



# OKAYA Case Study

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## 1. Introduction

Originally founded in 1669 as a hardware store handling farm tools and swords in the town surrounding Nagoya Castle, OKAYA & Co., Ltd. is a well-known company that is growing sustainably by showing its eagerness for new business while faithfully maintaining traditions. Since its founding, the company has delivered decorative metal fittings for the roofs of the Ise-Jingu Shrine for its vicennial (every 20 years) Shikinen Sengu (the regular refurbishment of shrine pavilions). In addition, the company distributes state-of-the-art iron and steel products, machinery, and electronic parts for car manufacturers, etc. When it comes to pursuing tradition and innovation, the company has a corporate culture second to none.

OKAYA & Co., Ltd. is listed on the Premier Market of the Nagoya Stock Exchange, Inc. With its 5,246 employees and 960.8 billion yen in sales for 2022 on a consolidated basis, it makes its overwhelming presence felt in the Nagoya business community. Previous presidents have served as chairpersons of the Nagoya Chamber of Commerce and Industry, and the ninth president, Masayuki Okaya, is well-known as the businessperson who founded Nagoya Boseki and Aichi Bank Ltd.

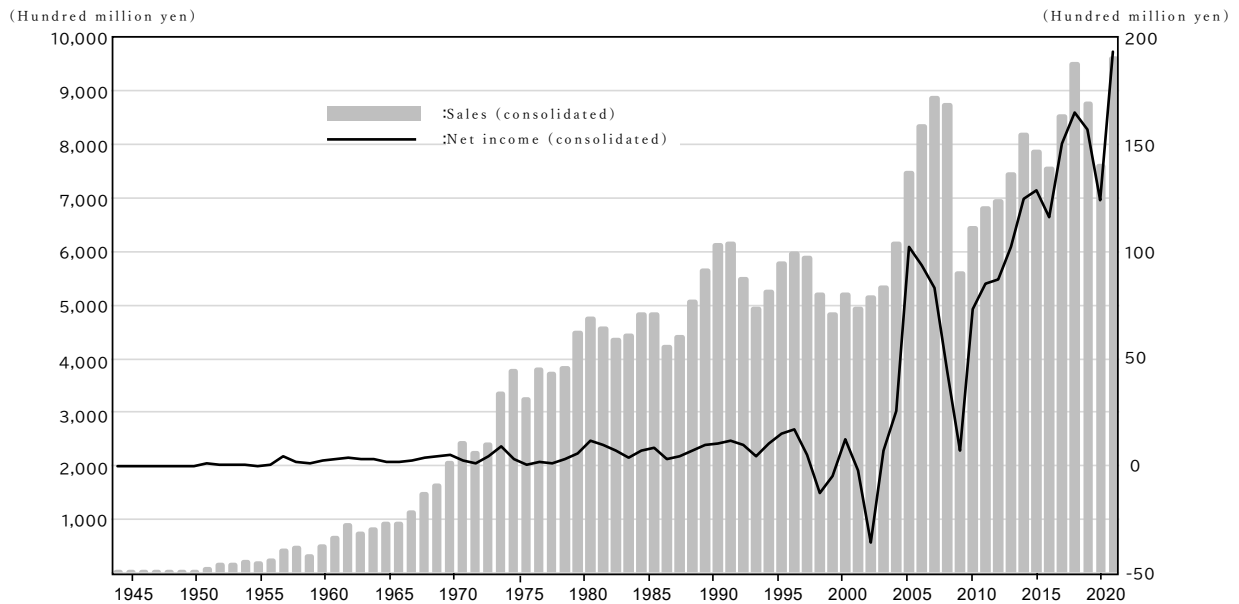
In the approximately 350 years of the company's history, there have been 14 presidents, who have witnessed significant changes in the environment surrounding the company. What has enabled the company to survive turbulent times is the corporate culture that has developed excellent leaders with steadiness and entrepreneurship. Since its founding, OKAYA & Co., Ltd. has had a reputation of having a strong financial standing and being a very solid business. This may sound obvious, but few companies have been able to keep on growing as stably as OKAYA & Co., Ltd. has.

Keeping abreast of current trends, OKAYA & Co., Ltd. has successfully demonstrated the attitude of trying new things. What is behind this success is the company is involved in local activities, it has provided lifetime security to employees, and it has maintained its unique personnel system since its founding. The purpose of this article is to show how the company has been able to run a healthy business and launch new businesses over more than 350 years, with attention given to the birth and development of its unique culture and its personnel system based on it.

## 2. General information about the company

OKAYA & Co., Ltd. was founded in 1669 in Teppo-cho, Nagoya, as a hardware store handling farm tools and swords. More than 350 years have passed, and the current president is the 14th one. Originally, the company operated under the name SASAYA. Later it was renamed OKAYA SHOTEN Co., Ltd. and OKAYA & Co., Ltd. in 1937 and 1943, respectively.

