

Masaatsu Takehara and Naoya Hasegawa

---

Sustainable Management Practices of Japanese Companies  
in Pre-War Period from the Perspective of SDGs and ESG

12

Hachisaburo Hirao:  
Practice of Management Based  
on the Spirit of Mutual Aid  
and Personality Education

February 26, 2021

---

No. **236**

## Hachisaburo Hirao

Practice of management based on the spirit of mutual aid and personality education



(1866-1945)

(Source) Konan Gakuen 80 Years History Editorial Committee (1999)

### Abstract

Hachisaburo Hirao was an entrepreneur who built the management foundation of Tokio Marine together with Kenkichi Kagami. He was also an educator who founded Konan Gakuen. Hirao joined Tokio Marine as a successor to Kagami who was assigned to London, and both of them devoted themselves to the development of Japan's non-life insurance business for the rest of their lives. Hirao aimed to enhance insurance services from the customer's point of view by abolishing the entertainment business for obtaining insurance contracts and offering low insurance premiums. While serving as an officer of Tokio Marine, Hirao was asked by Mitsui Zaibatsu (industrial and financial conglomerate) to serve concurrently as an officer of Taisho Marine and Fire Insurance and Fuso Marine Insurance. This was because Hirao's management of aiming at the interests of society as a whole and the sound growth of the non-life insurance industry was highly evaluated. Hirao was worried about uniform education in Japan, so he founded Konan Gakuen with the aim of providing education through a personal touch. When he was serving as Minister of Education, he advocated an eight-year compulsory education system in order to foster originality of young students.

## Contents

### I Critical biography

#### 1. Early days

##### 1.1. Boyhood

##### 1.2 Entrance to the Tokyo School of Foreign Languages

#### 2. Era of the Tokyo Commercial School

##### 2.1 Becoming adopted by the Hirao family

##### 2.2 Standing out as a leader at the Higher Commercial School

#### 3. Reconstruction of Hyogo Prefectural Kobe Commercial High School

##### 3.1 Moved to Incheon Kaisei Ben

##### 3.2 Struggle at the Kobe Commercial High School

#### 4. Work in Tokio Marine Insurance

##### 4.1 Refuse the offer from the Nippon Kairiku Insurance Company

##### 4.2 Encounter with Kenkichi Kagami

#### 5. Establishment of Konan Gakuen

#### 6. Social contribution activities

##### 6.1 Shuhokai

##### 6.2 Economic delegation to Brazil

#### 7. Inauguration as the Minister of Education

### II Hachisaburo Hirao's essence of entrepreneurial activities

#### 1. Rebuilding Tokio Marine through partnership with Kenkichi Kagami

#### 2. Strengthening the foundation of domestic business

#### 3. Establishment of Taisho Marine and Fire Insurance and serving as a director

#### 4. Leading the establishment of Sumitomo Marine and Fire Insurance

### III Management philosophy of Hachisaburo Hirao

#### 1. The spirit of collaboration and mutual aid

##### 1.1 Life tri-section theory

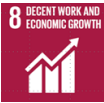








##### 1.2 Realization of ideals through partnership

#### 2. Words of Hachisaburo Hirao

[Hachisaburo Hirao Chronicle]

<References>

Figure 1 Achievement of Hachisaburo Hirao and related SDGs

	Achievement	Related SDGs
Economy	<ul style="list-style-type: none"> <li>*Reconstruction of Tokio Marine</li> <li>*Abolished practice of business entertainment</li> <li>*Establishment of Taisho Marine Insurance</li> <li>*Establishment of Sumitomo Marine Insurance</li> </ul>	   
Society	<ul style="list-style-type: none"> <li>*Reconstruction of the Kobe Commercial High School</li> <li>*Establishment of Konan Gakuen</li> <li>*Establishment of Konan Hospital</li> <li>*Reform of education system as Minister of Education</li> <li>*Implementation of scholarship program</li> </ul>	   
Partnership	<ul style="list-style-type: none"> <li>*Building cooperative relationships in the Japanese non-life insurance industry</li> <li>*Collaboration with Kenkichi Kagami</li> </ul>	

(Source) Created by author

## I Critical biography

### 1. Early days

#### 1.1. Boyhood

In 1866, Hachisaburo Hirao was born in Kano, Gifu City, Gifu Prefecture. His father, Tokinori Tanaka, learned artillery in Edo. When the Boshin War broke out, he was active as the chief gunner of the Nakasendo East Conquest Army (Hirao (1996), pp. 11-12). It is said that Hachisaburo was rigorously taught the spirit of *bushido*<sup>1</sup> by his father.

Hachisaburo hated to lose from his early childhood. One day, a soldier of the government army was resting at a teahouse. The children were curious about the soldiers in western military uniforms, which were rare at the time. A military soldier pulled out his sword, stabbed his *manju* (a Japanese-style bun stuffed with adzuki-bean paste) into the tip, hit it against Hachisaburo, and said, "Eat this *manju*." Far from being scared, Hachisaburo laughed and ate this bun.

In 1879 (Meiji 12), Hachisaburo enrolled in Gifu Junior High School (currently Gifu Prefectural High School). However, due to the tight household budget, Hachisaburo could not buy the textbook.

He reassured his parents by saying, "*I'll ask my classmate at the next desk to show me the textbook, so don't worry*" (Hirao (1996), p. 24). In a harsh environment, Hachisaburo achieved the second highest grade and acquired a special promotion.

However, his household became more and more distressed and he had to give up studying in junior high school. Hachisaburo thought, "*If it is impossible to continue my studies, I have no choice but to drop out and seek another way to live*" (Hirao (1996), p. 28), and he went to Yokohama. He thought that it would be best for him to find a job

related to foreign trade and achieve financial independence.

## **1.2 Entrance to the Tokyo School of Foreign Languages**

In 1880 (Meiji 13), Hachisaburo attended a private school called Shutokusha until he found a job at a foreign trading house. At that time, there were three schools which were recruiting government-sponsored students: the Higher Teacher Training College, the Naval Academy, and the Army Academy, but Hachisaburo was not eligible to apply for those schools as he was still under 15 years old.

However, he happened to know that the Tokyo Gaikokugo Gakko (the Tokyo Foreign Language School) was recruiting government-sponsored students and applied for it.

