment in the Prewar Period<sup>1</sup>**

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Japanese Style Foreign Investment in the Prewar Period, FDI, Corporate Governance,  
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**Contents**

Introduction  
1 Survey on Japanese Overseas Companies in the Prewar Period  
2 Three Representative Infrastructure Industries and Their Companies  
3 The General Features of the Overseas Companies  
Conclusion -- to the Period of Mutual FDI

**Abstract**

Clarifying the actual conditions of prewar Japanese foreign investment is a very important subject not only for present day Japan but also for countries under Japanese rule or influence during the prewar period. The economies of these countries are experiencing a rapid growth, and they are actively developing Foreign Direct Investment (FDI) in other countries, including Japan.

Global research initially examined FDI as a new postwar phenomenon. FDI's historical origins and development are gradually becoming topics of study. The historical research on Japanese foreign investment will greatly contribute to the development of global research of FDI. This paper examines such foreign investment.

In my book "*Historical Development of Japan-U.S. Corporate Governance*" (2006), I have found Japanese corporate governance to be market centered during the prewar period. This paper clarifies the overseas business activities of Japanese companies in the prewar period using the same methodology, especially from the viewpoint of corporate governance.

In **Section 1**, I list the companies that operated overseas in 1930 and 1940. These companies, especially those relating to infrastructures, such as the railway, electric power, and finance, turned out to be important. In each section of **Section 2**, I examine representative companies that played an active role in their respective infrastructure industry.

In **Section 3**, I summarize the features of Japanese companies that operated in each country and region in East Asia, including the former colony, in the prewar period. Thus, we

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<sup>1</sup> I have already made my presentation on this theme in the Annual Conference of Business History Society of Japan, October 20, 2007.

will be able to find five important features;

1. Infrastructure was the industry that invested the most heavily, 2. The leading zaibatsu was not the primary driving force behind foreign investment, 3. The investing companies, including the national policy corporation and the special bank, were based upon the financial and securities market, 4. They were highly independent, 5. These companies were actively competing with various local ones.

We could name this investment *the Japanese Style Foreign Investment in the prewar period*.

## Introduction

Clarifying the actual conditions of prewar Japanese foreign investment is a very important subject not only for present day Japan but also for countries that were under Japanese rule or influence at that time. Those nations are growing rapidly and are actively developing Foreign Direct Investment (FDI) with other countries, to include Japan.

Global research initially examined FDI as a new postwar phenomenon. Now, FDI's historical origins and development are gradually being studied. The historical research on Japanese foreign investment will greatly contribute to the development of global research on FDI. This chapter examines such foreign investment.

First, I will utilize the fundamentals that describe company financial information. This information is included in many essential articles about each company that were published during the prewar period, a large amount of basic data published by each company and government organizations, and many articles completed by the staff working for those organizations during the postwar period. These documents not only discussed a wide range of topics, but they were also very reliable, because the companies were based on the market at the time. These rich data and information and their wide range of use developed the foundation of rapid Japanese economic development in the prewar period.

I have already examined Japanese corporate governance during the prewar period in Shimpo (2006), and my findings in this chapter are based on the same method. This chapter clarifies the overseas business activity of Japanese companies in the prewar period using the same methodology, especially from the viewpoint of corporate governance.

Second, considering the foreign investment during the prewar period, if space permits, I would like to mention the comparison between the prewar period with present-day FDI and with other companies in developed nations to include the United States during the same period.

In Section 1, I list the companies that operated overseas in 1930 and 1940. These companies, especially those relating to infrastructure, such as railway, electric power, and finance, turned out to be important. I will examine representative companies that played an active role in infrastructure industries in Section 2. In each part of Section 2, I will examine in detail each company that played a remarkably significant role, such as South Manchuria Railway and Nippon Nitrogen Fertilizer. In Section 3, the comprehensive examination will be repeated.

## 1 Survey on Japanese Overseas Companies in the Prewar Period

In **Section 1**, I will survey a list of companies that operated overseas in 1930 and 1940, when Japanese foreign investment came to be developed on a full-scale operation.

In this chapter, "*the company operating overseas*" is a company whose business base was primarily located overseas. Although we use the word "*overseas*," the developed countries are not

included in the major operating regions of the company inquired below. The major target region is the former Japanese colonies: Taiwan, Korea, the leased Territory of Kwantung, (South) Sakhalin, in addition, China and Manchuria (the present North East District of China).<sup>\*2</sup>

It is possible to estimate to some extent the volume of **FDI**<sup>\*3</sup> from the data of paid-up capital. On the volume of other foreign investment, we will estimate from the data of corporate bonds and loans. However, investigating the complete and specific picture of overseas activity of Japanese companies by studying only the quantity has proven difficult. I will then adopt a method of utilizing data that describe each individual company to the utmost extent for purposes of this chapter.

We have documents that elucidate corporate activity in those days: “*Stock Company Annual*” (Toyo Keizai Shinpo-sha) and “*Stock Annual*” (Osakaya Shoten). Both are outstanding books that provide data of various companies in a straightforward manner. “*Stock Company Annual*” has a wealth of information about overseas companies and provides fiscal data on those companies for each three years. “*Stock Annual*” contains detailed data on leading companies, and the 1931 edition contains data on the finance sector. For the purposes of this chapter, I will primarily refer to “*Stock Company Annual*,” while making use of both documents.

Based on these two references, the target company in this chapter is limited to companies that went public. However, many companies that operated overseas during the prewar period went public. Consequently, the problem brought about by this method is not so large.

Incidentally, the most important company that is not the target of examination with such a method will be a trading company. However, since the influence by trading company foreign business is not direct, I will exclude comparisons with the examined companies from this chapter.

### 1.1 Company List in 1930

The reasoning behind the analysis of the years 1930 and 1940 is specific. The year 1930 was the most developed time in the interwar period. As there was comparatively little influence of war or war preparations, the global economy strengthened. Japan began its foreign investments in many industrial sectors from this period. By 1940, World War II could no longer be avoided, and the war exerted its influence in various fields. As will be discussed in greater detail in this chapter, Japan expanded its foreign investment remarkably until the start of World War II.

In Section 1.1 of this chapter, I will focus on the overseas company whose paid-up capital was above five million yen in 1930. In Section 1.2, I will focus on the overseas company whose paid-up capital was above ten million yen in 1940 and was founded until 1935. In terms of the 1940 data, I added the conditions of the establishment period in order to take into consideration whether there is any resulting activity. The only exception is Manchuria Heavy Industry Development, which was established in 1937. Its existence is of extraordinary importance in Manchuria, and the outcome has a sufficient actual result as Nippon Sangyo in Japan.

Based on the above conditions, **Table 1** shows 36 companies. The total amount of capital was 1,270 million yen, the paid-up capital was 950 million yen, corporate bonds were 870 million yen, the gross assets totaled 4,090 million yen, and sales were 460 million yen. The largest company was South Manchuria Railway, the largest company in Japan. Since its influence on the whole is too great, all data except for South Manchuria Railway’s is also shown in the sum column.

When we compare industries, eight sugar companies advanced in Taiwan; six fiber

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<sup>\*2</sup> In addition, regarding the names of relevant countries, regions, and companies, I basically use the names in the original documents.

<sup>\*3</sup> The term FDI, while a common term now, was not used at the time. For example, refer to the Toa Institute, the First Investigating Committee (1942), in the introductory notes.

companies advanced mainly in Shanghai; and six railway companies, including South Manchuria Railway. The companies in two former industries account for a very large percentage, which is the first important feature of 1930. This table reflects the industrial structure of the Japanese economy in those days.\*4

Thirty-six companies had gone public. Among them, 13 companies had their head offices in **homeland (naichi)** cities, such as Tokyo. The second feature of 1930 is that many overseas companies had their head offices abroad and went public. In many cases with present FDI, the foreign affiliate is under the complete or majority control of the head office, and going public was rare. High independency of a foreign affiliate was an important and noteworthy feature in the prewar period, which is different from present-day investment.

The Following three subsidiaries of Shanghai Silk Manufacturing (its parent company is Kanegafuchi Spinning), Yuho Spinning (Toyobo), and Karafuto Railway (Fuji Paper) are the only three companies whose largest stockholder owned over 50%. Their features were comparatively close to those of present-day foreign affiliates.

South Manchuria Railway was the only company that was under the direct influence of either the government or organizations and companies ruled by the government. During the prewar period, a private enterprise played a very big role in the expansion of Japan's foreign investment. Although half of South Manchuria Railway's stock was owned by the government, there were many stockholders other than the government.

Among these subsidiaries, those affiliates that are directly controlled by major Japanese zaibatsu, such as Mitsubishi, Mitsui, and Sumitomo, are North Karafuto Mining (its parent company is Mitsubishi Mining and its ownership ratio is 16.8%), Nettarei Sangyo (Hachiro-Emon Mitsui, 39.0%) and Shoryu Bank (Yasuda Hozen-sha, 22.2%). The influence of the major zaibatsu in regions overseas is not great. As these ownership ratios illustrate, the stocks of these companies as well as South Manchuria Railway's were widely dispersed.

As the dispersed stockholding of overseas companies in those days was quite remarkable in this sense, I would like to emphasize that corporate governance was market-centered, as illustrated by the above-mentioned feature. As examined in Chapter 1, the shares per shareholder in the top thirty Japanese companies in 1930 was 143 shares, slightly less than 151 shares in this table. Moreover, the ownership ratio by the largest shareholder accounted for 25.8%. This percentage is higher than the 20.9% in top thirty Japanese companies due to South Manchuria Railway's large influence.

Thus, the feature of Japanese companies operating overseas was reflected strongly by various characteristics of homeland companies.

## 1.2 Company List in 1940

In 1940, both the number of overseas companies and their compositions differed greatly. According to **Table 2**, the total number of companies was 46, and their capital was 3,820 million yen (excluding the company that lacked total assets data, 3,640 million yen). The paid-up capital was 2,910 million yen (again, when excluding the company that lacked sufficient data, 2,750 million yen), and the corporate bonds were 3.130 million yen. Gross assets became 15,280 million yen, and sales became 1,930 million yen. As compared with the 1930 data, each of the figures in Table 2 greatly increases to 3.0, 3.1, 3.6, 3.7, and 4.2 times, respectively, in only ten years.

There are several reasons for these increases. First, the local composition changed greatly in 1940. Although there were four companies in Manchuria (Dalian is included in the following examination) in 1930, that number more than tripled to 13 in 1940. The newly added companies,

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\*4 Due to space restrictions, I will examine further two representative industries in 1930 at another opportunity. An additional note on this subject is that we already have excellent results, such as Takamura (1982) and Kuwahara (1990).

each having capital that exceeded 100 million yen, were the following companies: Manchuria Heavy Industry Development, Showa Steel Works, Honkeiko Coal and Steel, Manchuria Electric, Chosen Hydroelectric Power (its old name Jangjin River Hydroelectric Power was changed in 1941), and Manchuria Telephone and Telegraph. Showa Steel Works and Honkeiko Coal and Steel were the core affiliated companies of Manchuria Heavy Industry Development.

However, I would like to re-emphasize that this table is based on the information about public companies. In Korea or Taiwan, since the weight of a state managed industry, such as a railway, is comparatively high, we cannot immediately guess the whole regional composition for foreign investment.

Second, based on the above examination, the composition of the industry experienced a major change in 1940. Three coal mining and oil mining companies and six manufacturing companies that included representatives from the steel refining, metal, machine manufacture, and chemical industries, grew rapidly. This increase shows the progress of heavy and chemical industries while the railway industry decreased to three companies.