Figure 1. Changes in sales and net income



(Note) The figures from 1995 onward are on a consolidated basis as all subsidiaries were consolidated in the same year. Source: Financial Report

It was the tenth president, Sousuke, who adopted the current name. Some 75 years have passed since the name was changed from SASASO (a nickname for SASAYA) to OKAYA & Co., Ltd., from the 11th president Masao (1945), the 12th president Yasuharu (1958), the 13th president Tokuichi (1990) to the 14th president Takehiro (2021), and the company has increased sales to some one trillion yen. Figure 1 shows the company’s sales and net income from 1943 to the present.

Alfred D. Chandler Jr. (1918–2007), a prominent Harvard Business School business administration researcher, created the famous concept of “Strategy and Structure.” He clarified the process that enabled big companies to emerge a little earlier than OKAYA & Co., Ltd., such as DuPont, General Motors Company, Standard Oil Company, and Sears, Roebuck and Company. This concept describes the strategies targeting the expansion of companies, such as qualitative expansion, geographical expansion, vertical integration, and product diversification, which lead the

structural change called business segmentation, as illustrated with the introduction of dedicated managers and managerial meetings. Next, OKAYA & Co., Ltd. will be examined in relation to Chandler's growth process for companies.

#### Qualitative expansion

OKAYA & Co., Ltd.'s growth from 1943 to the present aligns with Chandler's growth process for companies. In 1936, when the company was operating as OKAYA SHOTEN Co., Ltd., it accounted for 72% of Japanese companies' business for the South Manchuria Railway. It installed the machine division for creating expensive tools and precision equipment in the same year and began to handle ferrous materials, special steel alloys, various steels, machinery and tools, household hardware, and architectural hardware in 1937. In 1948, a ban on private free export trade was lifted, which boosted exports, with the result that companies' profits grew. Keeping pace with the global shipbuilding boom called the Iwado Boom from 1956, the building enlargement boom, and growing general demand, OKAYA & Co., Ltd. was able to earn foreign currency as a steel exporter in that year. And the qualitative expansion of steel plates, the company's flagship product, continued. In this way, the company continued expanding its business and was listed on the 2nd Section of the Market Nagoya Stock Exchange, Inc. in 1995 and the 1st Section of the Market in 1997.

#### Vertical integration

In 1960, the company put the sheet service center into operation in Tokyo after realizing that as a steel trader it had to provide services such as iron cutting and delivery. Achieving huge success, the company opened the Sorami Pier Warehouse in Nagoya and the sheet service center on the pier in 1962 and 1967, respectively. This services-based vertical

integration largely contributed to the increase in sales.

### Geographical expansion

Starting with Okaya (U.S.A.), Inc. in 1964, the company founded the following overseas subsidiaries: Okaya Europe GmbH in 1973; Siam Suriya Co., Ltd. (Thailand) in 1974, Okaya Australia Pty. Ltd. in 1977, Okaya Singapore Pte. Ltd. in 1982, Okaya International (H.K.) Ltd. in 1983, and Siam Steel Service Center Public Co., Ltd. (also in Thailand) in 1985. Today, some 20 overseas subsidiaries are operating.

Figure 2. Diversification

	<b>Names of segments</b>	<b>Details of products and services</b>	<b>Main related companies</b>
<b>OKAYA &amp; Co., Ltd.</b>	Iron and steel (29 companies)	Iron scrap, iron and steel, sheet piles, H-section steel, steel plates, steel pipes, carbon steel for machine structural use, alloy steel, bearing steel, tool steel, stainless steel, others	Tokai Pressing Co., Ltd. Okaya Kenzai Co., Ltd. Okaya Steel Co., Ltd. Okaya Special Steel Center Co., Ltd. Union Autoparts Manufacturing Co., Ltd.
	Information and electrical machinery (11 companies)	Copper, aluminum, rare earths, electronic members, general-purpose electrical machinery, video equipment, semiconductors and electronic accessories, software development and sales, others	Okaya Electronics Corp. Rokugo Elemec Co., Ltd. Okaya Kiden Co., Ltd. Okaya System Co., Ltd.
	Industrial machinery and materials (16 companies)	Machine tools, tools, industrial robots, environmentally friendly recycling equipment, semiconductors and electronic equipment, aircraft members, auto parts, synthetic resin raw materials, resin molding, others	Naito & Co., Ltd. Chubu Plastics Molding Co., Ltd. Tokai Okaya Kizai Co., Ltd. Okaya Kihan Co., Ltd. Okaya Seiritsu Engineering Co., Ltd.
	Living-related products (9 companies)	Piping materials, housing equipment, housing materials, real-estate development, condominiums, marine products, livestock products, warehouse businesses, others	Okaya Mart Co., Ltd. Okaya Logistics Co., Ltd. Okaya service & homes Co., Ltd.
	Overseas subsidiaries (20 companies)	Trading companies that handle a variety of products and are engaged in multifaceted business operations domestically and the main overseas locations	Okaya Kyushu Co., Ltd. Okaya (U.S.A.), Inc. Okaya (Thailand) Co., Ltd. Okaya Singapore Pte. Ltd. Okaya International (H.K.) Ltd. Okaya (Shanghai) Co., Ltd. Others