In the entrance examination held in 1881 (Meiji 14), more than 500 applicants applied for the capacity of 25 for the Department of Russian language. In the first examination, about 50 candidates were selected based on the results of mathematics and punctuating unpunctuated Chinese texts. In the second examination, after four weeks of training in Russian, the 25 top performers were selected as the successful applicants.

Burning his boats, Hachisaburo took the second examination and passed with the second grade. However, in 1885 (Meiji 18), due to a change in government policy, the three departments of English, French, and German were merged into the Preparatory School (*Yobimon*) of the University of Tokyo, and the three departments of Russian, Chinese, and Korean were absorbed by the Tokyo Commercial School.

## **2. Era of the Tokyo Commercial School**

### **2.1 Becoming adopted by the Hirao family**

In 1886 (Meiji 19), Jiro Yano<sup>2</sup>, the principal of Tokyo Commercial School, declared the abolition of the Faculty of Foreign Languages. The students were ordered to leave by the next day.

Hachisaburo, who was released from school with only one year left for graduation, went to Shiro Fujisawa for assistance. Fujisawa was Hachisaburo's guarantor and ran a notions store in Ueno.

Hachisaburo calmly thought about his future. Just being fluent in Russian was no more than an interpreter. He thought that it would be essential for him to relearn about commerce in general in order to succeed in the business world in the future. So, he took the examination of the Tokyo Commercial School.<sup>3</sup>

It was the issue of tuition fees that stood in the way of Hachisaburo. He traced his connections and reached out to Shigenobu Okuma and Kaemon Takashima, who were influential figures at the time, asking for support, but failed.

Stuck with no way out, Hachisaburo remembered that his father once told him about adoption. Tadatoki Hirao<sup>4</sup>, who was an assistant judge of the Gifu Ward Court, requested that he wanted Hachisaburo to marry his only daughter and become his son-in-law (becoming a member of the Hirao family).

Hachisaburo showed Hirao the following conditions for accepting adoption.

*“First of all, I have been trying to overcome all the difficulties and learn because I wanted to revive the Tanaka family and reassure my father. Therefore, as I will continue to support the Tanaka family on my own, please do not oppose me in any case. Secondly, when I go out into society in the future, I would like you to leave it to my free will to choose any profession and place where I work”*(Hirao (1996), pp. 64-65).

His adoptive father did not disagree with this offer. Thus, Hachisaburo was finally able to create an environment where he could concentrate on his studies.

Shortly after the adoption between Hachisaburo and the Hirao family was established, Principal Yano of the Higher Commercial School asked Hachisaburo about his tuition fees. When Hachisaburo explained how he was adopted, Yano was disappointed.

With Yano's efforts, the Higher Commercial School decided that among students who dropped out of the Tokyo Foreign Language School, those with excellent grades would be treated as scholarship student until they graduated from the school (Hirao (1996), pp. 65).

## **2.2 Standing out as a leader at the Higher Commercial School**

Hachisaburo was deeply grateful for Yano's kind consideration, but at the same time, he regretted his careless actions.

When Hachisaburo explained to his father how he was selected as a scholarship student, his father said that it was good that the burden on his adoptive family would be reduced.

The teachings of the spirit of *bushido*, which his father's words simply expressed, had a great influence on the formation of Hachisaburo's spirit.

Figure 2 Era of the Tokyo Commercial School (the Higher Commercial School)



(Note) The third person from the right in the front row is Hachisaburo Hirao.

(Source) Konan Gakuen 80 Years History Editorial Committee (1999)

In 1886 (Meiji 19), the Tokyo Commercial School was promoted to the Higher Commercial School, and the students worked hard at school with a new spirit. The motto of the Higher Commercial School at that time was "restoration of commercial rights".

At that time, it was a national agenda for Japan to regain the trade dominated by foreign trading houses in the hands of the Japanese (Hirao (1996), p. 76). Students believed that it was the mission of those from Higher Commercial School to make that happen.

Hachisaburo also worked harder than ever before. In the 1889 (Meiji 22) grade examination, he achieved the highest grade, and he was nominated as an overseas student.

However, Hachisaburo eventually declined to study abroad. Being 25 years old at the time, he thought that he was already too late to enter society and he could not bear to study abroad for another three years (Hirao (1996), p. 91).

In 1890 (Meiji 23), Hachisaburo graduated from the Higher Commercial School and he was hired as an assistant teacher at the school's accounting school, where he taught economics and English. At that time, there were few Japanese companies engaged in foreign trade, and it was difficult for even graduates of the Higher Commercial School to find a job.

### **3. Reconstruction of Hyogo Prefectural Kobe Commercial High School**

#### **3.1 Moved to Incheon Kaiseiki Ben**

In 1891 (Meiji 24), Hachisaburo was appointed as Kaiseiki Hoben (maritime customs officer)<sup>5</sup> in Incheon, Korea. Hachisaburo, who was proficient in maritime operations,

opened an English school for employees working in Japanese traders.

However, after that, Hachisaburo came to realize the limitations of the same old routine work as a custom officer, saying "*The work here is too dry for a young man with a long future and great hope*" (Hirao (1996), p. 133).

At that time, Jiro Yano, Hachisaburo's former teacher from the Higher Commercial School days, asked him if he would like to be assigned to the Hyogo Prefectural Kobe Commercial High School<sup>6</sup> as the principal.

The internal management system of Kobe Commercial High School was chaotic; the situation was so rough that the prefectural assembly resolved to close the school. Yano entrusted the reconstruction of the school in anticipation of Hachisaburo's personality and abilities.

### **3.2 Struggle at the Kobe Commercial High School**

In 1893 (Meiji 26), Hachisaburo became the principal of the Kobe Commercial High School. As soon as he arrived, he investigated in detail the circumstances and issues that led to the closing of the school, but he could not grasp the essence of the problem at all.

Therefore, Hachisaburo set up a banquet out of his own pocket which was an equivalent of his monthly salary and invited the governor, the chairman of the city council, the chairman of the chamber of commerce, and members of the prefectural assembly.

He thought that the best way to change the opinion of the group which was promoting the school closing was to deepen friendship with them.

At the plenary session of the Hyogo Prefectural Assembly, Hachisaburo gave a two-hour speech on the history and future vision of the Kobe Commercial High School. As a result of these efforts, the prefecture's policy on the school changed 180 degrees from closing to revival.

Hachisaburo's duties as principal of the Kobe Commercial High School ended in just one and a half years. After this, Hachisaburo joined the Tokio Marine Insurance Company at the invitation of his teacher, Yano.