However, South Manchuria Railway sharply increased its capital from 440 million yen to 1,400 million yen and remarkably expanded its corporate activity. The number of electric light and electric power companies tripled to six companies. Although the foundations of Manchuria Electric and Chosen Hydroelectric Power were noteworthy, a large-scale electric power development in North Korea by Nippon Nitrogen Fertilizer (which is discussed in Section 3) contributed greatly to electric power development in Korea.

Another infrastructure is a finance industry. The Central Bank of Manchou was founded in 1932, and the central bank in three regions was established. In addition, various financial institutions were founded, and the financial system in each region supported the development of industries delineated in this table.

It is important to note that each industry of these infrastructures developed quickly in each East Asian country and region, including the former colony, and had the same fundamental industrial structure as that of the homeland.

The third important change is that in 1940, amidst the backdrop of the war and preparation for the war, many foreign companies became subsidiaries, and state-owned enterprises increased.

The instances where one private company owned more than half of a company's issued stock increased remarkably. Those instances include the following companies: Showa Steel Works (its parent company is Manchuria Heavy Industry), Chosen Nitrogen Fertilizer (Nippon Nitrogen Fertilizer), Manchuria Chemical Industry (South Manchuria Railway), North Chosen Paper Chemical Industry (Oji Securities), Yuho Spinning (Toyobo), Shanghai Silk Manufacturing (Kanegafuchi Spinning), Nicca Spinning and Weaving (Kurabo Industries), Manmo Woolen Manufacturing (Toyo Takushoku), Nanyo Kohatsu (Toyo Takushoku), Chosen Hydroelectric Power (Nippon Nitrogen Fertilizer), and Dalian Steamship (South Manchuria Railway). Moreover, the number of instances where the state directly owned more than half of a company's issued stock also greatly increased to three. These companies included South Manchuria Railway, Manchuria Heavy Industry Development (Manchukuo Government), and the Central Bank of Manchou (Manchukuo Government).

Both the percentage of the 11 previously mentioned companies and the percentage of the three companies to 46 companies increased respectively. However, despite that percentage increase, two following features of Japanese foreign investment in the prewar period remained the same. The role of public companies was large, and the independency of overseas companies was high.

In addition, the directly affiliated company of major zaibatsu is not included in the above eleven companies. Chosen Anthracite, a subsidiary of Mitsubishi Mining that had 28.8% ownership ratio, is such a directly affiliated company of major zaibatsu except the eleven

companies. There were two Mitsui & Co. affiliated companies. However, their ownership ratios were low. Independent companies and various emerging zaibatsu led much of Japanese foreign investment in this time period.

Lastly, because of the above situation, the shares per shareholder was 263 shares in 1940. This number is a sharp increase from 151 shares in 1930. Since there were 225 shares of top thirty Japanese shares per shareholder in 1940, the number of overseas companies must have increased rapidly. However, in spite of such a situation, there were five companies whose stockholders each held, at most, double-digit shares. These five companies included Bank of Chosen and Bank of Taiwan. The companies with 100 shares per shareholder were 11, not a few. This situation shows that a certain amount of bipolarization concerning dispersed stockholding and concentrated ownership was developing.

Thus, it is very important to confirm that **Berle & Means type companies**, in other words, the broadly dispersed stockholding companies based on a market, had developed in each East Asian country and region, including the former colonies. **Modern business organization**\*5 that was developed mainly in the American railroad company and had adopted **market-centered corporate governance** had been transferred to these regions.

Market-centered corporate governance appeared in the height of the capital ratio within companies, which is illustrated in Table 2. According to Table 2, if the finance sector is excluded, the capital ratio will fall from 43.5% to 36.9% of Table 1. However, that percentage is still very high. Since major companies actively finance by issuing corporate bonds, overseas companies, just like homeland companies, were raising most required funds from the market. The financial institution in this region did not perform the roles of a present-day main bank, such as owning stocks of major companies or lending out large amounts of funds to major companies.

## **2 Three Representative Infrastructure Industries and Their Companies**

In **Section 2**, I would like to examine the data of representative companies in each of the following three industries: railway, electric power, and finance. The importance of the three infrastructures became clear in Section 1. At that time in Japan, regarding the automobile and oil industry, which will become as next-generation infrastructure, their huge companies both domestic and overseas were not developed yet. The same is applicable for the telephone and telegraphic communication industries.

To analyze the railway, electric power, and finance infrastructures, I will describe their detailed financial and stockholder information, including corporate bonds and borrowing as debt, securities and loan as assets, and profits and dividends, and the top three stockholders. Furthermore, for the major companies, I will also present the list of affiliated companies.

### **2.1 Railway Industry**

The railway was the important industry that formed the most important economic infrastructure in developed countries and led the economic development after the 19th century. In the United States, the transcontinental railway was completed in 1869, and it played a large role in U.S. integration. Moreover, Chandler described the railroad as “the first modern company” (Chandler, 1977, 81). The railway industry produced the first modern company. I have already examined in detail that Berle & Means type company was born and grown in the railway industry (Shimpo, 2006, Chapter 3).

Japan was late to aim at capitalist development, and its railway construction was developed with the help of technology from Great Britain, a developed nation in terms of the

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\*5 An independent and efficient decision-making organization is also required in order to be a modern business organization.

railway at that time. The first railway was opened between Shimbashi and Yokohama in 1872. In 1906, the Railway Nationalization Law was implemented, approximately 4,800 km of the 17 private lines for the whole country were purchased, and the development as a nationalized industry was strengthened. Japanese National Railways (JNR) was privatized in 1987. Such a management form and too strong a dependence on domestic technical development may have restricted the development of the homeland's railway industry.

The working kilometers of JNR were 1,626 km in 1920, 10,436 km in 1930, and 18,400 km in 1940. The increase in working kilometers from 1920 to 1940 was especially remarkable. However, the amount of working kilometers did not change much from 1940 to the present. Incidentally, apart from development of JNR, private enterprises, such as Keihan Electric Railway and Hanshin Electric Railway, developed mainly in urban areas and set up a multilateral management, making the railway a core business. Keihan Electric Railway and Hanshin Electric Railway were representative railroad companies at that time. The private railway working kilometers were 6,157, 5,335, and 8,889 km, respectively. They showed the considerable importance of private railway (Ministry of Internal Affairs and Communications, Statistics Bureau, 1988, 521, 536-537).

### **2.1.1 Leading Companies in the Railway Industry**

The period from the beginning of the 20th century to World War II is the time when the railway business started on a full scale and accomplished rapid growth in each East Asian country and region, including the former colony, as in the homeland. Four companies were chosen to represent private railway companies in this region in 1940. They are shown in **Table 3**. In Korea and Taiwan, like the homeland, major routes were state owned, and private enterprises on the same scale as South Manchuria Railway did not exist. Although Kungang Mountain Electric Railway does not meet the standards of Table 2 and is not shown, all three companies have the same features revealed in Table 2.

First, I will discuss Korean railway. Korean railway began with the operation of the Keijin Railway in 1899. The Keifu Railway started construction between Seoul and Pusan, and railway construction progressed even further in 1901. The Residents-General of Korea purchased the Keifu Railway line and developed the nationalization of Korean Railway in 1906. Meanwhile, the jurisdiction of the Korean railway changed frequently until it finally fell under the jurisdiction of the Governors-General of Korea.

The working kilometers of Korean railway were 1,095 km in 1910, 2,168 km in 1920, 3,865 km in 1930, and 5,084 km in 1938. The working kilometers dramatically expanded about five times during only 28 years. In 1938, national railway was 3,831 km and a remarkable 1,252 km private line was also developed.

Unlike those of the homeland, many of these routes were constructed using the broad gauge of international standards. In the 1930s, a nonstop train ran from Pusan to Hsingking in Manchuria in the same broad-gauge.

The total capital was 711 million yen until 1938, the spending by the Governors-General of Korea amounted to a large 595 million yen, and the capital experienced a sudden increase after 1935. The level of profits was also consistently high.

The largest private railway company was Chosen Railway, and its head office was in Seoul (558 km). Chosen Kyonan Railway (214 km) was the second largest, followed by Kungang Mountain Electric Railway (117 km). As the table shows, the scale of these private railway companies was comparatively small. However, the funds were actively raised from a market, and these companies developed to have many stockholders (the Governors-General of Korea, Railway Bureau, 1940, 3-8, 559, 578-581, 591).

In Taiwan, although the railway between Keelung - Hsinchu opened for traffic in the Qing dynasty. The Japanese government formed a plan to extend and equip it as a railway running through the mainland after the Taiwan possession. Construction started in 1899. In 1906, the railway between Keelung - Kaohsiung was opened for the time being, and in 1908, it was completed.

The working kilometers of the government-established railway were only 97 km in 1899. The working kilometers steadily grew to 454 km in 1910, 637 km in 1920, 883 km in 1930, and 881 km in 1938. The total investment in terms of construction costs in this period was 170 million yen, and the investment consistently turned a high profit.

Incidentally, Taiwan constructed private railways for business routes that totaled 521 km and a dedicated line that was 2,098 km in 1938. The largest business route was 224 km of Dai-Nippon Sugar Manufacturing, and the largest dedicated line was 547 km of Taiwan Sugar Manufacturing.

Though the Taiwanese national railway experienced rapid growth, the large part of its railway was a private railway and dedicated line, which became a constraint for further railway and economic development.

### 2.1.2 South Manchuria Railway

**South Manchuria Railway** inherited the right of management from Russia by the Treaty of Portsmouth in 1905 and was founded the next year. Thus, the company that is needed for execution of a national policy and is established based on a special law is called a **national policy corporation**.

However, at least 75,000 stockholders owned half of South Manchuria Railway's issued stock, making South Manchuria Railway an incorporated company that had a close relationship with the financial markets. Although South Manchuria Railway had always earned high profits, those profits were returned to stockholders as dividends. Moreover, the table shows that a large amount of funding was raised from a market through not only stocks, but also the same amount of issued corporate bonds.

National railways were dominant in the homeland, in Korea and Taiwan. However only South Manchuria Railway operated as a semi-governmental incorporated company and introduced various advanced management styles and technologies. In the United States, the entire railway system was built by private enterprises such as the Pennsylvania Railroad. Railways were developed by private enterprises in the United Kingdom as well.

When South Manchuria Railway was compared with Japanese representative companies, South Manchuria Railway's connection to the international financial market was small due to international criticism of Manchuria's status. This small connection is a weak point. A large amount of corporate bonds were issued by Japanese financial institutions, including Industrial Bank of Japan, and were primarily sold in the Japanese market. In contrast, Japanese electric power companies and Toyo Takushoku had issued U.S. and U.K. currency bonds in the international market (Shimpo, 2006, 47-49).

Although South Manchuria Railway initially inherited 1,151 km from the government and attempted to repair the broad gauge line of the whole line, the railway opened in 1908 ("*A 30 Years' Abridged History of South Manchuria Railway*," 1937, 1-2, 70-71). After the opening, the extension and repair were tackled, and total kilometers grew to 10,482 km in October 1939. Of those kilometers, 1,231 km were South Manchuria Railway Co. lines, 8,483 km were national lines, 352 km were in North Korea, and 416 km were temporary business lines (South Manchuria Railway, Railroad Head Office, Public Relations Section, 1939, 11-19).