Source: Financial Report

## Product diversification

The company raised its business performance through qualitative expansion, vertical integration, and geographical expansion and in 1967 recorded over 100 billion yen in sales. It has increased sales nearly every year after that. The key driver for these increases has been diversification. Figure 2 shows the company's products and its main related companies in 2021. When the company was founded as SASASO in 1669, it handled farm tools, carpenter tools, and household goods. Today, as shown in Figure 2, OKAYA & Co., Ltd.'s business is roughly classified into four segments, iron and steel, information and electrical machinery, industrial machinery and materials, and living-related products, with each segment creating plenty of business activities. In addition, the company has also founded overseas subsidiaries. Today, as shown in Figure 2, 85 related companies are running businesses as members of OKAYA Group.

### 3. Creation of a corporate culture (from the first to fourth president)

OKAYA & Co., Ltd.'s corporate culture can be traced back to when it was founded as SASASO. This article will review how the corporate culture has developed. Figure 3 chronicles the company's history from the era of SASASO through to OKAYA & Co., Ltd. We will now have a close look at its history.

Figure 3. Chronology

		System	Products handled by the company	Events
1650				
	1669	SASAYA was founded		Great fire of Manji Wakamiya Festival started
		1st president (family head): Sosuke-Muneharu	Farm tools, carpentry tools, and household goods	
1700	1710	2nd: Soshichi-Muneyoshi		Business expansion (the opening of outlets in the north and south)
		3rd: Sosuke-Yoshihiro		
	1739			Solicitation of donations for Sumiyoshi Shrine through Gokuin-ko
1750		4th: Soshichi-Yoshiyuki	Copper products, brass products, and imported products	Realization of the Higaki kaisen shipping service on the Atsuta coast
	1770			
		5th: Sosuke-Masateru		Raised 10,000 ryo for an Owari Domain-sponsored development of a new field
	1794	Franchise system Seasonal salesclerks Sekizen-ko Issen-ko		
1800		6th: Sosuke-Masazumi		Restoration of Kanayama Shrine through Issen-ko
		Personnel system - Kikan		
	1845	Formulation of the Five Daily Rules		
1850		7th: Soshichi-Shinpo		
	1867	Toshihai and Koken		Founding of Nagoya Boseki First president of Aichi Bank
		M&A of the Osaka Branch	Trading of ancient metals, such as copper, tin, and lead Management of products for export	Started dedicating decorative metal fittings for the Ise-Jingu Shrine Shikinen Sengu Great Nobi earthquake
		8th: Soshichi-Masachika 9th: Sousseke-Masayuki	Expensive tools and precision machinery Ferrous materials and special steel alloys Various types of steels and machinery and tools House hardware and architectural hardware	
1900	1909			Great Kanto earthquake
		10th: Sousseke		
	1945	Issuance of the company newsletter	Global sales of cloisonne wares	OKAYA SHOTEN Co., Ltd.
1950		11th: Masao		
	1958	Opening of the service center	Opening an iron shop and sales of square nails	OKAYA & Co., Ltd.
		12th: Yasuharu		
	1990	Proposal system	Iron and steel, information and electrical machinery, industrial machinery and materials, and living-related products	88 family treasures donated to the Tokugawa Art Museum
2000		13th: Tokuichi		
	2021	Formulation of the corporate charter of conduct	Business diversification through the founding of overseas subsidiaries	Listed on the 2nd Section of the Market of the Nagoya Stock Exchange, Inc. Listed on the 1st Section of the Market of the Nagoya Stock Exchange, Inc.
		14th: Takehiro		

When looking over the 350 years of the company's history, it can be seen that two factors played an important role in making up what OKAYA & Co., Ltd. is today. The first factor is that the company has been engaged in establishing land-based businesses. In 1660, nine years before its founding, a fire in the town surrounding Nagoya Castle destroyed a large part of the grid town. Most houses in the eastern part of the grid, in particular, were not able to escape the fire, and the number of damaged townhouses, Samurai residences, and temples amounted to 2,247, 120, and 30, respectively. Later, when a street called Horikiri-suji, which was located at the south end of the grid, was rebuilt between Hisaya-machisuji and Choja-machisuji, it was widened from 5.46 meters to 27.3 meters. The new street was called Hirokoji, which became Hirokoji-dori, the main street of Nagoya today. It grew to be a downtown full of attractions and stalls. After the fire, the founder, Sosuke-Muneharu Okaya, chose to start a business not on Hirokoji but on Teppochō-dori, which was located to the south of Hirokoji and outside the grid. In fact, it was home to many gunsmiths during the Keicho era (1596–1615) and would have been by far the best place for SASASO to start a steel business. And in the 350 years since, no other local merchant family other than Okaya has remained in this area still employed in its original business. The town's demarcation following the fire and SASASO's acquisition of a prime location in Nagoya was a factor that paved the way for the company's growth.