Hachisaburo, who had been studying hard to succeed in the business world, finally gained a place for full-scale activity.

## **4. Work in Tokio Marine Insurance**

### **4.1 Refuse the offer from the Nippon Kairiku Insurance Company**

Shortly after he became the principal of the Kobe Commercial High School, Hachisaburo received a job offer from Naoharu Kataoka<sup>7</sup>, the president of the Nippon



Kairiku (Japan Sea and Land) Insurance Company. The company was a non-life insurance company established in 1893 (Meiji 26) by Kataoka who used to be the vice-president of the Nippon Life Insurance Company.

In Japan, the Insurance Business Law came into effect in 1899 (Meiji 32), and a reserve system for insurance contract reserves was introduced with the aim of strengthening the management base of insurance companies.

After the enactment of the Insurance Business Law, an inspection conducted by Tsuneta Yano, who became the first director of the insurance section in the Ministry of Agriculture and Commerce, revealed that Nippon Kairiku Insurance had insufficient policy reserves and was incurring losses. As a result, the company was forced to dissolve in 1901 (Meiji 34).

Hachisaburo declined Kataoka's invitation as he had to focus on rebuilding the Kobe Commercial High School. In addition, he was disgusted that Kataoka brought up a serious personal subject such as a job change at the banquet and focused only on working conditions (Hirao (1996), p. 156).

#### **4.2 Encounter with Kenkichi Kagami**

Immediately after refusing the invitation from the Nippon Kairiku Insurance Company, Hachisaburo was asked by his former teacher, Yano, to join the Tokio Marine Insurance Company. Hachisaburo met with Tokio Marine General Manager, Katsunori Masuda<sup>8</sup>, the lead-secretary, Kenkichi Kagami<sup>9</sup>, and Masuda's brother, Takashi Masuda<sup>10</sup>, who was president of Mitsui & Co., Ltd.

Tokio Marine was successfully doing highly profitable business as the only marine insurance company in Japan, but the situation changed completely with the advent of competitors such as Nippon Kairiku Insurance.

In addition, due to the deterioration of the balance of the insurance business in the United Kingdom, Tokio Marine's business condition was rapidly declining.

Kenkichi Kagami, who worked hard with Hachisaburo to rebuild Tokio Marine, was a senior at the Higher Commercial School. Facing a financial crisis, Tokio Marine decided to recruit outside talent to rebuild the management, so Yano first recommended Kagami.

At the invitation of Yano, Kagami joined Tokio Marine and he was ordered to rebuild the insurance business in London. And it was Hachisaburo Hirao who joined Tokio Marine as a successor to Kagami.

In 1894 (Meiji 27), Hachisaburo joined Tokio Marine. Kagami entrusted all of the domestic insurance business to Hachisaburo and proceeded with his preparations for going to the United Kingdom. Since then, the pairing of Kagami and Hirao continued for

about 30 years until Hachisaburo resigned as Managing Director of Tokio Marine in 1925 (Taisho 14). During this time, the two laid the foundation of not only Tokio Marine, but also Japan's non-life insurance business.

## 5. Establishment of Konan Gakuen

In 1911 (Meiji 44), 16 years after joining Tokio Marine, Hachisaburo established elementary schools, junior high schools, and high schools, starting with Konan Kindergarten.

Table 1 History of Konan Gakuen

1911 (Meiji 44)	Approval for establishment of Konan Kindergarten
1912 (Meiji 45)	Approval for establishment of Konan Jinjo Elementary School
1918 (Taisho 7)	Approval for establishment of Konan Junior High School
1923 (Taisho 12)	Approval for establishment of 7-year Konan High School
1926 (Taisho 15)	Hachisaburo Hirao became second president of Konan Gakuen

In 1890 (Meiji 33), Hachisaburo Hirao returned to Japan after working at the Tokio Marine London branch (1897-1900) and became the manager of the Osaka and Kobe branches. He built his residence in Sumiyoshi, Higashinada-ku, Kobe, which was developing as a residential area where wealthy people gathered with the opening of the railway.<sup>11</sup>

A plan to build a new elementary school came up, led by the wealthy people in the area. It was Suketaro Hirose, the third president of the Nippon Life Insurance Company at that time who chose Hachisaburo as the founder of the school, because he had educational experience as the principal of the Kobe Commercial High School.

Thus, the Konan Jinjo Elementary School (currently Konan Elementary School) was established in 1912 (Meiji 45).

Figure 3 Konan Gakuen Junior High School under the pre-war education system (1921)



(Source) Konan Gakuen 80 Years History Editorial Committee (1999)

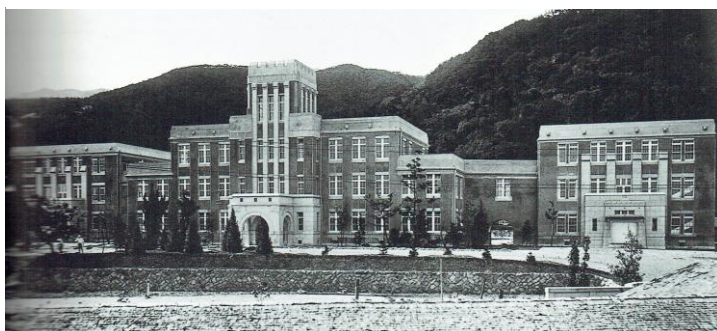
Hachisaburo idealized the educational policy of Haruji Nakamura<sup>12</sup>, founder of Seikei Gakuen, who aimed to cultivate a spontaneous spirit and discover and develop individuality. Hirao advocated an educational philosophy of "nurturing people is the fundamental principle" at the Konan Elementary School.

Hirao talked about the ideal way of education at the Konan Elementary School as follows:

"The human education I advocate is not mass production. (Omitted) I want to realize my idea by having 15 boys and 15 girls in one class, one class in one grade, and the total number of children being limited to 180. I think there is no other elementary school in Japan that forms a school with a capacity of 180 students" (Hirao (1996), p. 323).

Hirao criticized that the education of public schools led by the Ministry of Education was uniform and formal, and that studying had been reduced to a means to obtain employments. On the other hand, he said that the purpose of education was to respect individuality and create people, and that such education could only be done by a private school.

Figure 4 Konan Gakuen High School under the pre-war education system (1923)



(Source) Konan Gakuen 80 Years History Editorial Committee (1999)

## 6. Social contribution activities

Hachisaburo had a desire to devote himself to social service after he became 50 years old. His famous achievement was the founding of Konan Gakuen, but Hachisaburo also engaged in various other social contribution activities described below.