South Manchuria Railway was one of the most advanced companies due to not only a quantitative expansion but also to reforms in various railway technologies. Unlike the homeland's



railways, the broad gauge of an international standard was introduced, and the train, *Asia*, ran the entire distance of 704.1 km at a maximum speed of 120 km/h, sometimes speeds of 170 km/h, which was the fastest time in Japan, between Dalian - Hsingking in 1934. Three “Paci-Na” style locomotives were manufactured in the Sakakou factory in Dalian of South Manchuria Railway and nine in the Hyogo factory of Kawasaki Rolling Stock Manufacturing. It is also worth noting that Manchuria’s local production also performed at this time.\*6 In this way, Manchuria played the role of ground for testing new technology and management.

Next, the diversified management from other infrastructures to a mining and manufacturing with a railway in South Manchuria Railway was noteworthy. The column on the right in **Table 4** lists companies whose stocks owned by South Manchuria Railway, and whose paid-up capital was at least ten million yen in June 1936. South Manchuria Railway also invested an amount of at least 220 million yen in these affiliated companies. South Manchuria Railway owned at least 50% of the shares of the following six companies: Showa Steel Works, Manchuria Chemical Industry, Manchuria Coal Mining, Dalian Steamship, Manchuria Electric, and South Manchuria Gas. In addition, the management of Showa Steel Works and Manchuria Coal Mining was transferred to the Manchuria Heavy Industry in 1940, and the majority of Manchuria Electric and South Manchuria Gas no longer owned by South Manchuria Railway.

These major affiliated companies as well as South Manchuria Railway, not only went public, but also raised funds from a market by issuing corporate bonds. Since the loan receivable of South Manchuria Railway was 630 million yen, we can assume that a part of the loan went to affiliated companies, but the independence of each affiliated company remained high.

The establishment of **Manchuria Heavy Industry Development** in 1937 changed the role of South Manchuria Railway in Manchuria. Nippon Sangyo moved its head office to Manchuria, became the Manchukuo corporation, and increased the company’s capital twice. The Manchukuo government undertook the part of increase, and its company was established.

**Table 5** presents Manchuria Heavy Industry Development and the list of its affiliated companies in Manchuria. The table lists the representative subsidiaries, such as Showa Steel Works, Honkeiko Coal and Steel, and ten companies whose paid-up capital was ten million yen or more in February 1940. However, detailed information was not easy to obtain.

Judging from the year that each company was established, we can extrapolate that Manchuria Heavy Industry Development became a business group established in the heavy and chemical industries in a short period of time. In this, the company whose full-scale corporate activity had just started, was also included. Moreover, the ownership ratio of Manchuria Heavy Industry to each company was very high. There was also quite small self-financing by each company. These features were very different from those of the company’s predecessor, Nippon Sangyo.

Among these companies, Showa Steel Works was a complete subsidiary of South Manchuria Railway. Manchuria Coal Mining was a 50% owned subsidiary in 1936. South Manchuria Railway transferred its primary subsidiary to the Manchuria Heavy Industry Development. In this way, this company was established.

## 2.2 Electric Power Industry

After the railway industry, the electric power industry grew rapidly as a new infrastructure. As a new energy source, electric power brought about a big change to the whole structure of the industry.

In the United States, the investment company played an important role in the rise of the

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\*6 [http://www.khi.co.jp/sharyo/since\\_final/since\\_1934.html](http://www.khi.co.jp/sharyo/since_final/since_1934.html). However, in the U.K., France, and Germany, the still faster steam locomotive was performing the operation at this time.

electric power industry, and many huge business groups with a core investment company were born. In the same period in Japan, private electric power companies, including Tokyo Electric Light in 1883, were founded successively. This process differed from the nationalized railway industry. Each electric power company was an independent company that did not belong to specific business groups. These companies developed quickly as Berle & Means type companies, which were representative of that time period in Japan when companies raised funds from the market, based on a dispersed stockholding.

### 2.2.1 Leading Companies in Electric Power Industry

The electric generating capacity (maximum output) of Japan was only 44,000 kW in 1903. It increased rapidly to 258,000 kW in 1910, 1,378,000 kW in 1920, 4,500,000 kW in 1930, and 9,073,000 kW in 1940 (Ministry of Internal Affairs and Communications, Statistics Bureau, 1988, 448-449). Fire power was leading in early stages, and the weight of hydroelectric power increased gradually. In this process, the percentage of the five major electric power companies, including Tokyo Electric Light, increased the overall percentage of all fields in the electric power industry (Miyake, 1937, 200-212).

However, as discussed in greater detail in the next paragraphs, these big businesses did not necessarily have foreign investment.

**Table 6** shows representative electric power companies in each country and region in East Asia, including the former colonies. The upper row of the table shows detailed data on five companies. The lower row shows the company that was primarily founded in Korea in the late 1930s. Detailed data on that company could not be attained. The latter companies also played a very important role in the development of Korea's electric power.

The power generation in Korea was only 1,065 kW in 1910 and increased to 44,567 kW in 1929. As the following section shows, a full-scale development was found in the 1930s, and as a result, power generation amounted to 890,000 kW in 1940.

The scale of Korea's electric power company was comparatively small. Its detailed financial data is shown in Table 6. The electric power business of Seoul was started by American Henry Collbran under the protection of the Yi Dynasty in 1899 and was initially called Seoul (漢城) Electricity. As the business later developed, its name changed many times and eventually became Seoul (京城) Electricity in 1915. West Chosen Joint Electricity and South Chosen Joint Electricity appeared to be a unified power distribution business regionally. The business was privatized and greatly reorganized (History of Korean Electric Power Business, Editorial Committee, 1981, 14-23, 87-93).

In addition, as shown in the lower row of the table, apart from the three above-mentioned companies and Nippon Nitrogen Fertilizer group, many Korean electric power companies with over ten million yen in paid-up capital were operating, such as Chosen Electric Power, Han River Hydroelectricity, and Kangge Hydroelectricity.

The capacity of the electric power plant in Taiwan accomplished the following development. Electric generating capacity was 1,700 kW in 1907. It increased to 21,000 kW in 1920, 274,000 kW in 1930, and even to 55,000 kW in 1940. For power generation, the motor and the dynamo were introduced by not only Japanese companies, such as Hitachi and Toshiba, but also overseas companies such as GE and AEG (Allgemeine Electricitats Gesellschaft). The import from foreign companies, such as AEG and Voith, was done until 1941.

Many electric power companies were unified, and **Taiwan Electric Power** was born in 1919. The status of Taiwan Electric Power in Taiwan was overwhelmingly high, and the size of its power plant accounts for at least 80% of total Taiwan electric power in 1940, as was previously discussed. It was an over concentrated structure (Lin Pin-yen, 1997, 251-255).

Taiwan Electric Power's total assets probably exceeded three Korean companies, it issued

its corporate bonds, which raised 93.0 million yen. It issued its foreign bonds of 20.7 million dollars (41.6 million yen) by J.P. Morgan & Company as an underwriting company in 1931. Taiwan Electric Power illustrates the best example of the high international evaluation. (Securities Underwriter Association, 1940, 936-937).

As shown in Table 6, the Governor-General of Taiwan owned 15.5% of Taiwan Electric Power's shares and was the largest stockholder. However, Taiwan Electric Power's stock was greatly dispersed with 8,311 shareholders, and it was one of the excellent companies that put its foundation on a market.

The building of the Hamamachi power plant by Russia in Dalian in 1902 marked the beginning of the electric power plant in Manchuria. As a result, fierce competition emerged among not only Japanese companies, such as South Manchuria Electricity and South Manchuria Railway's affiliated companies, that enjoyed an advantage in terms of capital or technology, but also the China-Japan joint venture, the China government enterprise, the China private company, and the China-Russia joint venture. By the end of March 1934, Japanese companies had 206,000 kW power generation equipment and Chinese companies had 64,900 kW. However, Chinese companies maintained an overwhelming status in respect of regions and population.

Then, Manchuria Electric was established as a semi special company and started business at the end of 1934. Manchurian power generation equipment produced 402,000 kW in 1935. This generated power doubled to 806,000 kW over the next five years.

Manchuria Electric's stock was owned not only by the organizational and financial institutions of the Manchukuo government (including Manchukuo Savings Department), but also by many Japanese life insurance companies. However, there were 11,284 shareholders, illustrating that many diverse investors owned Manchuria Electric stock. Manchuria Electric issued 121 million yen in corporate bonds, which was equal to its paid-up capital and allowed the company to raise funds actively from the market (History of Manchuria Electric, Editorial Committee, 1976, 8-24, 684-685, 265-266).

### **2.2.2 Nippon Nitrogen Fertilizer Played a Role in Large-scale Electric Power Development in Korea**

Finally, we will survey the large-scale electric power development in Korea. **Nippon Nitrogen Fertilizer** undertook this business. Commanded by Shitagau Noguchi, Nippon Nitrogen Fertilizer started to manufacture the ammonia synthesis process by Luigi Casale for the first time in the world in 1923. Shitagau Noguchi established Chosen Nitrogen Fertilizer and founded the Hungnam factory, which was the largest chemical complex in the world in 1927.\*7

Thus, Nippon Nitrogen Fertilizer was going to unify the chemical industry with big power consumption and the electric power development business that would advance new technological innovation. The business based on this new plan was difficult to achieve in the homeland where the monopoly of electric power had already formed. Nippon Nitrogen Fertilizer regarded Korea as the place to fulfill this plan.

Chosen Hydroelectric Power (which later merged with Chosen Nitrogen Fertilizer) was first established in 1926, a year prior to the founding of Chosen Nitrogen Fertilizer (History of Korean Electric Power Business, Editorial Committee, 1981, 253-254). After that, Jangjin River Hydroelectric Power, which performed hydroelectric power business in the Jangjin River and the Pujon River, was established in 1933. Its name was changed to Chosen Hydroelectric Power in 1941, and it was a complete subsidiary of Nippon Nitrogen Fertilizer. In 1937, both Chosen Yalu River Hydroelectric Power and Manchuria Yalu River Hydroelectric Power were established to perform hydroelectric power generation in the Yalu River. In December 1940, the Manchukuo government invested 50% and Toyo Takushoku and Chosen Hydroelectric Power each invested

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\*7 [http://www.chisso.co.jp/company/time\\_line.html](http://www.chisso.co.jp/company/time_line.html)

20% in later companies (Toyo Keizai Shimpo-sha, 1941, 319). Although Chosen Power Transmission was established in 1934 and electricity was also transmitted to Pyongyang or Seoul from the previously mentioned power plants, Jangjin River Hydroelectric Power invested 21.7% to Chosen Power Transmission.

The Supung Dam was completed in the Yalu River in 1944, and with 700,000 kW electric generating capacity, it was one of the world's largest electric power plants.\*8 In terms of power generation equipment, seven waterwheel power generators of 100,000 kVA were established. At the time, they were the world's most powerful generators. Tokyo Shibaura Electric (established by the merger of Shibaura Engineering Works and Tokyo Electric in 1939) received an order of five generators, and the German company, Siemens, received two sets (*"An 85 Years' History of Tokyo Shibaura Electric,"* 156-157). These facts illustrate the high level of electric power development and the technology of the electrical machinery industry in Japan at that time. It is important to note that such large-scale electric power development could be realized not homeland but in the former colony.

The Korean electric power development business was achieved earlier by private enterprises. Korea's electric power was on the same grand scale as that of the Tennessee Valley Authority (TVA) in the United States (History of Korean Electric Power Business, Editorial Committee, 1981, 551-552).

Here, I will summarize the special features of the business group called Nippon Nitrogen Fertilizer in **Table 7** once again. Nippon Nitrogen Fertilizer's head office had 14,550 stockholders, and the ownership ratio of the largest stockholder Konan Syokusan was 11.5%, which was not high. Nippon Nitrogen Fertilizers issued a huge amount of corporate bonds, and it was a representative of market-based company.

