

## STRUCTURAL ADVANTAGE AND THE ORIGINS OF THE JAPANESE BEER INDUSTRY, 1869-1918

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### Introduction

This article explores the early origins of the Japanese beer brewing industry between 1869 and 1918 and the steady rise of what we know today as the surviving Kirin and Sapporo brewing companies. In 2013, these firms, together with the postwar market entrants Asahi and Suntory, dominated fully 99.1% of Japan's domestic beer market, including related beer-like products.<sup>1</sup> In the beer industry, as in many Japanese manufacturing sectors today, the leading firms are often among the oldest market entrants or are their direct descendants. The establishment and early survival of such firms during Japan's Meiji era (1868-1912) was often guided and supported both by major corporations and Japan's burgeoning imperial government, both of which nurtured early industry in an effort to promote manufacturing self-sufficiency (*jikyūjisoku*). In the case of Japan's early domestic beer brewing industry, lasting success in this young industry was likewise made possible through a combination of three significant structural advantages: uniquely capable government and corporate sponsors, extensive foreign technical and managerial assistance, and a sweeping state tax regime aimed at industry convergence. For its part, Sapporo was founded and fostered by Japan's young imperial government, and its 1906 merger with two leading rivals to produce the goliath firm Dai Nippon (Greater Japan) Beer was facilitated by the powerful Mitsui Trading Company. Likewise, the final stage of Kirin's complex metamorphosis into a legally Japanese company was facilitated by another of Japan's leading corporations, Mitsubishi.

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As for the second advantage, the role of foreign technical and financial advisors was extensive in both cases, but especially for Kirin, which was steered and aided at the outset by British and German investors and managers. Finally, both firms were aided by the passage of a sweeping new brewing production tax in 1901, which bankrupted dozens of smaller brewers and left only a handful of firms in operation by the end of that decade. Therefore, while there were extremely few barriers to market entry at the outset, which gave rise to over 100 local beer breweries, my research reveals that lasting success in Japan's beer industry was enabled only by a combination of significant state and corporate support, foreign assistance, and a beer production tax designed to select for largest and most capable firms. Together, these structural advantages positioned Kirin and Dai Nippon to dominate domestic beer production and sales by 1907, as well as the Asian export market during the Great War (1914-1918).

### The introduction of beer to Japan

Although the Portuguese arrived in Japan in the sixteenth century, they imported wine, rather than beer. At their receptions, Jesuit missionaries typically served wine and related alcoholic beverages.<sup>2</sup> After the expulsion of the Portuguese by Tokugawa Ieyasu in 1614, his shogunal government embarked on a policy of national seclusion (*sakoku seisaku*), which came by 1641 to exclude all Europeans from trading with Japan - except for representatives of the Dutch East India Company. Dutch traders alone were permitted to live on Deshima, a manmade, fan-shaped island in Nagasaki's harbour, where roughly 20 Dutchmen lived in Western fashion

year-round. Dutch studies, or *rangaku*, became popular among Japanese intellectuals, and this Dutch learning gradually introduced the words for whisky, brandy, and beer, as well as convenient terms like *biertglas* and *klein biertglas* (beer glass and small beer glass).<sup>3</sup>

A small number of Japanese slowly encountered beer during visits to Deshima, or read of it in Dutch books, and some even attempted to brew it for themselves. The first was Kawamoto Kōmin (1810-71), a scientist and scholar of Dutch learning and medicine. Kawamoto translated a passage on beer brewing from a Dutch book on Western science, and around 1853 he reportedly fashioned a kettle in his home in Sanda, Hyōgo prefecture, for brewing this new beverage.<sup>4</sup> Thereafter, when Commodore Matthew C. Perry of the US Navy and representatives of the shogunate signed the Japan-America Treaty of Amity and Friendship at Kanagawa in 1854, the Americans hosted a reception to mark the occasion, at which beer was served. Reactions to its flavour were mixed; some Japanese called it ‘magic water,’ while others derided it as ‘bitter horse-piss wine.’<sup>5</sup> Even contemporary scholar and statesman Fukuzawa Yukichi described the unfamiliar flavour of beer in his ten-volume work called *Seiyō jijō* (Conditions in the West), which was published between 1860 and 1870. He writes, ‘There is a drink called “beer”. This barley *sake* (*mugizake*) has an extremely bitter taste’.<sup>6</sup> Clearly beer was unfamiliar to a people long since accustomed to the delicate tastes of *sake*, plum wines, and sweet Chinese liquors - but this would soon change.