### 6.1 Shuhokai

Shuhokai was a scholarship association Hachisaburo established to support promising youth in 1912 (Meiji 45). It is said that more than 200 students received support from the association.

Hachisaburo considered it his social mission to support the development of human resources who would be creating innovation.

He left the following comments:

*"Japan has only a tiny land area, scarce resources, and scarce raw materials for industry. Therefore, in Japan, there is no other way but to aim for industrial development in order to provide occupations to an increasing population. What we need to do is to discover physicochemical methods to produce high-value products from low-value raw materials. (omitted) To that end, it is the national task to train competent scholars. It is my fulfilling social responsibility to support talented young people who are willing to devote themselves for such an important task and contribute to the nation"*(Hirao (1996), p. 309).

## **6.2 Economic delegation to Brazil**

Before World War II, many Japanese emigrated to Brazil. When the Manchurian Incident broke out in 1931 (Showa 6), Brazil tried to limit Japanese immigrants. The Japanese government dispatched an economic delegation headed by Hachisaburo to Brazil in order to overcome the situation through economic diplomacy by civilians. Hachisaburo stayed in Brazil for seven months, and his efforts resulted in the establishment of the Japan-Brazil Trade Association and the amount of trade between the two countries expanded dramatically. And, as economic exchanges became more active, the issue of immigration restrictions also waned.

## **7. Inauguration as the Minister of Education**

In 1935 (Showa 10), Hachisaburo was elected as a member of the House of Lords and became the Minister of Education in the Koki Hirota Cabinet. During his tenure of less than a year (March 25, 1936-February 2, 1937), Hachisaburo put the most effort into the realization of "the eight-year compulsory education system".<sup>13</sup>

Prime Minister Hirota understood Hachisaburo's proposal and positioned the renewal and improvement of the education system as one of the seven major national policies and decided to implement an eight-year compulsory education system from 1938 (Showa 13).

This new eight-year compulsory education system consisted of six grades of ordinary elementary school and two grades of high school. It was envisioned that students would learn basic education in the first six years and receive education tailored to the local circumstances in the latter two years. However, the "eight-year compulsory education system" was not actually implemented as the Hirota Cabinet resigned en masse in 1937.

## II Hachisaburo Hirao's essence of entrepreneurial activities

### 1. Rebuilding Tokio Marine through partnership with Kenkichi Kagami

In 1879 (Meiji 12), Tokio Marine was established as the first insurance company in Japan. At that time, business activities were expanding in various fields under the Meiji government's policy of encouraging new industry, and the accompanying increase in logistics boosted the shipping industry, and the demand for marine insurance was also growing.

At the time of its establishment, Tokio Marine's business was stable. However, in 1893 (Meiji 26), the Nippon Kairiku Insurance Co., Ltd., the Teikoku Marine Insurance Co., Ltd. (predecessor company of the former Yasuda Fire and Marine Insurance) and the Osaka Insurance Co., Ltd. (predecessor company of the former Sumitomo Marine and Fire Insurance) were established one after another. As a result, the monopoly of Tokyo Marine began to collapse.

In particular, it fought a fierce competition for customers with Nippon Kairiku Insurance led by Naoharu Kataoka, through dumping of insurance premiums. As the domestic business environment became more severe, the deterioration of the balance of business in the U.K. negatively affected the entire Tokio Marine business.

Tokio Marine's management was unable to identify the cause of the deterioration in its U.K. business. Therefore, in order to grasp the actual situation, they decided to dispatch Kenkichi Kagami to London. At that time, Kagami was in his third year at the company and he was fluent in English. Kagami graduated from the Higher Commercial School two years before Hachisaburo.

The role Hirao and Kagami played during the development period after the establishment of Tokio Marine is immeasurable. Hachisaburo looked back on the relationship between the two as follows:

*"Kagami and I formed a good battery. It may sound selfish, but we both worked really hard. We had a lot in common. At Tokio Marine, we were close as if we were one body. While Kagami was working hard in London, I worked hard in Tokyo, and when I was working hard in London, he worked hard in Tokyo"* (Hirao (1936), pp. 239-240).

An in-depth study conducted by Kagami revealed that the cause of the slump in the U.K. insurance business was improper accounting and a lack of adequate underwriting.<sup>14</sup>

In 1899 (Meiji 32), Tokio Marine renewed its accounting system based on Kagami's reports. The newly adopted accounting method was already used by non-life insurance companies in Europe and the United States. However, the Tokio Marine leaders at that time did not fully understand this fact.

Figure 5 Hachisaburo Hirao and Kenkichi Kagami in London



(Note) First person from the left in the front row is Hachisaburo Hirao, and center in the front row is Kenkichi Kagami

(Source) Konan Gakuen 80 Years History Editorial Committee (1999)

Due to the tremendous efforts of Hirao and Kagami, Tokio Marine escaped from the crisis. When it became a debate whether to keep or abolish the London branch, Kagami insisted on the continuation of the London branch by saying, *"I can compete with British underwriters. I can fight against them and make a considerable profit here. If you (author's note: Hachisaburo Hirao) return to Japan and play a central role, I am not worried about business in Japan"* (Tokio Marine and Fire Insurance (1979), p. 71).

In response, Hachisaburo proposed the abolition of the London branch by saying, *"You (author's note: Kenkichi Kagami) will succeed as an underwriter. You have achieved here what no one could do. I know that best, but what if you get sick? It is difficult to train your successor. (omitted) I think it's time to withdraw the branch office and both of us will return to Japan and work together to rebuild the company"* (Tokio Marine and Fire Insurance (1979), p. 72).

Kagami accepted Hirao's proposal. Tokio Marine decided to close its London branch and outsource the agency to a local broker, Willis Faber & Company, which had both sufficient experience and insight. Hachisaburo returned from the United Kingdom and actively expanded Tokio Marine's domestic business by concurrently serving as the branch manager of the newly established Osaka and Kobe branches.

## 2. Strengthening the foundation of domestic business

To strengthen Tokio Marine's business foundation, Hachisaburo worked to strengthen sales in Japan. From his experience of working as the principal of Kobe Commercial High School, he focused his attention on the economic growth of the Osaka and Kobe area.

Tokio Marine opened the Osaka branch in 1896 (Meiji 29) and the Kobe branch<sup>15</sup> in 1898 (Meiji 31), and Hachisaburo concurrently served as the branch managers for both.