Looking at the history of the company shows that making local contributions has been promoted as part of its corporate culture. This is the other factor of the company's growth. One example of this is its commitment to the Wakamiya Festival, that have taken place since 1664, and one of the three major Nagoya festivals. In 1671, two years after SASASO was founded, the communities of the shrine parishioners donated Kasaboko (festival floats) for the first time and the festival was established. Wakamiya Hachiman Shrine, where the festival still takes



place, is a shinto shrine located in Sakae, Naka-ku, Nagoya, that is worshipped as Nagoya Sochinju (the general guardian of Nagoya). The name of Wakamiya o-dori, a 100-meter-wide street running in an east-west direction in Nagoya, is from Wakamiya Hachimansha. Today, the eight towns (Suehiro-cho, Uramonzen-cho, Minamiotsu-dori, Yaba-cho, Sumiyoshi-cho, Teppo-cho, Ikedakawara-machi, and Monzen-cho) of parishioners host the festival on a rotational basis.

Photograph 1. Past and present scenery of the OKAYA & Co., Ltd. head office in Teppo-cho



SASASO has been deeply committed since the early days of the festival to it and has offered its entrance to the processions parading through the castle towns of Owari as a rest station. Even today, it offers the ground floor entrance of the head office as a rest station every year. On the Ise-Jingu Shrine's Shikinen Sengu, it has devoted metal fittings mounted to the roofs and rails of the shrine pavilions since 1889. Locally-based business led to it achieving huge prosperity some 40 years after its founding. I would like to stress that SASASO's corporate culture, which has enabled it to prosper, grew out of its experiences from those days. The era of the fourth president, Soshichi Yoshiyuki (1670–1710), was when Muneharu Tokugawa, the seventh Tokugawa lord of the Owari Domain, reigned and Nagoya reached its pinnacle. Thus, the leading merchant families from the three major cities at that

time (Edo, Kyoto, and Osaka) all had branches in Nagoya. It was the freight ships exclusively owned by the Higaki Kaisen (Higaki freight shipping) agent, which transported cotton, oils, sake, drugs, household goods, and other goods, that were largely responsible for the delivery of goods in those days. In 1694, the wholesalers of Edo organized the Edo Tokumidonya, a wholesalers union of Edo. The freight ships were also co-owned by them. During the Kyoho era (around 1730), the union owned 160 ships with a load capacity of some 100 tons, which demonstrated huge transport capacity at the time. Soshichi Yoshiyuki also campaigned for the Higaki freight shipping service in the Atsuta coast in Nagoya as well.

Even reputed Higaki kaisen ships, which connected Edo and Osaka, frequently sunk with their cargos due to poor navigation, resulting in big financial losses. Soshichi Yoshiyuki gathered the 11 leading merchant families of the castle town who used Higaki kaisen ships to organize a “Ko” (group in Japanese) called “Gokuin-ko,” which he represented. A Ko during the Edo period had two purposes, religious activities and mutual economic support. Gokuin-ko enabled its members to donate money regularly to Sumiyoshi Shrine to build the main building to enshrine the local maritime god. The fund was also used for compensation payments in negotiations between the shipping association, which was responsible for the handling of cargo on the Atsuta coast, and merchant families when ships were wrecked or cargos went missing.

There is something analogous to the Ko system. In the Netherlands during the same time in the 17th century, the world’s first limited company, the Dutch East India Company (Vereenigde Oostindische Compagnie [VOC]), was founded and the concept of limited liability was established. Ships sailing from the Netherlands to Asia frequently suffered accidents caused by natural disasters, and large sums of money had been lost. This led to the establishment of the system of a limited company, in which

dividends were paid to investors. Although different in scale from the Dutch East India Company, Gokuin-ko is comparable in that its members, to secure a stable supply of goods from faraway places, donated to temples and shrines to reduce the risks of transporting goods. The Dutch East India Company saw its hegemony over Southeast Asia decline as British colonialism grew. Demand for the spices it handled dropped while demand for the tealeaves and cotton textiles the East India Company handled went up, and in 1799, the Dutch East India Company was disbanded. SASASO created its system of maritime transport development around the same time, which led to the establishment of the system for importing copper and brass products, among other things, from various countries. The company made a significant leap, taking advantage of a business boom in Nagoya, and was certified as a purveyor for the Owari Domain.