Incidentally, both Chosen Nitrogen Fertilizer and Asahi Bemberg were major affiliated companies and fully controlled by Nippon Nitrogen Fertilizer through its stockholding. However, each company jointly issued its corporate bonds as Nippon Nitrogen Fertilizer. Moreover, Jangjin River Hydroelectric Power, which developed Korean electric power, was under its parent company's complete control. In another emerging zaibatsu, Nippon Sangyo (later renamed to Manchuria Heavy Industry Development) and major Japanese companies under its control were also market-based like Nippon Sangyo itself. Alternatively, we could say that Nippon Nitrogen had a concentrated control structure as a business group with a market-based parent company.

## 2.3 Financial Industry and Financial System

Finally, I examine another infrastructure, the financial industry, in **Table 8**. While railways and electric power have supported the economic material base, the finance sector circulated capital to required industries and served as an important driving force of economic development.

A **modern financial system** means the following: 1. the establishment of the central bank that issues national currency and implements its financial policy, 2. the establishment of various financial institutions, such as a commercial bank, a long-term credit organization, a securities firm, and an insurance company, and active competition among them, 3. the development of the financial and securities market that trades stocks and bonds.

The Japan national bank issued its first note in 1873 just after the Meiji Restoration. According to the Bank of Japan Ordinance implemented in 1882, the Bank of Japan started activity as a central bank. Mitsui Bank was founded as the oldest private bank, and many banks continued after its establishment in 1876. The stock exchange was founded in Tokyo and Osaka and stock and bonds trading started in 1878.

### 2.3.1 Korean Financial Institutions

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\*8 [http://www.chisso.co.jp/company/time\\_line.html](http://www.chisso.co.jp/company/time_line.html)

The Korean modern financial institution started by the establishment of the Pusan branch of Dai-ichi Bank (Dai-ichi National Bank) in 1878, and the first Korean bank Korea Cheonil Bank (later renamed Chosen Commercial Bank) was established in 1899. According to the Law of Bank of Chosen in 1911, the Bank of Korea, which was playing the role of a central bank, was changed to the Bank of Chosen. The Bank of Chosen was not only performing such tasks as issuing bank notes, dealing with bullion and administrating the national treasury, but also conducting the business of a general commercial bank, such as depositing and loaning funds.

In addition, after 1917, the Bank of Chosen note was given mandatory circulating rights in the Kwantung and the whole South Manchuria Railway attached region and succeeded the bank note of Yokohama Specie Bank (“*A 25 Years’ History of the Bank of Chosen,*” 108-118).

Thus, the bank founded on the special law was called a **special bank**. However, as we will see below, the special bank was an incorporated company, as its stock ownership was often dispersed and the government did not necessarily own a large percentage of its stock.

Other important financial institutions were Chosen Shokusan Bank, which dealt with medium and long term loans as security for fishing and real estate licenses, and Toyo Takushoku, which encouraged Korean resource development and industry promotion. Chosen Commercial Bank, Tongil Bank, and Seoul Bank operated as commercial banks. Chosen Commercial Bank’s registered capital stock was 9.9 million yen, and the bank had 43 branch offices in the second half of 1938. In addition to those institutions, a savings bank, a trust company, a loan association (the Chosen Union of Loan Association), and a mutual loan company were operating (the Governors-General of Korea, Bureau of Finance, 1940, 1-5, 49). The interest rate of the Bank of Chosen or a commercial bank fell each year. It was notably low compared with that of the individual money lender and played an important role for the development of finance (the Study Group of the history of the Bank of Chosen, 1987, figure and foreword-1).

Although the **Bank of Chosen** was a central bank in a broad sense, its largest stockholder was the Governors-General of Korea, which only owned 3.8%, and its stocks were broadly dispersed. The branches and the branch offices also operated widely in regions other than Korea. The Bank of Chosen had 24 offices in Korea, 26 in Manchuria, eight in Siberia, nine in the homeland, one in New York and London, and 40 in China. Deposits totaled 1,070 million yen in 1940. The region with the highest amount of deposits was China with 640 million yen. The region with largest amount of various loans was Korea with 510 million yen.

Most of the securities were national bonds, and its stocks, which totaled only 34 million yen, were held by shareholders other than major companies (the Study Group of the history of the Bank of Chosen, 1987, 850-853, 526-527, 554-555).

Korea had developed the most diverse financial institutions among the three regions. First, I will examine **Chosen Shokusan Bank**. It held the second largest amount of assets after the Bank of Chosen. The Chosen Shokusan Bank’s largest stockholder was Chosen Savings Bank, which owned 8.0%. The Chosen Shokusan Bank’s stockholding was dispersed, as was that of the Bank of Chosen. The Chosen Shokusan Bank’s primary financial source was the issue of bonds, which raised 580 million yen. This amount exceeded the bonds that Toyo Takushoku raised. The bonds issued by Chosen Shokusan Bank were highly reliable because four of five representative Japanese life insurance companies owned a large sum of it (Shimpo, 2006, 54-56). However, unlike Toyo Takushoku, Chosen Shokusan Bank did not issue a foreign currency bonds (The Securities Underwriter Association, 1940, 878-885).

In contrast, in 1937, its industrial loan account was 220 million yen and public loans were 140 million yen. The two loan accounts together totaled 360 million yen. In terms of categories of borrowers for these loans, farmers borrowed 37.8% of the loans, public organizations held 25.0%, and unions 13.4%. The loan’s interest rate fell continually starting in the mid-1920s (“*A 20 Years’ History of Chosen Shokusan Bank,*” 1938, 68-71, 77-78).

Moreover, Chosen Shokusan Bank became the trustee and underwriting company of the

corporate bonds of Korea's leading companies, Kumgang Mountain Electric Railway, Chosen Kyonan Railway, and South Chosen Joint Electricity. Chosen Shokusan Bank played various roles as a financial institution (The Securities Underwriter Association, 1940).

In terms of its stock holdings, Chosen Shokusan Bank held 16.0% of Han River Hydroelectricity. However, other than that holding, Chosen Shokusan Bank did not own a large number of stocks of major companies and did not form any business groups.

Another important long-term financial institution in Korea is **Toyo Takushoku**. Toyo Takushoku was established based on the Toyo Takushoku Incorporated Company Law delivered in 1908 (*"A 30 Years' History of Toyo Takushoku,"* 1939, 2). The largest stockholder for this company was the Minister of Finance, which owned 3.0% in 1940. Toyo Takushoku stock was widely dispersed.

Most sources of funds were the issue of corporate bonds. The issue of the foreign bonds, which illustrates the international community's evaluation of Toyo Takushoku, was already discussed in detail with other companies. Three out of five representative Japanese life insurance companies owned many Toyo Takushoku bonds, just as in the case of Chosen Shokusan Bank (Shimpo, 2006, 47-49, 54-56).

For the breakdown of loan borrowers by type, agriculture management borrowed 38.7 million yen, real estate of urban areas borrowed 35.0 million yen, and the water supply business held 33.2 million yen by the end of 1938. In terms of regions, loans for Korea were the largest at 109.7 million yen. Loans for Manchuria were not insignificant at 43.5 million yen (*"A 30 Years' History of Toyo Takushoku,"* 1939, 93-98).

Compared to its loans, its securities were not insignificant. However, **Table 9** shows the affiliated company with more than ten million yen paid-up capital in 1938. Its stockholding ratio of Kangge Hydroelectricity and Nanyo Kohatsu were especially high. Toyo Takushoku neither concentrated on investing in a specific industry or company nor formed business groups among the invested companies, like Chosen Shokusan Bank.

As mentioned previously, within the Korean financial system, various private financial institutions played a different role, on the basis of the market, respectively, and competed. In this way, the Korean financial system was unlike the current main bank system in Japan. The Korean financial system had the same market-centered system as that of the homeland and had united and attained rapid development.

### 2.3.2 Financial Institutions in Taiwan

Like the electric power industry, the Taiwanese financial system was an over-concentrated type. By examining each bank's deposit in 1940, we found that the Bank of Taiwan accounts for 138 million yen in total deposits and 362 million yen of all financial institutions. It also approached 186 million yen in total commercial banking deposits\*9 (The Bank of Taiwan, Investigation Section, 1940).

With five million yen in capital, the **Bank of Taiwan** was founded as the central bank in a broad sense in 1899. Among the banks shown in Table 8, the Bank of Taiwan had the longest history and it was one of the Japanese representative banks in 1920. Its stocks were broadly dispersed, as were those of three Korean banks and financial institutions.

The Bank of Taiwan experienced a large problem behind this rapid growth. The Bank of Taiwan's major borrower, naturally, was initially on the island. However, the homeland and foreign borrowing exceeded Taiwanese borrowing starting around 1915. Of the 717 million yen in total loans, the homeland loan amount was 406 million in 1924.

Of the major borrower Suzuki Shoten's 396 million yen debt, 247 million yen was a debt to

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\*9 In addition, this amount of money does not correspond to the Bank of Taiwan's data. We can guess that this discrepancy is due to differences in the deposit classification in both documents.

the Bank of Taiwan. Suzuki Shoten's debt was to strengthen the connection with the Bank of Taiwan, and such a connection would result in rapid growth. Alternatively, the Bank of Taiwan's loan to Suzuki Shoten and its affiliated company was 276 million yen among the total loan amount of 786 million yen in the same year. Although the total loan amount slightly decreased, loans to Suzuki Shoten increased until April 1927. The percentage of loans to Suzuki Shoten also continued to increase (The Bank of Japan, Research Bureau, 1969, 215, 222, 233, 249-51).

Along with the management aggravation of Suzuki Shoten, the management of the Bank of Taiwan also quickly declined in quality, and the bank was driven to closure in April 1927.

Although the gross assets of the Bank of Taiwan decreased despite a peak of 994 million yen in 1924, they began to increase finally starting in 1935. They recovered to 835 million yen in 1940 (The Bank of Taiwan, Compiled Room, 1964, reference tables). Moreover, the Bank of Taiwan had 16 branches and branch offices in Taiwan, four in the homeland, and 16 abroad. Of those abroad, six offices were in the Republic of China, and Kwantung, Hong Kong, Southeast Asia, the U.S., and U.K. each had one apiece. Their overseas operations were active (*"A 40 Years' History of the Bank of Taiwan,"* 1939, 25-27).

Commercial and Industrial Bank of Taiwan was one of the first financial institutions that dealt with long-term funding of Taiwan. Although Commercial and Industrial Bank of Taiwan was founded in 1910, it is not shown in the previous tables since its capital was 5 million yen in 1939 (*"Commercial and Industrial Bank of Taiwan, A Present Condition's Notice,"* 1940, 11-12). As its total assets were 88 million yen, and 36 million yen of those assets were its national bonds, it did not play a very important role in supplying long-term funds. Although Taiwan Takushoku was established in 1936 and its capital was 30 million yen, it did not exert a large influence on supplying long-term funds since its establishment was so late (Toyo Keizai Shimpo-sha, 1941).

Although the stocks of each historical sugar manufacturing company in Taiwan were remarkably dispersed, the Taiwanese financial institution has not appeared as a major stockholder. The financial industry of Taiwan tended to concentrate on the Bank of Taiwan. However, the relationship between banks and companies has been comparatively independent, as in the case of Korea, and the two did not have a close, mutual relationship.

### **2.3.3 Financial Institutions in Manchuria**

In this last section, I will survey the Manchuria Financial Institution. Of all three regions, Manchuria had the modern financial system that took the longest to establish.