Thanks to Kagami's efforts, Tokio Marine succeeded in building a reinsurance network

in the London market. Then, Hirao moved to acquire ship insurance contracts. At that time, merchant shipping companies such as NYK Line and Osaka Shosen (OSK Lines) were preparing for unexpected damages with their own financial resources (called self-insurance).

Hirao explained that there was almost no difference between the total amount of reserves that shipping companies reserved every year as self-insurance and insurance premiums, and that shipping insurance could completely compensate for losses even in the event of frequent damage. As a result, he succeeded in obtaining a ship insurance contract from Osaka Shosen (Tokio Marine and Fire Insurance (1979), pp. 210-211).

By underwriting shipping insurance from one of Japan's top shipping companies, Tokio Marine's credibility enhanced.

One of the epoch-making reforms Hachisaburo made at that time was "prohibition of business entertainment".<sup>16</sup> Business entertainment such as entertainment with food and drink, which is performed as part of the sales activities of today's non-life insurance companies, was frequently provided to customers at that time.

Hachisaburo prohibited the customary business entertainment and explained the reason as follows:

*"In industries such as contract business and selling goods which initial profits can be expected, it would not be inconvenient to devote a portion of the profits to business entertainment and gifts. However, marine insurance is quite different from these industries. It is an industry that takes time until we know the balance result. Therefore, it is not reasonable to conduct business entertainment or gift in order to acquire contracts, so this should be abolished altogether"* (Tokio Marine and Fire Insurance (1979), pp. 212-213).

The cost of business entertainment was funded from the insurance premium. By abolishing the business entertainment and reducing cost, Hachisaburo made sure that the company offered customers low insurance premiums. The ban on business entertainment was greatly supported by companies in the Hanshin area (Osaka and Kobe) that valued economic rationality.

### **3. Establishment of Taisho Marine and Fire Insurance and serving as a director**

The booming economy brought about by World War I brought unprecedented prosperity to marine insurance companies in Japan, and in the six years from 1917 to 1922, thirty new insurance companies were established (Tokio Marine and Fire Insurance (1979), p. 304).

Taisho Marine (Mitsui) and Mitsubishi Marine (Mitsubishi) were established one after

another as marine insurance companies directly managed by zaibatsu (industrial conglomerates).

Tokio Marine had built a close relationship with Mitsui & Co., Ltd. since its establishment. Tokio Marine had undertaken marine insurance for products handled by Mitsui. Mitsui had worked as Tokio Marine's agent in and outside of Japan. Since the establishment of Tokio Marine, the two companies had been in a coexistence and co-prosperity relationship.<sup>17</sup>

However, toward the end of the Meiji era (1868-1912), the relationship changed. At Mitsui, the idea of establishing its own non-life insurance company emerged. Mitsui actually accumulated pent-up dissatisfaction with the services and insurance premiums provided by Tokio Marine.

In 1918 (Taisho 7), the Taisho Marine & Fire Insurance Company was established by Mitsui & Co., Ltd., and Hachisaburo became the managing director of the new company. Hachisaburo concurrently served as senior managing director of Taisho Marine and Tokio Marine. In April 1917 (Taisho 6), Kagami and Hirao became managing directors of Tokio Marine at the same time.<sup>18</sup>

Sutejiro Odagaki, managing director of Mitsui & Co., said, *"Mitsui wants to invite a person who has both dignity and talent to the new company, and let him manage a solid business and strive to develop a noble corporate culture and human resources"*.<sup>19</sup>

As a person who realized this idea, Mitsui entrusted the steering of the new company to Hachisaburo Hirao who established a good relationship with Mitsui in Osaka and Kobe and handled the situation with immense confidence.

The Board of Directors of Tokio Marine approved on November 2, 1917 that Hachisaburo would concurrently serve as managing director of Taisho Marine (term of office was 3 years).<sup>20</sup>

#### **4. Leading the establishment of Sumitomo Marine and Fire Insurance**

In 1917 (Taisho 6), Fuso Marine, the predecessor company of Sumitomo Marine and Fire Insurance (currently Mitsui Sumitomo Marine and Fire Insurance), was established. The founder was Kamesaburo Yamashita, who established Yamashita Kisen (steamship). Yamashita was one of the so-called "shipping millionaires<sup>21</sup>", whose shipping businesses grew rapidly under the booming economy of World War I. Tokio Marine acquired 30,000 shares when the company was established, and Hachisaburo was appointed as a director.

However, after the end of World War I, the shipping industry was quickly hit by a recession, and Fuso Marine's business performance also deteriorated rapidly. There were no signs of recovery in the performance of the company, which had no strong



organizational support such as conglomerates.

Yamashita, who was busy rebuilding Yamashita Kisen, requested Hachisaburo to become chairman of Fuso Marine. Hachisaburo, who was busy serving as managing director of Tokio Marine and Taisho Marine, accepted Yamashita's request in order to save Fuso Marine.

However, it was decided that Fuso Marine would be sold because there was no prospect of its debt consolidation. At that time, the Daiichi (first) Bank<sup>22</sup> was listed as a potential buyer. Hachisaburo thought that if Daiichi Bank had acquired the shares of Fuso Marine, it would inevitably entrust Fuso's actual management to Tokio Marine (Sumitomo Marine and Fire Insurance (1993), p. 80). That meant that Fuso Marine would become a subsidiary of Tokio Marine.

Hachisaburo thought, *"For the development of the Japanese non-life insurance industry, it is necessary for Tokio Marine, Taisho Marine, and Fuso Marine to cooperate with each other while maintaining their independence. Therefore, it is desirable that Fuso Marine be managed by Sumitomo Zaibatsu, which can compete with other zaibatsu such as Mitsubishi and Mitsui"* (Sumitomo Marine and Fire Insurance (1993), p. 81).

Therefore, he consulted with Masatsune Ogura<sup>23</sup>, managing director of Sumitomo Limited, who was also a director of Fuso Marine, regarding the acquisition of Fuso Marine shares by Sumitomo.