#### 4. Innovations based on various unique systems (from the fifth to seventh president)

An unprecedented business boom in Nagoya during the era of Kyoho and Genbun (1730–1740) helped realize the extension of the Higaki kaisen shipping service to the Atsuta coast. This reformed SASASO's subsequent business in two ways: firstly in logistics as products from faraway places became available for purchase and secondly the way the Ko represents the establishment of a type of fund management by donating to temples and shrines and organizing local merchant families to promote local businesses. From 1764, when the sixth president Sosuke Masazumi succeeded the fifth president Sosuke Masateru, to 1868 and a little later to the eighth president, Soshichi Masachika, SASASO went on reforming its internal systems and its foundations became stronger.

The fifth president, Sosuke Masateru, transferred the headship of the family to future president Sosuke Masazumi after serving as the head for

a brief period. When Sosuke Masazumi was 18 years old, a fire broke out in the neighborhood and destroyed the building housing the store, but he had a makeshift house built immediately, and he resumed business just three days later. Sosuke Masateru, who was on a pilgrimage at that time, reportedly transferred the headship to Sosuke Masazumi. Sosuke Masazumi, as president, rebuilt the burned shop and boosted business even more. He implemented structural reforms, including establishing the family constitution and ranks. In 1838, the Okaya family was certified as a fiscal purveyor of the Owari Domain and granted the right to use a surname and wear a sword. This raised its status to just below that of the three senior purveyor families of the Owari Domain, the Sekido, Ito, and Uchida families.

The “Bekke” system (franchise system)

The organizational system during the Edo period was largely based on the Bekke or franchise system. After serving as an apprenticeship for a certain number of years, a person was allowed to run their own franchise shop and their status changed from a resident employee to a franchise owner. The Bekke system was also sometimes called Norenwake. Owners were given retirement allowances, temporary allowances, household goods, and enjoyed lifetime security. SASASO’s Bekke system appears to have been established in the era of the fifth president, Sosuke Masateru, which can be seen in the necrology as well. According to the records, from 1794, when Sosuke Masateru was the fifth president, to 1866, the era of the seventh president, Soshichi Shinpo, 46 employees established franchise shops over this seventy year period. Memorial services were still performed at anniversaries up to 49 years after their deaths. The era of president Sosuke Masateru saw SASASO’s business grow significantly, and he would have included the franchise system in the family constitution in order to solidify the foundations of the business. While many merchant

families applied the Bekke system in those days, no other family made the system so rewarding as the Okaya family. This system is still in place today at OKAYA & Co., Ltd.

#### Seasonal salesclerks

The sixth president, Sosuke Masazumi, introduced what was at the time new marketing innovations. One of them was the seasonal salesclerk system, which is similar to sales or marketing outsourcing today. Among SASASO's key products in the 1800s were farm tools, which had been selling well enough to attract customers from as far away as the Hokuriku area. To put it in modern terms, the SASASO brand had become established in the country. In those days, there was no way to place a purchase order. Instead, several facilitators for the farming community took advantage of sightseeing tours of Nagoya to buy such goods. The company reportedly offered attractive services such as discounting to attract customers from all over the country.

To encourage new business, the company prepared wrapping cloth with the SASASO stamp on it to make it a brand. And wooden license tags with the name of Owari Domain branded on them played the role of a sales outsourcing contract. The company's salesclerks carried these tags with them to prove their identity to prospective customers. In addition, something comparable to training, as we know it today, was conducted. This sophisticated seasonal salesclerk system grew in scale and spread nationwide, as it was very helpful for farmers who had no extra income. And it contributed to the nationwide recognition of the SASASO brand.

#### Sekizen-ko and Issen-ko

SASASO adopted progressive business methods in Nagoya, where stability in business was respected. In addition to new personnel systems like Bekke and seasonal salesclerks, the company took a new approach

to employees' welfare, which was rare in those days. In 1803, the company founded Sekizen-ko. It comprised veteran day-shift workers doing business using the name of SASASO and franchise owners, who helped each other financially when necessary due to expenses, procurement, and others. Sekizen-ko members saved premiums every two months in addition to financial contributions from the Okaya family, and borrowers were required to pay back debts with interests by a deadline. Sekizen-ko lasted until 1835, by which time an enormous 1,222 ryo had been collected and divided among its members.

Around the same time, SASASO was asked to restore the Kanayama Shrine in Atsuta, Nagoya. Because it enshrined the god of metal, the company was chosen as the representative of the merchant families handling metals, such as blacksmiths, makers of metallic ornaments, and hardware dealers in Nagoya. The company founded Issen-ko to raise funding. The system was simple; each member paid "Issen" (1/100th of one yen) as a monthly premium. In 1841, the shrine was restored thanks to Issen-ko and religious rites came to be performed there.