In Manchuria, after World War I, currency flooded the market, causing its value to fall. The Lytton Commission also confirmed this situation. The Central Bank of Manchou was founded in 1932 to unify the currency system, collect the old currency, and make the national currency stable. It initially adopted the controlled currency linked to the familiar silver in China and Manchuria (*"A 10 Years' History of the Central Bank of Manchou,"* 1942, 1-7, 86-90).

In 1936, Industrial Bank of Manchou was established, based on the Manchurian branch of the Bank of Chosen and Shoryu Bank shown in Table 1. The Bank of Chosen issued the Bank of Chosen note. The note was the legal tender in the leased Territory of Kwantung and the South Manchuria Railway attached region. The Bank of Chosen, along with the Manchukuo government, owned about half of the stocks of this bank. The establishment of Industrial Bank of Manchou as a long-term financial institution ended the process to unify the currency system within a short time period. Industrial Bank of Manchou's loans rapidly increased since the establishment and reached a large 1,290 million yen by the end of 1940. That loan amount accounted for 41.5% of all Manchurian banks loans. Of those loans, about half went to industrial funds (*"A History of Industrial Bank of Manchou,"* 1942, 15-21, 41).

At the end of 1941, 5,600 companies were located in Manchuria, and the total registered capital was 7,210 million yen. Of the 5,600 companies, 2,023 were incorporated and their capital was 6,980 million yen. Except for these companies, there were limited partnerships and general

partnerships. Among the incorporated companies were the Japanese corporation South Manchuria Railway and the Manchurian corporation Manchuria Heavy Industry Development. By the end of 1941, South Manchuria Railway had capital of 1,400 million yen, and Manchuria Heavy Industry Development had capital of 450 million yen (“*A 10 Years’ History of the Central Bank of Manchou,*” 1942, reference statistical tables, 28-29). We assume that the Industrial Bank of Manchou heavily lent to these companies based on its monopolistic status.

Unlike in the case of Korea or Taiwan, two banks in Manchuria were under the direct rule of the Manchukuo government. In spite of such a result, their base in the financial market was not necessarily firm. Unlike Korean financial institutions, Japanese institutional investors did not own many of Industrial Bank of Manchou’s bonds.

Apart from such a public financial institution, South Manchuria Railway and Manchuria Heavy Industry Development are huge private business groups that played the role of industrialization and had independently introduced a large amount of funds from the market.

### **3 The General Features of the Overseas Companies**

In **Section 3**, I would like to summarize the features of Japanese companies that operated in each country and region in East Asia, including the former colony, in the prewar period based on the examination by industry.

The first is the industrial composition. Section 2 focused on three representative industries, railway, electric power, and finance, which were the infrastructures in those days. Through the maintenance of these infrastructures, the construction and development of modern industry were attained.

It is important that previously mentioned industrial composition closely resembles the composition of all Japanese companies. South Manchuria Railway, the largest company in Japan, which was overlapped. South Manchuria Railway and the electric power company and the railway company that operated in the homeland during this period were the representative Japanese companies.

A number of economists have argued that the primary industry in a colony tends to be developed in an unusual way or specialized in a particular industry. Such a discussion is not able to be applied to Japanese foreign investment on the whole.

Moreover, I will add that through their overseas activities, South Manchuria Railway in the railway industry and Nippon Nitrogen Fertilizer in the electric power industry introduced the latest technology to all of Japan. This situation occurred because Japanese state-owned enterprises or major zaibatsu exercised a monopoly in the existing industry.

Second, as clearly shown in this industry’s composition, the emerging zaibatsu and the independent companies, not major zaibatsu related companies, primarily led the investment in each East Asian country and region, including a former colony. The discussion that directly connects the homeland’s monopoly or the formation of major zaibatsu with foreign investment could not correctly capture reality. In the prewar period, the major zaibatsu was not dominant corporate governance, nor was it the major driving force behind foreign investment.

Third, the overseas company, including the national policy corporation and the special bank in the prewar period, was a company that went public and issued corporate bonds mainly in the financial and securities market of the homeland. Since the company that operated in the homeland was also market-centered corporate governance, both the major companies in the homeland and the company that operated in each country and region in East Asia, including the former colony, had fundamentally the same features. When the outlook of war became serious in 1940, such features retreated in both regions.

Next, that the local Japanese company was highly independent is an important feature to mention. A well-known fact about present-day **FDI** is that many foreign subsidiaries are often



wholly or majority owned, particularly in the manufacturing industry. This disparity was also borne by factors such as a difference in investing industries and an underdevelopment of traffic and means of communication at that time.

**Modern business organization** based on the market etc. gradually transferred to this region. There are various advantages and disadvantages in the development of overseas corporate activity, or in modern terms, FDI. As previously mentioned, the greatest advantages were the establishment of an infrastructure for material resources and related industries and the transfer of the manufacturing technique. We could also mention the transfer of a modern business organization.\*10

**Lastly**, these companies were actively competing with local ones. This feature was quite clear in overall industries, particularly those in Korea, that were discussed in this chapter.\*11 In Taiwan or Manchuria, the monopolistic status of Japanese companies in the market was relatively high.

Summarizing these five features, we could name this investment the *Japanese Style Foreign Investment in the prewar period*. This is very different from both **Free Standing Company (FSC)** and the vertical and integrated type U.S. company.

Although other economic benefits of investment were difficult to examine in detail in this chapter, we can point out the creation of employment, the spread effect to trade, and others. We can easily elucidate the direct increase in employment by examining the data in this chapter. For investment's effect on trade, we can see the increase in the export of machines and import of resources. However, the investment effect on trade is assumed to be smaller than the effect of today's investments chiefly for the purpose of outsourcing.\*12 Alternatively, for the homeland companies, foreign investment greatly contributed to the expansion of corporate activity and the acquisition of natural and human resources.

The **economic benefits of foreign investment** for an investing country, region, and its company, as well as for a host country, region, and its company, are summarized above. Incidentally, what I emphasized most in this chapter was that through a detailed examination of the investment and the concrete contents of corporate activity, the economic advantages and disadvantages of investment need to be first discussed, as was done in this chapter.

More comprehensive examination of economic advantages and disadvantages of investment is required. I would like to state briefly that both an investing country and region and its company, as well as a host country and region and its company, experienced the **economic disadvantages of foreign investment**.

The disadvantages for a host country, region, and its company, which are strongly insisted by today's developing countries, are the following: 1. Neither the expected effect on transfer of management resources nor that of employment creation was realized. 2. Inequality concerning participation in business decision-making and the employment structure. 3. The destruction and decline of traditional cultures and lifestyles in a host country and region caused the economic stagnation. In contrast, concerning an investing country, region, and its company, we note the outflow of corporate activity and capital from the homeland, and the risk increase. Those risks include the activity caused by unstable conditions and the requisition of the company, due to a

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\*10 Since the comparison among Japanese, U.K., and U.S. foreign investment in the prewar period is a very important subject, I would like to discuss it again. For the time being, refer to Shimpo (1998, especially Chapter 2).

\*11 Regarding Korean companies' role in the development of Korean capitalism, refer to Eckert (1991), McNamara (2006).

\*12 Refer to Shimpo (1998, especially Chapter 1) for more information on the trade structure in Japan for that period.

policy change initiated by the host country and region.\*13 In addition, a comprehensive and concrete examination, through the collection of a company's data, will be called for as such examination pertains to the economic disadvantages of investment.

### **Conclusion -- to the Period of Mutual FDI**

The aim of this chapter was to explain the feature of Japanese companies and their overseas counterparts in the prewar period. Since the examination results have already been presented, I would like to summarize their relationship with today's subject at the conclusion of this study.

Korea and Taiwan, which were once host countries, are actively developing FDI. Chinese companies possess abundant funds available to purchase overseas companies. These companies are experiencing rapid growth. They are forced to simultaneously solve the same problem that Japanese companies faced earlier. When the export-oriented industrialization strategy brought about rapid growth to developing countries, the criticism that foreign investment, especially FDI, is an economic invasion, gradually lost its influence. The trend that most of all countries are actively attracting global business will continue to accelerate, and the **period of mutual FDI** will gradually advance.

In the United States, mutual FDI has already progressed. Companies operating within the U.S., including those from Japan, have made a remarkable contribution to the U.S. economy. Japan needs to not only expand its overseas investments, but also actively accept foreign investments offered by these countries. The investment by Korean, Taiwanese, and Chinese companies, all of whom possess outstanding management resources that Japanese companies do not have, can play a large role not only in the development of those countries and their companies, but also in the development of the Japanese economy.

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\*13 Refer to all chapters of Shimpo (1989) for more information on the economic advantages and the disadvantages of FDI in postwar developing countries.

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**Table 1: Japanese Overseas Companies in 1930**

Company Name		Establishment	Head Office	Capital	Paid-up Capital	Corporate Bonds	Assets	Sales	Issued Shares	Stockholders	Shares per Shareholder	Largest Stockholder	Owned Shares	Ownership Ratio
				(million yen)	(million yen)	(million yen)	(million yen)	(million yen)	(1000 shares)		(shares)		(1000 shares)	
Exchange	Dalian Exchange Trust	1913	Dalian	15.0	6.0	n.a.	16.4	0.3	300	1,438	209	Showa Securities	9.3	3.1%
Textile	Shanghai Silk Manufacturing	1906	Shanghai	10.0	10.0	n.a.	27.6	n.a.	500	61	8,197	Kanegafuchi Spinning	341.0	68.2%
	Doko Spinning	1920	Shanghai	15.0	10.5	n.a.	18.2	1.5	300	3,197	94	Toyosaburo Tanida	17.7	5.9%
	Nicca Spinning and Weaving	1918	Shanghai	11.0	8.8	n.a.	30.4	2.5	220	1,909	115	Nippon Cotton	10.7	4.9%
	Naigai Cotton	1887	Osaka	16.0	16.0	n.a.	46.5	20.1	320	1,312	244	Rihei Kawamura	20.1	6.3%
	Chosen Spinning	1917	Pusan	5.0	5.0	n.a.	8.6	0.3	100	808	124	Jotaro Yamamoto	3.5	3.5%
	Yuho Spinning	1929	Shanghai	5.0	5.0	n.a.	7.8	0.9	100	11	9,091	Toyobo	98.0	98.0%
Electric power and gas	Seoul Electricity	1908	Tokyo	15.0	12.6	n.a.	20.3	3.3	300	1,315	228	Dai-ichi Mutual Life Insurance	14.9	5.0%
	Taiwan Electric Power	1919	Taipei	34.5	32.7	19.5	64.1	4.3	690	6,991	99	Governor-General of	240.0	34.8%
Railway	Kumgang Mountain Electric Railway	1919	Gangwon-do	12.0	7.8	6.8	22.7	0.8	240	1,403	171	Kintaro Hattori	24.3	10.1%
	Chosen Kyonan Railway	1920	Chungnam-do	10.0	10.0	7.0	21.5	0.3	200	1,923	104	Toyonoshin Akimoto	24.3	12.2%
	South Chosen Railway	1928	Tokyo	20.0	8.0	n.a.	23.3	0.0	400	675	593	Fukoku Conscription Insurance	58.0	14.5%
	South Manchuria Railway	1906	Dalian	440.0	387.2	296.6	1,115.6	188.1	8,800	21,505	409	Minister of Finance	4,400.0	50.0%
	Chosen Railway	1916	Seoul	54.5	17.7	17.5	83.5	1.6	1,090	5,534	197	Toyo Takushoku	112.2	10.3%
	Karafuto Railway	1923	Sakhalin	20.0	7.5	n.a.	30.0	1.0	400	169	2,367	Fuji Paper	217.2	54.3%
Coal mining	North Karafuto Mining	1926	Tokyo	10.0	5.0	n.a.	11.8	1.6	200	1,188	168	Mitsubishi Mining	33.6	16.8%
Oil	North Karafuto Oil	1926	Tokyo	10.0	10.0	n.a.	17.6	5.6	200	2,216	90	Nippon Oil	20.1	10.1%
Paper manufacturing	Karafuto Industry	1913	Sakhalin	70.0	53.6	47.3	136.0	15.9	1,400	6,364	220	Okawa Gomei	165.1	11.8%
Rubber	Nettai Sangyo	1919	Tokyo	6.5	5.5	n.a.	7.0	0.1	130	725	179	Hachiro-Emon Mitsui	50.7	39.0%
Sugar manufacturing	Dai-Nippon Sugar Manufacturing	1896	Tokyo	51.4	34.7	20.0	128.2	42.4	1,028	15,579	66	Shusei-sha	45.1	4.4%
	Meiji Sugar Manufacturing	1906	Tainan	48.0	34.8	n.a.	83.6	36.8	960	9,197	104	Fukuda Kogyo	29.8	3.1%
	Taiwan Sugar Manufacturing	1900	Kaohsiung	63.0	43.1	15.0	126.1	26.5	1,260	13,482	93	Mitsui & Co.	59.6	4.7%