Hachisaburo fully trusted Ogura, saying, *"There is no person other than Mr. Ogura who truly thinks about the company"* (Sumitomo Marine and Fire Insurance (1993), p. 86). In 1932 (Showa 7), Ogura replaced Hachisaburo as chairman of Fuso Marine, and Fuso Marine virtually became a subsidiary of Sumitomo Zaibatsu.<sup>24</sup>

Even in the early days of the non-life insurance industry, a person like Hachisaburo, who served as a director of Tokio Marine, Taisho Marine, and Fuso Marine, was a rare person in the Japanese business community. There were many entrepreneurs who were good at making profit, but not many entrepreneurs aimed at the sound development of the entire society as Hachisaburo did.

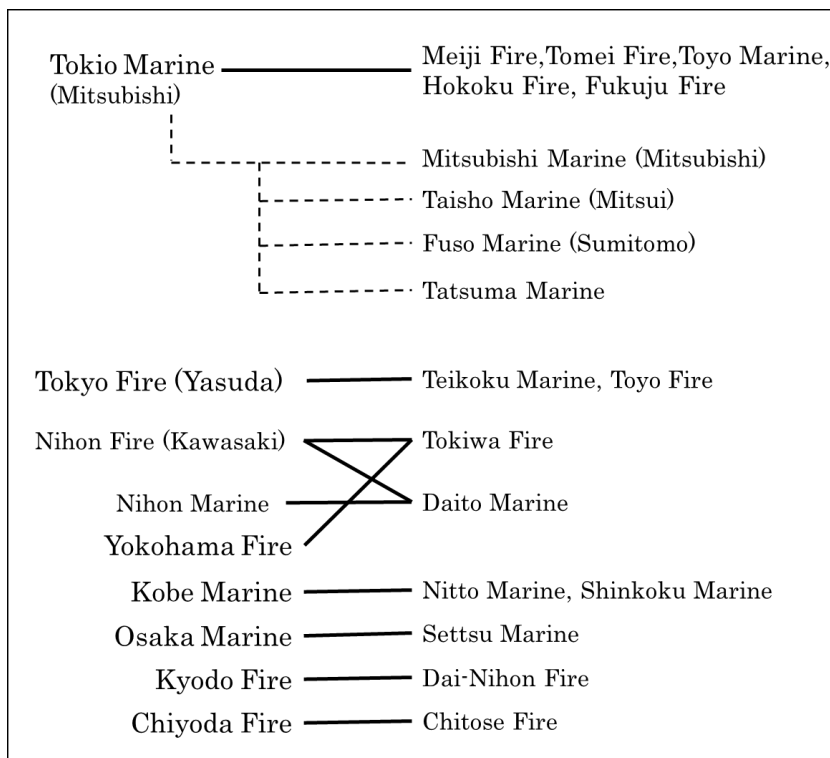
Ogura later became the 6th CEO of Sumitomo Zaibatsu (industrial conglomerate) and led the group by steadfastly maintaining Sumitomo's management philosophy which taught, *"The business must not only benefit the company, but also the country and society. In that sense, the public and private sectors are one."* This business philosophy was called *"Jiri-rita-koshi-ichijo"*. Sumitomo's business philosophy has much in common with Hachisaburo Hirao's management view, which was that public interest was always first.

Figure 6 Masatsune Ogura



(Source) Sumitomo Marine and Fire Insurance (1993)

Figure 7 Genealogy of nine major non-life insurance companies in Japan (late Taisho era (around 1926))



(Note) The name in parentheses indicates the zaibatsu (conglomerate).

(Source) Tokio Marine (1983), p. 308

### III Management philosophy of Hachisaburo Hirao

#### 1. The spirit of collaboration and mutual aid

##### 1.1 Life tri-section theory

After the age of 40, Hachisaburo began to advocate a life tri-section theory consisting of three parts: "time to train", "time to become independent", and "time to serve society".

The "time to train" is an era in which students work hard to study with the support of

society and people. In Hachisaburo's life, it refers to the period of studying hard and achieving graduation from the Higher Commercial School.

The "time to become independent " is a period in which people go out into society and work hard. In Hachisaburo's life, it refers to the period in which Kenkichi Kagami and he supported the growth of Tokio Marine and played an active role toward the sound development of Japan's non-life insurance industry.

The "time to serve society" is a period in which people utilize the experience and wealth they have cultivated to carry out activities that contribute to society.

Hachisaburo wanted to start his period of serving society from the age of 50 in his life, but he began to engage in social activities in earnest when he was over 60 years old. The business world would not give up Hachisaburo, who had excellent insight and personality as an entrepreneur. For Hachisaburo, educational activities at Konan Gakuen were the most important social contribution activities.

## **1.2 Realization of ideals through partnership**

Hachisaburo believed that capitalists and workers should work together and distribute wealth fairly. Although he grew up in an economically disadvantaged environment, he was a man of hard work who climbed up to a high professional managerial position such as managing director of Tokio Marine.

Hirao read Samuel Smiles' "Self Help" and was impressed by the phrase *"Heaven helps those who help themselves"*. He stated that he had consistently maintained this principle throughout his life.

Hirao, who paved his way by himself, had a strict view of the conglomerate managers who inherited wealth through hereditary succession.

He stated:

*"People who are called millionaires in Japan do not appear in social activities. It is their servants who come out. Why is such a strange phenomenon occurring? Japanese capitalists themselves are not fulfilling their responsibility and sparing the effort they should make"* ("Hachisaburo Hirao Diary" September 22, 1925 (Taisho 14)).

He continued:

*"These millionaires do not have to exist by hereditary succession and are naturally destined to disappear. In the United Kingdom and the United States, millionaires who have earned huge fortunes without effort are spending these fortunes to build laboratories, hospitals, museums, libraries, etc. to contribute to the public good."* ("Hachisaburo Hirao Diary" September 20, 1925 (Taisho 14)).

Hirao believed that an ideal society could not be realized unless capitalists and the working class built complementary relationships. The problems that are piled up in modern society are difficult for companies to solve on their own.

SDGs Goal 17 is “Partnerships for the goals” which indicates the SDGs can only be realized with strong global partnerships and cooperation among diverse stakeholders.

The spirit of mutual aid that Hachisaburo believed in and practiced leads to the philosophy of SDGs that emphasize partnership.

## 2. Words of Hachisaburo Hirao

In order to understand the essence of Hachisaburo Hirao, who not only performed a feat of concurrently serving as a director of Tokio Marine, Taisho Marine, and Fuso Marine, but was also active beyond the border of an entrepreneur, such as the establishment of Konan Gakuen and the appointment as the Minister of Education, we would like to read his words in this section. The following are words that show Hirao's ideals and values in various literatures.