The "Ko" system, which organized merchant families of hardware and raised funds through the collection of small premiums, solidified the Okaya family's business.

### The Five Daily Rules

OKAYA & Co., Ltd.'s business philosophy based on the five daily rules has been passed down as the company's motto since the Edo period. In addition to the management policy of SASASO and the rules for the store and the home in the daily motto, in 1836, the sixth president, Sousuke-Masazumi, established and practiced the Five Daily Rules, which all staff recited every morning before work. Similar to the spirit of corporate social responsibility (CSR) as we know it today, they shaped the work and business attitudes of the workers and contributed to the prosperity of the

business. The Five Daily Rules are as follows:

Work on your inner self and not your outward appearance

Work within the bounds of your station and avoid excessive luxuries

Disregard vanity and be honest and sincere

Avoid idleness and find joy in your work

Understand your responsibilities and work well with others

As seen from the rules, the company's idea was that satisfying the community, partners, and customers would make the company last indefinitely. When there was a large fire in Nagoya during the Edo period, the company released goods in stock and did not cease to provide parts and equipment even when a leading partner faced a financial crisis. In this way, the company has been fostering the corporate culture of acting not only for the benefit of itself but also for the community and other companies.

Toshihai (managership) and Koken (guardianship)

The seventh president, Soshichi Sinpo, opened the first-ever branch in Osaka in 1862. The property had belonged to a hardware dealer in Osaka who had been a long-time partner of the company. The branch went into operation under the name of Fukudana or Kanaya and not SASAYA. This is how the first-ever branch was born. Based on the idea that a personnel system would be necessary, with the number of branches increasing as the business grew, the company formulated a "Kikan," which means a template or model that specifically indicates guidelines for behavior, etc. The Kikan system had six ranks and clarified each rank's responsibilities and norms. "Toshihai" and "Koken" were the top managerial posts in those days. What is interesting about this system is that it already specified the concept of stock and stockouts (running out of stocks) as we know it today.

The Toshihai was the manager who managed an entire shop and was required to check the books every day to avoid over ordering. The Koken was the guardian and chief operational officer who was held accountable for personnel and accounting affairs. In addition to checking the books without fail, when erroneous payments were discovered, he was required to address these immediately. The system was very advanced for a merchant's business in the Edo period in that it clearly stated job descriptions and responsibilities.

In this way, SASASO started in the Edo period and grew to become a major business representing Nagoya. The corporate culture that sustains the company today was fostered in that era. In order to contribute to the growth of Nagoya through its business expansion, solicit donations for temples and shrines, and perform its role as a logistics hub, the company fostered a corporate culture of doing locally oriented business and treasuring its employees.

#### 5. Birth of OKAYA & Co., Ltd. (from the eighth to tenth president)

By the Meiji Restoration (1868), the dawn of the modern state, SASASO was recognized as a leading company by the business community of Nagoya. Since then, how did the company grow over the next upwards of 70 years to 1943, when the company was renamed OKAYA & Co., Ltd. after having operated as OKAYA SHOTEN Co., Ltd. Since 1937? The answer involves globalization, the promotion of joint ventures, and social contributions.

#### Globalization

During the Meiji period and the era of the ninth president, Sousuke Masayuki, a civil war called the Seinan War broke out and inflation was triggered following the government's issuance of inconvertible bank notes



(paper money that cannot be converted into gold or other currencies). To overcome this inflation, efforts were made to earn foreign currency to increase national wealth. Sousuke Masayuki, who succeeded the headship of the family, decided to embark on a new business, “cloisonne” (a technique for decorating metalwork). The manufacturing method for cloisonne had been established by Tsunekichi Kaji, who is considered the founder of “Owari cloisonne.” Tsunekichi had studied Dutch cloisonne dishes to understand the manufacturing method, and he laid the foundation for Owari cloisonne. Sousuke Masayuki decided to market cloisonne wares overseas, and in 1871, he founded the Aichi Cloisonne Company with 30,000 yen in capital. Before this, no private capital company had ever existed in Nagoya. What caused the company to make this leap was the 1873 world exposition in Vienna, Austria. Its exhibits in the event were highly appreciated and sales increased sharply. This was the first-ever case where a Japanese company successfully marketed goods in a foreign country. Word about this accomplishment spread across the country. This was OKAYA & Co., Ltd.’s first-ever experience of globalization.