	Ensuiko Sugar Manufacturing	1907	Tainan	29.3	17.4	10.0	107.0	14.5	585	9,402	62	Ento Products Sales Company	57.5	9.8%
	Niitaka Sugar Manufacturing	1909	Taichung	28.0	10.8	n.a.	38.1	3.6	560	2,514	223	Naoichiro Takashima	130.8	23.4%
	Teikoku Sugar Manufacturing	1910	Taichung	18.0	13.5	5.0	39.1	3.9	360	5,008	72	Seitaro Yamaguchi	15.2	4.2%
	Tainan Sugar Manufacturing	1913	Tokyo	10.0	10.0	n.a.	21.8	6.6	200	5,970	34	Masanosuke Fukuda	15.0	7.5%
	South Manchuria Sugar Manufacturing	1916	Mukden	10.0	8.5	n.a.	14.4	0.1	200	2,964	67	South Manchuria Railway	5.0	2.5%
Fishery	Nichiro Gyogyo	1914	Tokyo	40.0	22.8	n.a.	75.1	23.6	800	8,044	99	Showa Securities	54.1	6.8%
Others	Toa Tabacco	1906	Tokyo	11.5	7.3	n.a.	15.1	0.6	230	1,832	126	Taisho Life Insurance	14.9	6.5%
Various	Toyo Takushoku	1908	Tokyo	50.0	35.0	180.2	255.1	8.5	1,000	8,070	124	Minister of Finance	60.0	6.0%
	Toa Kogyo	1909	Tokyo	20.0	13.0	3.4	72.8	1.7	400	1,193	335	Industrial Bank of Japan	54.0	13.5%
	Chuka Kigyo	1919	Tokyo	15.0	14.6	n.a.	15.5	0.1	300	4,999	60	Chuka Kogyo Finance	8.6	2.9%
Bank	The Bank of Taiwan	1899	Taipei	15.0	13.1	n.a.	439.9	19.2	150	4,381	34	Department of the Imperial Household	7.6	5.1%
	The Bank of Chosen	1909	Seoul	40.0	25.0	n.a.	512.6	11.1	400	8,325	48	Governors-General of Korea	15.0	3.8%
	Chosen Shokusan Bank	1918	Seoul	30.0	20.0	242.2	345.4	13.3	800	6,408	125	Chosen Savings Bank	47.1	5.9%
	Shoryu Bank	1908	Dalian	12.0	5.6	n.a.	95.4	2.6	240	1,861	129	Yasuda Hozen-sha	53.3	22.2%
	<b>Total</b>			<b>1,270.7</b>	<b>948.1</b>	<b>870.5</b>	<b>4,094.1</b>	<b>463.3</b>	<b>25,363</b>	<b>167,973</b>	<b>151</b>		<b>6,533.3</b>	<b>25.8%</b>
	<b>Capital ratio (except for finance sector)</b>			<b>1,173.7</b>			<b>2,700.8</b>	<b>43.5%</b>						
	<b>Total except South Manchuria Railway</b>			<b>830.7</b>	<b>560.9</b>		<b>2,978.5</b>	<b>275.2</b>	<b>16,563</b>	<b>146,468</b>	<b>113</b>		<b>2,133.3</b>	<b>12.9%</b>

Note: This is a list of the company whose paid-up capital was 5 million yen or more in 1930.

Source: This table is fundamentally based on Toyo Keizai Shimpo-sha (n.d.). When there is no data of the relevant fiscal year, Osakaya Shoten (1931) and Osakaya Shoten (1932) are referred.

**Table 2: Japanese Overseas Companies in 1940**

Company Name		Establishment	Head Office	Capital	Paid-up Capital	Corporate Bonds	Assets	Sales	Issued Shares	Stockholders	Shares per Shareholder	Largest Stockholder	Owned Shares	Ownership Ratio
				(million yen)	(million yen)	(million yen)	(million yen)	(million yen)	(1000 shares)		(shares)		(1000 shares)	
Coal mining	Chosen Anthracite	1927	Seoul	20.0	20.0	n.a.	42.0	2.2	1,000	546	1,832	Mitsubishi Mining	287.5	28.8%
Oil mining	North Karafuto Oil	1926	Tokyo	20.0	20.0	13.0	37.6	9.2	400	5,691	70	Nippon Oil	19.6	4.9%
	Chosen Oil	1935	Seoul	20.0	17.5	n.a.	46.1	21.5	400	792	505	Nippon Nitrogen Fertilizer	119.8	30.0%
Steel refining	Showa Steel Works	1929	Anshan	200.0	200.0	94.3	406.5	78.0	4,000	15	266,667	Manchuria Heavy Industry	3,098.7	77.5%
	Honkeiko Coal and Steel	1912	Mukden	100.0	100.0	25.0	280.2	2.6	2,000	19	105,263	Manchuria Heavy Industry	799.5	40.0%
Metal industry	Nichiman Aluminum	1933	Tokyo	20.0	16.5	n.a.	28.0	9.0	400	4,493	89	n.a.	n.a.	
Machine manufacturing	Dalian Machine factory	1918	Dalian	30.0	15.0	n.a.	53.2	3.9	600	2,789	215	Shinwa Trading Company	42.0	7.0%
Chemical industry	Chosen Nitrogen Fertilizer	1927	Hamgyeongnam-do	70.0	70.0	32.1	206.9	55.0	1,400	19	73,684	Nippon Nitrogen Fertilizer	1,398.2	99.9%
	Manchuria Chemical Industry	1933	Dalian	25.0	25.0	9.6	45.6	12.2	500	1,550	323	South Manchuria Railway	257.3	51.5%
Paper and pulp	North Chosen Paper Chemical Industry	1935	Hamgyeongbuk-do	20.0	10.0	n.a.	24.6	6.3	400	1,033	387	Oji Securities	207.2	51.8%
Textile	Yuhō Spinning	1929	Shanghai	30.0	15.0	n.a.	74.7	13.2	600	8	75,000	Toyobo	596.6	99.4%
	Shanghai Silk Manufacturing	1906	Shanghai	15.0	15.0	12.0	100.0	145.7	300	40	7,500	Kanegafuchi Spinning	196.2	65.4%
	Naigai Cotton	1887	Osaka	33.0	24.5	n.a.	109.8	59.7	660	2,434	271	Nakano Goshi	50.0	7.6%
	Doko Spinning	1920	Shanghai	15.0	15.0	n.a.	43.4	8.8	300	2,585	116	Toyosaburo Taniguchi	17.7	5.9%
	Nicca Spinning and Weaving	1918	Shanghai	11.0	11.0	n.a.	32.1	8.7	340	916	371	Kurabo Industries	181.1	53.3%
	Shanghai Spinning and Weaving	1920	Shanghai	12.0	12.0	n.a.	n.a.	n.a.	240.0	433.0	554	n.a.	n.a.	
	Manmo Woolen Manufacturing	1918	Mukden	20.0	12.5	1.0	71.4	38.7	400	846	473	Toyo Takushoku	334.9	83.7%
	Nichiman Flax Spinning and Weaving	1934	Tokyo	12.0	12.0	n.a.	21.2	4.5	240	1,704	141	Mitsui & Co.	39.6	16.5%
Foods manufacturing	Taiwan Sugar Manufacturing	1900	Kaohsiung	63.0	43.1	n.a.	180.9	48.3	1,260	10,512	120	Mitsui & Co.	59.6	4.7%
	Meiji Sugar Manufacturing	1906	Tainan	58.0	45.2	n.a.	158.2	56.4	1,160	6,361	182	Dai-ichi Mutual Life Insurance	67.6	5.8%
	Dai-Nippon Sugar Manufacturing	1895	Tokyo	74.4	66.7	n.a.	166.4	67.7	1,923	11,824	163	Fujiyama Family	89.6	4.7%
	Ensuiko Sugar Manufacturing	1907	Tainan	60.0	36.9	16.5	155.6	30.3	1,200	11,139	108	Shin-ei Sangyo	163.0	13.6%
	Nanyo Kohatsu	1919	Saipan	40.0	30.0	n.a.	78.4	14.3	800	751	1,065	Toyo Takushoku	409.7	51.2%
	The old Teikoku Sugar Manufacturing	1910	Taichung	27.0	22.1	1.0	51.6	9.0	540	4,888	110	n.a.	n.a.	
	Manchuria Sugar Manufacturing	1935	Mukden	10.0	10.0	n.a.	22.6	3.3	400	477	839	Dai-Nippon Sugar Manufacturing	47.0	11.8%