\* \* \* \* \*

*“Always be prepared”<sup>25</sup>*

\* \* \* \* \*

*“I graduated from school at the age of 25, and until 50, I was mainly dedicated to myself and my family. For the next 25 years, I will do my best mainly for society. If I can live long, I will contribute to our country”* (“Hachisaburo Hirao Diary” June 4, 1915 (Taisho 4)).

\* \* \* \* \*

*“What is necessary for you is to know your value as a human being and realize your preciousness. Then, I think that you will naturally be a hard-working person”* (Hirao (1936), p. 54).

\* \* \* \* \*

*“Education cannot be carried out in mass production. This is because human development cannot be realized by mass production”* (Hirao (1936), pp. 19-20).

\* \* \* \* \*

*“Current education in Japan is a so-called uniform education in which elementary schools, junior high schools, and high schools are all unified into one system. Uniformity is to make humans into machines”* (Hirao (1936), p. 33, 37).

\* \* \* \* \*

*“The human soul makes humans. Humans cannot be created without relying on the power of the human soul. Scientific knowledge can be self-taught in books, but true*

*human education can only be achieved through personal touch*”(Hirao (1936), p. 45, 47).

\* \* \* \* \*

*“The current method of employee recruitment is like buying a product made at a factory at a fixed price with a price tag”*(Hirao (1936), p. 190).

\* \* \* \* \*

*“Students who receive the same education at the same school do not graduate as the same person. In the current education system, schools send these different students into the world as the same person with a uniform tag. I think that, the schools providing this kind of education and the government and companies employing these students, are wrong”*(Hirao (1936), p. 191).

\* \* \* \* \*

In publishing this working paper, authors would like to thank the Hosei University Research Institute for Innovation Management for their funding support for proofreading of the manuscripts.

[Hachisaburo Hirao Chronicle]

1866 (Keio 2) Born in Gifu Prefecture

1881 (Meiji 14) Enrolled in the Tokyo Foreign Language School (currently Tokyo University of Foreign Studies)

1886 (Meiji 19) Enrolled in the Higher Commercial School (currently Hitotsubashi University)

1891 (Meiji 24) Moved to Incheon, Korea to work for the Incheon Maritime Tax Office

1893 (Meiji 26) Appointed as the principal of the Hyogo Prefectural Kobe Commercial High School

1894 (Meiji 27) Joined Tokio Marine Insurance

1900 (Meiji 33) Appointed as Osaka and Kobe branch manager

1912 (Meiji 45) Approval for establishment of the Konan Jinjo Elementary School

1917 (Taisho 6) Appointed as the Senior Managing Director of Tokio Marine

1918 (Taisho 7) Appointed as the Senior Managing Director of Taisho Marine Insurance

1923 (Taisho 12) Establishment of the Seven-year Konan High School

1926 (Taisho 15) Assumed the position as the Chairman of the Board of Fuso Marine and Fire Insurance (former Sumitomo Marine and Fire Insurance)

1933 (Showa 8) Assumed the position as the president of Kawasaki Shipyard

1935 (Showa 10) Became member of the House of Lords

1936 (Showa 11) Took office as the Minister of Education

1943 (Showa 18) Appointed as Privy Councilor

1945 (Showa 20) Died at home (80 years old)

#### <References>

Anzai, Toshizo (2015) "Modern Japan and Hachisaburo Hirao" Koyo Shobo

Ogawa, Morimasa and Uemura, Taeko (1999) "Be world-class gentleman Hachisaburo Hirao" Nenshosha

Konan Gakuen History Library Committee (1999) "80 Years of Konan Gakuen" Konan Gakuen Public Relations Office

Konan Gakuen 80 Years History Editorial Committee (1999) "80 Years of Konan Gakuen in Photographs" Konan Gakuen

Konan Gakuen Hachisaburo Hirao Diary Editorial Committee (2010) "Hachisaburo Hirao Diary" Konan Gakuen

The Sumitomo Marine and Fire Insurance Co., Ltd. (1993) "100 Years of Sumitomo Marine-Trajectory of its Challenge"

Sumitomo Marine and Fire Insurance Company History Editorial Office (1995) "Sumitomo Marine and Fire Insurance Co., Ltd. 100 Year History"

Tokio Marine and Fire Insurance Co., Ltd. (1979) "Tokio Marine and Fire Insurance Co., Ltd. 100 Year History"

Tokio Marine and Fire Insurance Co., Ltd. (1979) "Tokio Marine 100 Years"

Tokio Marine and Fire Insurance Co., Ltd. (1983) "Non-life insurance business course Vol. 1 Non-life insurance law and market"

Nihon Hoken Shimbunsha (1968) "Meiji Centennial Memorial-History of the Japanese Insurance Industry"

Hirao, Hachisaburo [Edited by Ando, Toshizo] (1996) "Hachisaburo Hirao Autobiography" The University of Nagoya Press

Hirao, Hachisaburo (1936) "This is what I think" Chikura Publishing

Mitsui Marine and Fire Insurance Co., Ltd. (1994) "Shuryu: Mitsui Kaijo Monogatari (1918-1993)"

Mitsui Marine and Fire Insurance Co., Ltd. (1996) "Mitsui Marine and Fire Insurance Co., Ltd. 75 Years History"

---

<sup>1</sup> Bushido means Japanese chivalry. It is the feudal-military code observed by samurai warriors, with emphasis on loyalty to the lord and the value of honor even above life

<sup>2</sup> Jiro Yano (1845-1906) was blessed with a talent for language, so he worked as an interpreter for the Tokugawa Shogunate, and after the Meiji Restoration, he joined the Ministry of Foreign Affairs and temporarily served as a deputy minister to the United States. Yano insisted on the need for

---

commercial education from an early stage and participated in the opening of the Commercial Training School in 1875 (Meiji 8). In 1885 (Meiji 18), he succeeded in changing the jurisdiction of the Tokyo Higher Commerce School from the Ministry of Agriculture and Commerce to the Ministry of Education and he laid the foundation for a public commercial high school. He is also known as the person who recommended Kenkichi Kagami and Hachisaburo Hirao, graduates of the Tokyo Higher Commerce School, to Tokio Marine.

<sup>3</sup> Tokyo Commerce School is the predecessor of the current Hitotsubashi University. The school was reorganized into The Higher Commercial School in October 1887, a year after Hachisaburo entered the school.