#### Founding joint ventures

After the Meiji Restoration, tycoons in Nagoya founded many joint ventures. Sousuke Masayuki launched a variety of companies, making the Tokugawa lord of Owari and the Okaya family the largest and the second largest shareholders, respectively. In addition to being the founder of the 11th National Bank in 1877 and the president of the 134th National Bank in 1878, he became the first president of Aichi Bank Ltd., which he founded in 1896 by integrating those two national banks. Since not only the financial business but also the spinning business was viewed as promising in the global market in those days, he participated in the founding of Nagoya Boseki (now Toyobo Co., Ltd.) in 1885. Entering the

20th century, he did not cease to advance business diversification by joint ventures. In 1909, he incorporated the family business to create Okaya Joint Stock Company while spinning out the real-estate division to form Okaya Property Partnership Company (now Okaya Estate Co., Ltd.). While working as an executive at the following companies, Aichi Bank Ltd., Aichi Tokei Denki Co., Ltd., TOHO GAS Co., Ltd., and Okuma Iron Works Ltd., as well as being the chairperson of Nagoya Chamber of Commerce & Industry, he established himself as a tycoon in the Nagoya business community.

#### Social contributions

In 1917, the tenth president, Sousuke, built a student dormitory named Shinsho Gakusha to help poor students financially and began to provide them with scholarships. After becoming an incorporated foundation in 1938, it has operated in what were occasionally tumultuous times. Over 500 students have received its support, and the company has been running the service for more than 100 years, in good times and in bad. Without seeking publicity for this service or requiring students to join the company in exchange, he and the four presidents that succeeded him have adhered to the founder's intentions. In addition, in 1936, when Nagoya Imperial University was founded, he provided it with funding and acted as an advisor while also serving as the chairperson of Nagoya Chamber of Commerce & Industry. The tradition of contributing socially is still alive in today's business.

In 1934, when Nakagawa Canal was constructed to promote the water transportation system in Nagoya, the company built a warehouse of 2553 square meters, which was capable of housing 10,000 tons of materials at the riverside of Oguri bridge. To maintain historical landscapes, in 2020 the company, at its own expense, refurbished and restored it to its original appearance of the early Showa period. As stated earlier, for the Ise-Jingu

Shrine's Shikinen Sengu, the company has dedicated decorative metal fittings mounted to the roofs and rails of the shrine pavilions for more than 100 years since 1889.

It was during the Meiji to the prewar period, when Japan was modernizing, that SASASO, which had started as a store, turned into a company. In the process, not only Japan's economic growth but also the globalization of business, participating in a variety of joint ventures, and social contributions to the local community played important roles. Strong localism, in particular, was the driving force of business even in that era. Anticipating war and with it tougher rules on the founding of a limited company, Okaya Joint Stock Company renamed itself OKAYA SHOTEN Co., Ltd. in 1937. However, after war broke out, the company considered the new name Shoten as inappropriate and renamed itself OKAYA & Co., Ltd. in 1943.

## 6. Concluding remarks

There are said to be over 50,000 companies that have more than 100 years of history in Japan, and most of them are family companies. They have the advantage of conducting management, choosing successors, and governing on a long-term basis. However, there is also the criticism that a founding family's exclusive occupation of management can lower the morale of employees and trigger a talent drain. A flexible approach to changes, such as economic globalization, is a requirement for a company's long-term survival and it has hugely influenced family companies as well. There is no doubting that human resources are the source of competitiveness for family companies in particular. Nagoya has many family companies with long histories. In general, family companies in Nagoya that have been local-oriented since their founding are gradually drawn to big cities, including Tokyo and Osaka.

This article has discussed the process in which OKAYA & Co., Ltd. has grown. Because of its excellent management, the company became a member of the Henokiens Association in 2004, and in 2019, the 13th president, Tokuichi Okaya, became its chairperson. The Henokiens is an association that was founded in France in 1981 and consists of long-standing companies from across the world. The name Henokiens is derived from Henok in the Old Testament, a grandson of Adam who was said to have lived for 365 years. The criteria for a company to become a member of the association are very demanding, such as, it must have more than 200 years of history, still be managed by the founding family, and be well managed. At present, the association consists of more than 50 companies from Europe, centering on France and Italy, with ten from Japan. Of those, OKAYA and Co., Ltd. is a company with sales of some one trillion yen and an excellent performance. Finally, the factors that have made it possible for the company to enjoy 350 years of prosperity are listed below:

#### Spirit of local contributions

The founder passed down the spirit of local patriotism and local contributions. In fact, the location of the headquarters has remained unchanged since the company was founded 350 years ago. It has engaged in local-based business activities, as illustrated in soliciting donations for local temples and shrines, managing festivals, forming logistics hubs, promoting joint ventures with banks and other companies, and its policy of going public only on the 1st Section of the Market of the Nagoya Stock Exchange Inc. Nagoya has prospered greatly since the Edo period, and the company has been able to enjoy this prosperity thanks to the principle of contributing locally.