Electric light and electric power	Manchuria Electric	1934	Hsingking	160.0	142.5	121.2	374.2	37.7	3,200	11,284	284	Manchukuo, Department of Savings	598.0	18.7%
	Taiwan Electric Power	1919	Taipei	77.4	57.2	92.5	201.0	10.7	1,548	8,311	186	Governor-General of Taiwan	240.0	15.5%
	Seoul Electricity	1908	Seoul	23.0	17.0	n.a.	46.9	9.6	460	1,368	336	Dai-ichi Mutual Life Insurance	58.4	12.7%
	Chosen Hydroelectric Power	1933	Seoul	150.0	125.8	n.a.	n.a.	n.a.	3,000	11	272,727	Nippon Nitrogen Fertilizer	2,999.0	100.0%
	South Chosen Joint Electricity	1918	Seoul	21.7	21.7	n.a.	n.a.	n.a.	434	1,923	226	Daiko Kogyo	53.1	12.2%
	West Chosen Joint Electricity	1919	Pyongyang	17.8	17.8	6.6	45.2	8.0	355	1,063	334	Pyongyang Prefecture	70.0	19.7%
Gas	South Manchuria Gas	1925	Dalian	20.0	12.5	n.a.	32.3	2.4	400	1,763	227	South Manchuria Railway	148.5	37.1%
Railway	Chosen Railway	1916	Seoul	54.5	17.7	17.5	92.1	3.8	1,090	4,015	271	Toyo Takushoku	112.2	10.3%
	Chosen Kyonan Railway	1920	Chungnam-do	10.0	10.0	13.0	24.8	1.9	200	1,585	126	Eigo Akimoto	28.1	14.1%
Shipping	Dalian Steamship	1915	Dalian	25.7	25.7	13.0	92.1	23.5	514	1	514,000	South Manchuria Railway	514.0	100.0%
	Chosen Steamship	1912	Seoul	10.0	10.0	n.a.	19.8	7.2	200	97	2,062	Shokusan Bank	79.7	39.9%
Transportation and communication	Manchuria Telephone and Telegraph	1933	Hsingking	100.0	55.6	48.9	200.7	50.5	2,000	9,105	220	Ambassador to Manchukuo	555.0	27.8%
Fishery and others	Nichiro Gyogyo	1914	Tokyo	53.8	42.3	n.a.	104.7	41.7	1,076	17,582	61	Nichiro Securities Preservation	15.1	1.4%
	Toa Tobacco	1906	Tokyo	30.0	16.1	n.a.	59.5	3.1	600	2,471	243	North China Toa Tobacco	141.8	23.6%
National policy corporation	Manchuria Heavy Industry Development	1937	Hsingking	450.0	450.0	210.0	1,503.5	45.9	9,000	69,129	130	Manchukuo Government	4,500.0	50.0%
	South Manchuria Railway	1906	Dalian	1,400.0	856.2	1,404.3	3,628.1	799.2	28,000	74,948	374	Minister of Finance	14,000.0	50.0%
	Toyo Takushoku	1908	Tokyo	50.0	50.0	422.2	568.5	22.5	2,000	11,169	179	Minister of Finance	60.0	3.0%
Bank	The Bank of Taiwan	1899	Taipei	30.0	18.8	n.a.	834.8	28.6	300	3,178	94	Department of the Imperial Household	15.1	5.0%
	The Bank of Chosen	1909	Seoul	40.0	35.0	n.a.	2,053.4	50.1	400	5,793	69	Governors-General of Korea	15.0	3.8%
	Chosen Shokusan Bank	1918	Seoul	60.0	45.0	577.2	1,113.4	39.5	1,200	5,340	225	Chosen Savings Bank	95.9	8.0%
	The Central Bank of Manchou	1932	Hsingking	30.0	15.0	n.a.	1,852.6	40.3	600	1	600,000	Manchukuo Government	600.0	100.0%
<b>Total Capital ratio (except for finance sector)</b>				<b>3,635.6</b>	<b>2,747.4</b>	<b>3,130.9</b>	<b>15,284.6</b>	<b>1,934.7</b>	<b>76,860</b>	<b>292,188</b>	<b>263</b>		<b>33,381.3</b>	<b>43.4%</b>
<b>Total except South Manchuria Railway</b>				<b>2,235.6</b>	<b>1,891.2</b>		<b>11,656.5</b>	<b>1,135.5</b>	<b>48,860</b>	<b>217,240</b>	<b>225</b>		<b>19,381.3</b>	<b>39.7%</b>

Note: This is a list of the company founded until 1935, and its paid-up capital was 10 million yen or more.

Source: This table is fundamentally based on Toyo Keizai Shimpo-sha (1941). When there is no data of the relevant fiscal year, Osakaya Shoten (1941) is referred.



**Table 3: List of Railway Company**

(1000 yen)

	Manchuria	Korea		
	South Manchuria Railway	Chosen Railway	Chosen Kyonan Railway	Kumgang Mountain Electric Railway
Establishment	1906	1916	1920	1919
Head Office	Dalian	Seoul Prefecture	Chunggnam-do	Gangwon-do
Time	1941.3	1941.2	1940.7	1941.3
Stocks	1,400,000	54,500	10,000	12,000
Corporate Bonds	1,404,315	17,500	13,000	7,000
Loan Payable		12,956	300	240
Unpaid Capital	543,792	36,850	0	2,800
Business Expenses	1,030,393	26,379	21,424	19,227
	(Business Expenses)	(Construction Costs)	(Construction Costs)	(Construction Costs)
Securities	258,243	19,035	1,052	2,142
Loan Receivable	1,053,241	7,599		
Total Assets	3,628,130	92,086	24,775	25,896
Revenue	799,228	3,794	1,940	1,774
Expenditure	722,517	2,506	1,640	1,112
Current Income	76,711	1,288	300	662
Dividend	51,105	706	250	414
	1941.3	1940.8	n.a.	1941.3
Issued Shares (1000 shares)	28,000	1,090	200	240
Stockholders	74,948	4,015	1,585	1,180
Shares per Shareholder	374	271	126	203
Largest Stockholder	Minister of Finance	Toyo Takushoku	Eigo Akimoto	Hattori Goshi
Owned Shares	14,000.0	112.2	28.1	22.0
Ownership Ratio	50.0%	10.3%	14.1%	9.2%
Second Stockholder	Manchukuo Government	Nippon Conscription Insurance	Chosen Savings Bank	Chosen Trust
	1,000.0	100.1	13.6	20.1
Third Stockholder	Manchukuo, Department of Savings	Chosen Trust	Chosen Trust	Chosen Commercial Bank
	600.0	71.8	4.1	14.7

Source: This table is fundamentally based on Toyo Keizai Shimpō-sha (1941). When there is no data of the relevant fiscal year, Osakaya Shoten (1941) is referred.

**Table 4: South Manchuria Railway**

(1000 yen)

		Affiliated companies, their paid-up capital are 10 million yen or more (1936. 6).				
	1938.3		Nominal Capital	Paid-up Capital	Investment by SMR	Ownership Ratio
Stocks	800,000					
Reserve	248,190	<b>Manufacturing Industry</b>				
Corporate Bonds	797,950	Showa Steel Works	100,000	82,000	100,000	100.0%
Loan Payable		Manchuria Chemical Industry	25,000	18,750	12,925	51.7%
Unpaid Capital	123,792	South Manchuria Sugar Manufacturing	10,000	10,000	260	2.6%
Business Expenses	852,720	<b>Mining</b>				
Securities	152,005	Manchuria Coal Mining	16,000	16,000	8,000	50.0%
Loan Receivable	625,342	<b>Transportation, Communication and Warehouse</b>				
Total Assets	2,243,195	Chosen Railway	54,500	17,650	150	0.3%
Revenue	355,048	Manchuria Telephone and Telegraph	50,000	29,375	3,500	7.0%
Expenditure	281,119	Dalian Steamship	25,700	14,450	25,700	100.0%
Current Income	73,929	<b>Electricity, Gas and Water Service</b>				
Dividend	42,463	Manchuria Electric	90,000	90,000	59,139	65.7%
	1938.3	South Manchuria Gas	10,000	10,000	5,000	50.0%
Issued Shares (1000 shares)	16,000	<b>Exchange, Trust, Insurance</b>				
Stockholders	68,030	Toa Kogyo	20,000	13,200	50	0.3%
Shares per Shareholder	235	<b>Total</b>	<b>401,200</b>	<b>301,425</b>	<b>214,724</b>	<b>53.5%</b>
Largest Stockholder	Minister of Finance					
Owned Shares (1000 shares)	8,000.0					
Ownership Ratio	50.0%					
Second Stockholder	The Bank of Chosen					
	240.7					
Third Stockholder	Yasuda Bank					
	170.2					

Source 1: Toyo Keizai Shimpo-sha (1938).

2: *Minami-Manshû Tetsudô Kabushiki-gaisha 30 Nen Ryaku-shi* (1937).

**Table 5: Manchuria Heavy Industry Group**

	Manchuria Heavy Industry Development		Showa Steel Works	Honkeiko Coal and Steel	Manchuria Heavy Industry's affiliated companies except two above mentioned companies, their paid-up capital are 10 million yen or more in 1940.2.				
Establishment	1937	(1912)	1929	1912		Nominal Capital	Paid-up Capital	Investment by MHI	Ownership Ratio
Head Office	Hsingking	Hsingking	Anshan	Honkeiko City	Dowa Automobile	30.0	30.0	25.4	84.8%
Time	1940.11	1937.11	1941.3	1940.12	Manchuria Coal Mining	200.0	200.0	198.9	99.5%
Capital (Stocks)	450,000	225,000	200,000	100,000	Kishun Coal Mining	10.0	10.0	5.0	50.0%
Corporate Bonds	210,000	20,556	94,300	25,000	Manchuria Light Metal	80.0	71.3	78.7	98.4%
Manchuria Heavy Industry Loan Payable				61,205	Manchuria Magnesium Industry	10.0	10.0	10.0	100.0%
Unpaid Capital	663,590	72,910	38,700		Manchuria Mining	100.0	70.0	100.0	100.0%
Equipment (Fixed Assets)		26,625			Manchuria Airplane Manufacturing	20.0	20.0	20.0	100.0%
Construction in Process			190,647	52,250	Tohendo Development	75.0	75.0	64.0	85.4%
			67,904	185,074	Manchuria Automobile	100.0	25.0	100.0	100.0%
				(Incomplete engineering expense)	Kyowa Mining	10.0	10.0	4.0	40.0%
Securities Account of Investment	1,228,190	269,928	170	1,638	<b>Total</b>	<b>635.0</b>	<b>521.3</b>	<b>606.0</b>	<b>95.4%</b>
Total Assets	1,503,529	383,096	406,538	280,202					
Revenue	45,854	15,703	77,984	2,581					
Expenditure	21,573	4,747	68,685	1,358					
Current Income	24,281	10,955	9,300	1,223					
Dividend	16,875	11,780	6,000	0					
	1940.11	1937.11	1941.3	1940.12					
Issued Shares (1000 shares)	9,000	9,000	4,000	2,000					
Stockholders	69,129	54,573	15	19					
Shares per Shareholder	130	165	266,667	105,263					
Largest Stockholder	Manchukuo Government	Kyoritsu Company	Manchuria Heavy Industry	Manchuria Heavy Industry					
Owned Shares (1000 shares)	4,500.0	140.0	3,098.7	799.5					
Ownership Ratio	50.0%	1.6%	77.5%	40.0%					
Second Stockholder	Kyoritsu Company	To-kabu Agency	South Manchuria Railway	Okura Jigyo					
	118.0	61.0	900.0	798.8					
Third Stockholder	Dai-ichi Conscription Insurance	Tamura Gomei		Manchukuo, Minister of Economy					
	52.0	61.0		400.0					

Source 1: This table is fundamentally based on Toyo Keizai Shimpō-sha (1941) and Toyo Keizai Shimpō-sha (1938). When there is no data of the relevant fiscal year, Osakaya Shoten (1941) is referred.

2: Regarding its affiliated company, refer to Manchuria Heavy Industry Development (1940).