<sup>4</sup> Tadatoki Hirao used to be a feudal retainer of Kishiwada Han (Domain)

<sup>5</sup> Kaiseiki was a customs office established at the seaport. It was first installed in a port for foreign trade in China during the Qing dynasty.

<sup>6</sup> The Hyogo Prefectural Kobe Commercial High School originated from the second commercial training school in Japan, which was established in 1878 (Meiji 11) with the cooperation of Yukichi Fukuzawa.

<sup>7</sup> Naoharu Kataoka (1859-1934) served as the president of the Nippon Life Insurance Company, president of the Miyako Hotel, Minister of Commerce and Industry, and Minister of Finance.

<sup>8</sup> Katsunori Masuda (1852-1903) was a vassal of the late Tokugawa shogunate, a government official, a businessman, and a politician in the Meiji era. After the Meiji Restoration, he entered Keio Gijuku (Currently Keio University). After working as a prosecutor for the Ministry of Justice, he joined the Tokio Marine Insurance Company in 1879 (Meiji 12) and served as manager.

<sup>9</sup> Kenkichi Kagami (1869-1939) went to the United Kingdom in 1894 (Meiji 27), the fourth year after he joined Tokio Marine, and identified the cause of the loss of the U.K. business and achieved the business reconstruction. He became a managing director along with Hachisaburo Hirao and became chairman of the board in 1925 (Taisho 14). He also held important positions such as the president of NYK Line and a member of the House of Peers.

<sup>10</sup> Takashi Masuda (1848-1938) was an entrepreneur representing the Meiji era in Japan. He studied English from Hebon-juku (Hepburn School, it was the predecessor of the Meiji Gakuin University) and Townsend Harris, who was the first United States Consul General to Japan and worked for the Ministry of Finance. After that, he engaged in foreign trade as a vice president of a trading company, called Senshu, established by Kaoru Inoue, who was Masuda's superior during his time at the Ministry of Finance. After that, the Mitsui family took over the management rights of the Senshu company, and Masuda became president. Masuda named the company Mitsui Bussan (Mitsui & Co.). Mitsui & Co. is currently one of Japan's leading trading companies.

<sup>11</sup> In the Sumiyoshi area, besides Hachisaburo's house, there were residences of the owners of leading companies at that time such as Sanji Muto (Kanebo), Sukesaburo and Suketaro Hirose (Nippon Life), Tokushichi Nomura (Nomura Conglomerate), Chobei Takeda (Takeda Pharmaceutical), and Chubei Itoh (Itochu Corporation).

<sup>12</sup> Haruji Nakamura (1877-1924) taught at a public junior high school for a while after he graduated from the Tokyo Imperial University, but he questioned uniform education and uneven educational opportunities at that time, so he opened a private school called Seikeien in Ikebukuro, Tokyo in 1906 (Meiji 39). Then, with the cooperation of Koyata Iwasaki and others, he founded the Seikei Practical School in 1912 (Meiji 45) and laid the foundation for Seikei Gakuen.

<sup>13</sup> The elementary school ordinance of 1900 (Meiji 33) stipulated a four-year compulsory education system, and tuition fees were abolished. As a result, the school enrollment rate reached about 96% in 1905 (Meiji 38). In 1907 (Meiji 40), compulsory education was extended to 6 years.

<sup>14</sup> Underwriting means selection of risk, and insurers generally select insurance contracts with low risk. On the other hand, even at high risk, they may underwrite insurance by charging premiums commensurate with the risk. The point of insurance sales is whether or not insurers can identify the risks inherent in the contract applied for and collect insurance premiums commensurate with the risks.

<sup>15</sup> In Kobe, Mitsui used to work as an agent for Tokio Marine, but Mitsui decided to stop the agency business there, as a result, Tokio Marine opened its Kobe branch.

<sup>16</sup> As rival companies Nippon Kairiku Insurance and Teikoku Marine actively offered business entertainment, Tokio Marine had no choice but to do so in order to compete with other companies.

<sup>17</sup> Mitsui and Tokio Marine belonged to different conglomerate groups. Even so, Mitsui was consistently cooperative with Tokio Marine because Tokio Marine was a leading company in marine insurance with full government support.

<sup>18</sup> In April 1917 (Taisho 6), Kagami and Hirao became managing directors of Tokio Marine at the same time.

---

<sup>19</sup> Tokio Marine and Fire Insurance (1979), p. 352. According to the 75-year history of Mitsui Marine and Fire Insurance, "Mitsui & Co., Ltd. thought that Hirao would accept the chief executive officer of the new company because he was faithful and credible."

<sup>20</sup> The titles and tenures of Hachisaburo Hirao in Taisho Marine Insurance were as follows:  
Senior Managing Director: 1918 (Taisho 7) -1924 (Taisho 13) (concurrently chairman from February to April 1924)

Director: 1924 (Taisho 13) -1936 (Showa 11)

<sup>21</sup> As private vessels were requisitioned for military use, the shortage of vessels became more serious, and freight and ship prices soared, bringing huge wealth for ship owners and merchant shipping companies.

<sup>22</sup> Part of the predecessor of the current Mizuho Bank

<sup>23</sup> Masatsune Ogura (1875-1961) joined Sumitomo at the invitation of Masaya Suzuki, the third president of Sumitomo. In 1930 (Showa 5), he became the 6th president and inherited the business spirit of successive managers such as Hirose, Iba, and Suzuki. After retiring as Sumitomo president, he served as Minister of Finance of the Third Konoe Cabinet in 1941 (Showa 16).

<sup>24</sup> In 1940 (Showa 15), Fuso Marine Insurance Co., Ltd. changed its company name to Sumitomo Marine and Fire Co., Ltd.

<sup>25</sup> The words "always be prepared" are the words engraved on the stone monument of the Konan Elementary School. The Great Hanshin Flood in 1938 was a catastrophe with 695 dead and missing. Hachisaburo emphasized the need to always be prepared for the many risks encountered in life, not just natural disasters.





本ワーキングペーパーの掲載内容については、著編者が責任を負うものとします。

**法政大学イノベーション・マネジメント研究センター**  
**The Research Institute for Innovation Management, HOSEI UNIVERSITY**

〒102-8160 東京都千代田区富士見 2-17-1  
TEL: 03(3264)9420 FAX: 03(3264)4690  
URL: <http://riim.ws.hosei.ac.jp>  
E-mail: [cbir@adm.hosei.ac.jp](mailto:cbir@adm.hosei.ac.jp)

(非売品)

禁無断転載