## Development of human resources

The governance required to invest a great deal of effort in the development of human resources has been outstanding. It is noteworthy in two respects. One is the family governance, through which the company has smoothly grown from the SASASO era to that of OKAYA & Co., Ltd. The other is structural governance: employees enjoyed lifetime security and memorial services after their deaths through such systems as the Bekke (franchise) and Koken (guardian) systems. Since such systems have been passed down, a high degree of employee loyalty has been maintained. In addition, the company has contributed to the development of human resources socially by founding the student dormitory Shinsho Gakusha in order to build students' characters, creating a human resource development scholarship, and working as a promoter for the founding of a local national university.

## New business models

The company invented the seasonal salesclerk system, which is comparable to the outsourcing of sales promotions today. This made the SASASO brand well known nationwide. In addition, the company founded the mutual financing associations Sekizen-ko and Issen-ko to raise funding more efficiently. More recently, it formed joint ventures with banks and other businesses from different industries. In this way, keeping abreast of trends, the company has tried new things.

## Globalization

Based in Nagoya, the company expanded its trading zone to Osaka, Hokuriku, and other areas during the Edo period. More recently, it has expanded its business overseas and has overseas subsidiaries operating in 22 countries today.

I have discussed the 350 years of the company history from SASASO to OKAYA & Co., Ltd., focusing on four points. In February 2005, the 13th president, Tokuichi Okaya, formulated the Corporate Charter of Conduct, which is the very essence of the business of OKAYA & Co., Ltd. that has been derived from SASASO. It is said that former “Zaibatsu” firms (large conglomerates) in Nagoya are so cautious that they “knock on a strong stone bridge before crossing it.” While an Osaka businessperson concludes a contract on the spot, a Nagoya businessperson is careful to avoid a snap decision by saying, “I will reply tomorrow.” Traditionally, the family status of Nagoya merchant families has been symbolized by “Sankeshu to jochi shichike” (the three senior purveyor families and the seven junior purveyor families of the Owari Domain). And of the ten families, one of the few families still thriving today is the Okaya family. Not all of the 350 years of the company’s history would have been smooth. While it is generally believed that tradition does not create innovation, each of the 14 presidents has created innovation while treasuring tradition in the process of maintaining the SASASO brand and achieving his own breakthroughs. More specifically, it is sensitivity to trends, measures to keep pace with them, the development of human resources capable of supporting them, and the tradition of the business spirit of working as one to take on challenges that have made OKAYA & Co., Ltd. what it is today.

References:

-Financial Report

-Okado, Buhei (1968): *Tetsuhitosuji: Okayakoki 300nen no ayumi* (Sticking to steel: 300 years’ history of OKAYA & Co., Ltd.), the Mid-Japan Economist

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## Appendix: Corporate Charter of Conduct

The OKAYA Group will not only pursue sustainable growth and fulfill its social responsibilities but will also raise its corporate value by working on sustainable improvements of its management and improve and reinforce internal controls. We will make efforts to maximize shareholders' returns and will utilize different functions globally to contribute to optimal procurements for our partners. We will treat employees fairly and provide opportunities for them to develop themselves so that they can develop a dynamic organization and demonstrate their abilities.

Based on this charter, OKAYA & Co., Ltd., declares it will respect human rights both domestically and internationally and abide by related laws, international rules and their spirit. And it will clarify inside and outside the company how to behave as a good global citizen through business activities with the aim of becoming a sensitive best global sourcing partner that contributes to manufacturing in the global market.

To satisfy diversified social needs and fulfill our social responsibilities, we will observe what is agreed on between stakeholders and us. And we will provide the best products, services, and information to customers to obtain their satisfaction and trust.

We will practice fair, transparent, free competition and proper trade. We will maintain a healthy and proper relationship with governmental administrations and partners. We will promote communication with society as well as shareholders and disclose the company's information properly. We will protect and manage information of any kind strictly, including personal and partners' information. We will respect our employees' characters and individuality and ensure a safe and worker-friendly work environment.

We will actively promote offering products, services, and information effective for environmental protection and take proactive environmental actions, such as resource saving and pollution prevention. As a good

global citizen, we will commit ourselves to the local community and society.

We will stand against antisocial forces and groups that threaten public order and safety and will stand apart from them. To promote the globalization of business, we will respect local rules and international norms of all kinds, including those on human rights, and will do business respecting local cultures, customs, and stakeholders' interests to contribute to local development. We will ensure employees remain conscious of the OKAYA & Co., Ltd. Employee Code of Conduct so that all of them practice it on a daily basis.

Recognizing that senior management is responsible for practicing the spirit of this charter, it will take the initiative in keeping all employees, including those from group companies, informed about the charter and will improve and review the internal structure continually. In the event of a violation of the charter, senior management will take initiatives to address it, find the cause, take preventive steps, disclose information swiftly and properly to the public, punish severely those involved as well as the senior management, and ensure authorities and responsibilities are clarified.

Enacted on February 1, 2005 (partially modified in January 2012)

Tokuichi Okaya, President