**Table 6: List of Electric Power Company**

(1000 yen)

	Manchuria	Korea			Taiwan
	Manchuria Electric	Seoul Electricity	West Chosen Joint Electricity	South Chosen Joint Electricity	Taiwan Electric Power
Establishment	1934	1908	1919	1918	1919
Head Office	Hsingking	Seoul Prefecture	Pyongyang Prefecture	Seoul Prefecture	Taipei
Time	1940.12	1940.12	1940.12	1941.3	1940.12
Capital (Stocks)	160,000	23,000	17,750	21,683	77,400
Corporate Bonds	121,200		6,600		92,560
Loan Payable	44,147	13,355	9,985		3,581
Unpaid Capital	17,500	6,000		0	20,213
Equipment	277,850	33,184	27,290		121,172
Securities	3,653	844	5,765		18,009
Total Assets	374,176	46,938	45,207		201,000
Revenue	37,714	9,603	8,045		10,668
Expenditure	31,086	8,339	6,755		7,760
Current Income	6,628	1,265	1,289	2,045	2,908
Dividend	4,988	850	710		1,484
	1940.12	1940.12	1940.12	n.a.	1940.12
Issued Shares (1000 shares)	3,200.0	460.0	355.0	433.7	1,548.0
Stockholders	11,284	1,368	1,063	1,923	8,311
Shares per Shareholder	284	336	334	226	186
Largest Stockholder	Manchukuo, Department of Savings	Dai-ichi Mutual Life Insurance	Pyongyang Prefecture	Daiko Kogyo	Governor- General of Taiwan
Owned Shares (1000 shares)	598.0	58.4	70.0	53.1	240.0
Ownership Ratio	18.7%	12.7%	19.7%	12.2%	15.5%
Second Stockholder	South Manchuria Railway	Ohashi Honten	Toyo Takushoku	Daegu Securities	Teikoku Life Insurance
	301.4	21.5	47.7	52.6	65.0
Third Stockholder	Manchukuo, Department of Economy	Chosen Trust	Directors of This Company	Mokichi Kikutani	Nippon Life Insurance
	137.0	17.3	33.5	9.6	50.0

**List of Korean Electric Power Company without detailed data**

	Average Paid-up Capital	Income	Issued Shares (1000 shares)	Stock- holders	Shares per Shareholder	Largest Stockholder	Owned Shares (1000 shares)	Ownership Ratio
Chosen Hydroelectric Power	125,761	7,235	3,000	11	272,727	Nippon Nitrogen Fertilizer	2,999.0	100.0%
Manchuria Yalu River Hydroelectric Power	50,000	n.a.	1,000	4	250,000	Manchukuo Government	500.0	50.0%
Chosen Yalu River Hydroelectric Power	50,000	n.a.	1,000	4	250,000	Manchukuo Government	500.0	50.0%
North Chosen Joint Electricity	21,683	2,045	218	410	532	Nippon Nitrogen Fertilizer	20.6	9.4%
Chosen Power Transmission	15,000	996	600	32	18,750	Jangjin River Hydroelectric Power	130.1	21.7%
Chosen Electric Power	30,000	749	600	27	22,222	South Chosen Joint Electricity	221.0	36.8%
Han River Hydroelectricity	12,243	n.a.	500	1,313	381	Chosen Shokusan Bank	80.0	16.0%
Kangge Hydroelectricity	40,822	n.a.	1,000	22	45,455	Toyo Takushoku	649.1	64.9%

Note: This is a list of the company whose average paid-up capital was 10 million yen or more, and its data is for the accounting period nearest to the end of 1940.

Source: This table is fundamentally based on Toyo Keizai Shimpo-sha (1941). When there is no data of the relevant fiscal year, Osakaya Shoten (1941) is referred.

**Table 7: Nippon Nitrogen Fertilizer Group** (1000 yen)

	Nippon Nitrogen Fertilizer	Chosen Nitrogen Fertilizer	Asahi Bemberg
Establishment	1906	1927	1922
Head Office	Osaka city	Hamgyeong-nam-do	Osaka city
Time	1940.11	1940.10	1940.10
Stocks	200,000	70,000	46,000
Corporate Bonds	167,350	32,100	31,000
Loan Payable	33,080	33,371	21,643
Note Payable	86,380		
Unpaid Capital	0	0	9,000
Equipment	62,399	91,091	77,067
Securities	289,083	48,384	1,988
Loan Receivable	137,325	501	260
Total Assets	540,345	206,873	109,153
Revenue	36,068	54,997	26,909
Expenditure	20,518	44,571	24,614
Current Income	15,549	10,427	2,295
Dividend	9,083		1,480
	1940.11	1940.10	1940.10
Issued Shares (1000 shares)	4,000	1,400	920
Stockholders	14,550	19	1,425
Shares per Shareholder	550	73,684	646
Largest Stockholder	Konan Syokusan	Nippon Nitrogen	Nippon Nitrogen
Owned Shares (1000 shares)	459.5	1,398.2	678.2
Ownership Ratio	11.5%	99.9%	73.7%
Second Stockholder	Nitchitsu Securities		unconfirmed (アルケメーネ・ケンスジータ・ウニエ)
	323.2		43.2
Third Stockholder	Shitagau Noguchi		Shitagau Noguchi
	121.0		23.0

**Nippon Nitrogen's Affiliated Companies**

	Nominal Capital	Paid-up Capital	Total assets	Ownership Ratio	Investment
Chosen Coal Industry	10,000	10,000	38,906	100.0%	10,000
Jilin Synthetic Oil	100,000	20,000	n.a.	30.0%	30,000
Chosen Nitrogen Gunpowder	10,000	10,000	15,098	100.0%	10,000
Jangjin River Hydroelectric Power	150,000	110,000	153,821	100.0%	150,000
Chosen Yalu River Hydroelectric Power	50,000	50,000	54,820	30.0%	15,000
Manchuria Yalu River Hydroelectric Power	50,000	50,000	54,820	30.0%	15,000
Chosen Power Transmission	15,000	15,000	27,025	52.0%	7,800
Nichitsu Mining Development	10,000	10,000	30,847	100.0%	10,000
Heihoku Railway	10,000	10,000	26,470	100.0%	10,000
Nippon Hydroelectric Power	20,000	12,305	30,439	20.0%	4,000
<b>Total</b>	<b>425,000</b>	<b>297,305</b>	<b>432,246</b>	<b>61.6%</b>	<b>261,800</b>

Notes 1: This is a list of the company whose average paid-up capital was 10 million yen or more, February, 1940.

2: The volume of investment is multiplied the registered capital by the ratio of ownership.

Source 1: This table is fundamentally based on Toyo Keizai Shimpo-sha (1941). When there is no data of the relevant fiscal year, Osakaya Shoten (1941) is referred.

2: Nippon Nitrogen Fertilizer (1940).

**Table 8: List of Bank and Financial Institution**

(1000 yen)

	Long-term bank and Financial Institution			Central bank		
	Industrial Bank of Manchou	Chosen Shokusan Bank	Toyo Takushoku	The Central Bank of Manchou	The Bank of Chosen	The Bank of Taiwan
	Special bank	Special bank	National policy corporation	Special bank	Special bank	Special bank
Establishment Head Office	1936 Hsingking	1918 Seoul Prefecture	1908 Tokyo	1932 Hsingking	1909 Seoul Prefecture	1899 Taipei
Time	1940.12	1940.12	1940.12	1940.12	1940.12	1940.12
Capital Stocks	30,000	60,000	50,000	30,000	40,000	30,000
Bank Note (Bill)				947,051	580,534	199,685
Deposit	739,411	330,457	24,895	525,255	1,073,968	364,298
Issued Bonds	93,900	577,243	422,230			
Loan Payable	130,600	58,930	42,754	148,752	122,273	40,545
Loan from Government Bill rediscounted	153,875	1,460		8,000	81,304	22,842
Unpaid Capital		15,000	0	15,000	5,000	11,250
Loan on Bill	924,195	391,330			758,956	79,899
Note Receivable	44,407			386,383	67,157	218,020
Overdraft	102,903	27,580		328,383	143,031	21,753
Securities	144,177	84,703	192,008	850,687	594,662	188,701
Cash	22,285	20,491		75,952	291,678	75,229
Loan Receivable	208,663	493,815	241,197	59,360		119,639
Loan to Government Estate		(Public and industry loan)		98,335		0
Total Assets	1,521,864	1,113,396	568,532	1,852,614	2,053,356	834,787
Revenue	33,907	39,472	22,476	40,259	49,958	30,453
Expenditure	29,331	35,757	20,427	27,623	47,224	26,229
Current Income	4,577	3,716	2,050	12,636	2,734	4,224
Dividend	900	1,970	1,619	450	974	548
	1941.6	1941.2	1940.12	1941.6	1940.12	1940.12
Issued Shares (1000 shares)	300	1,200	2,000	600	400	300
Stockholders	7	5,340	11,169	1	5,793	3,178
Shares per Shareholder	42,857	225	179	600,000	69	94
Largest Stockholder	Manchukuo Government	Chosen Savings Bank	Minister of Finance	Manchukuo Government	Governors-General of Korea	Department of the Imperial Household
Owned Shares (1000 shares)	150.0	95.9	60.0	600.0	15.0	15.1
Ownership Ratio	50.0%	8.0%	3.0%	100.0%	3.8%	5.0%
Second Stockholder	The Bank of Chosen	Chosen Shokusan Bank, Society of Staff	Department of the Imperial Household		Yosaku Itoh	Commercial and Industrial Bank of Taiwan
Third Stockholder	149.5	67.6	25.0		13.5	12.0
		Chosen Trust	Eigo Akimoto	Seinosuke Hara		Shoka Bank
		32.4	15.0		12.4	9.4

Source: This table is fundamentally based on Toyo Keizai Shimpo-sha (1941). When there is no data of the relevant fiscal year, Osakaya Shoten (1941) is referred.

**Table 9: Toyo Takushoku**

		Affiliated companies, their paid-up capital are 10 million yen or more (1938. 12).				
Time	1938.12		Capital Stock	Paid-up Capital	Investment	Investment Ratio
Capital Stocks	50,000	Kangge	50,000	12,500	8,750	70.0%
Issued Bonds	317,641	Hydroelectricity				
Loan Payable	19,905	Chosen Electric	30,000	30,000	7,500	25.0%
		Chosen Yalu River	50,000	25,000	5,000	20.0%
		Hydroelectric Power				
Unpaid Capital	15,000	Manchuria Yalu	50,000	25,000	5,000	20.0%
		River Hydroelectric				
		Power				
Loan Receivable	172,533	West Chosen Joint	17,750	15,827	2,040	13.5%
		Electricity				
Stock and Bond	116,722	Manchuria Electric	160,000	107,500	2,031	1.7%
Estate	37,874	Chosen Anthracite	20,000	10,000	846	8.4%
Total Assets	439,808	Manchuria Gold	12,000	12,000	2,000	16.0%
		Mining				
Revenue	19,350	Chosen Railway	54,500	17,650	1,490	10.3%
Expenditure	18,021	Chosen Oil	20,000	12,500	1,263	10.0%
Current Income	1,328	North Chosen Paper	20,000	10,000	125	1.2%
		Chemical Industry				
Dividend	1,050	Nanyo Kohatsu	40,000	22,500	12,813	51.0%
Issued Shares (1000 shares)	1,000	Nichiro Gyogyo	53,800	42,300	9,000	16.0%
Stockholders	12,265	Manchuria House	30,000	15,000	5,000	33.0%
		Property				
Shares per Shareholder	82	Manchuria Forestry	30,000	20,000	3,000	16.6%
Largest Stockholder	Nashimoto-no-miya	Manchuria	50,000	33,300	2,498	7.5%
		Takushoku				
Owned Shares (1000 shares)	60.0	Nanyo Takushoku	20,000	15,273	250	2.5%
Ownership Ratio	6.0%	Taiwan Takushoku	30,000	18,750	63	0.8%
Second Stockholder	Minister of Finance	North China	350,000	87,500	175	2.0%
		Development				
	25.0	Central China	100,000	25,000	25	0.1%
		Promotion				
Third Stockholder	Department of the Imperial Household	<b>Total</b>	<b>1,188,050</b>	<b>557,600</b>	<b>68,869</b>	<b>12.4%</b>
	15.0	(Ratio to the capital)				<b>5.8%</b>

Source 1: Toyo Keizai Shimpo-sha (1939).

2: Toyo TakuShoku Kabushiki-gaisha 30 Nen-shi (1939).