With the signing of the United States-Japan Treaty of Amity and Commerce in 1858, new arrivals from America, England, and Europe soon settled in a segregated district of Yokohama, where they built merchant offices, apartments, and so on. At the same time, roughly 150 Japanese merchants from across Japan applied to set up shops and homes in the area, which quickly changed the character of the city. The foreigners imported a wide array of familiar items, including beer, and the presence of hundreds of thirsty foreign residents, soldiers, and visiting sailors prompted a swift rise in beer imports from home, the first of which was the British label ‘Bass’. This was followed by German and American brands, all of which soon inspired local Japanese, as well as several resident Germans, Englishmen, and others to try their hands at brewing beer in Japan with ingredients imported chiefly from

Europe but occasionally from the United States. The largest Japanese concerns hired German brewmasters, who naturally brewed traditional German recipes, typically in accordance with the *Reinheitsgebot* (German Beer Purity Law) of 1516. Miyake Yūzō has already explored the overwhelming dominance of German brewing techniques and German brewmasters in Japan, whose products quickly eclipsed English beer imports by the late 1860s.<sup>7</sup> My research therefore moves on to examine the handoff of beer brewing to interested Japanese entrepreneurs and their business partners in subsequent decades - an investigation that likewise necessitates turning to Japanese language sources.

Smaller, Japanese-owned breweries were chiefly dependent upon Japanese brewing technicians trained by Germans in Japan, or, more rarely, in Germany itself. During the late nineteenth century, beer was often brewed by wealthy local families that already managed their own proto-industrial businesses, such as brewing *sake* or *miso*, or cultivating silkworms.<sup>8</sup> Armed with a significant storehouse of brewing experience, dozens of these families rushed into the beer industry in the 1870s and 1880s, when there were very few barriers to entry, save for equipment, technical skill, reliable ingredients, and, of course, customers.<sup>9</sup> The opportunities did not come without risk, however. Over 120 breweries, stretching from Hokkaido to Kyushu, entered the beer market before the end of the Meiji era, but the vast majority went bankrupt, were bought out, or simply returned to other businesses after trying their hands.<sup>10</sup> Throughout the era, beer remained prohibitively costly, and most Japanese could not have afforded even to taste it if they had wanted to. It was available chiefly in urban areas, and it seldom reached the more remote corners of the countryside, where workers of modest means typically consumed *shochū* - a cheap, often noxious liquor distilled from *sake* lees.<sup>11</sup> It would take time and significant economic growth before the average worker could afford to drink beer regularly.

### **The origins of Kirin beer, 1869-1907**

The firm that came to brew Kirin Beer by the late 1880s was actually founded almost 40 years prior, in 1869 or 1870, and was not known by the name Kirin until 1907. The company’s development is a useful case study because the process of converting this once foreign-

owned company into a domestic firm required significant involvement of foreign managers, private Japanese investors, and the determined involvement of the powerful Mitsubishi Corporation. Its evolution from a private concern owned and operated by a resident foreigner into a nominally Japanese company by 1885, and finally into a fully incorporated Japanese firm by 1907, was a very complex process. The challenges involved were chiefly legal and were complicated by unique jurisdictional limitations that, until 1894, forbid ordinary Japanese from doing business with foreigners.

The late nineteenth century was known as the era of the 'unequal treaties,' which began with the 1858 Treaty of Amity and Commerce between Japan, the U.S., and a steadily growing number of other Western powers. Under these treaties, Westerners in Japan enjoyed freedom from criminal prosecution through the concept of legal extraterritoriality, and Japan was unable to set its own trade tariffs, which remained very low and fixed. The treaties also prohibited Japanese from investing together with Westerners or purchasing a company from them, and thus rendered even joint ownership of any firm impossible. Still, foreign residents were permitted to live in a series of treaty ports such as Shimoda and Hakodate, as well as a special district of Yokohama located between Yamate Hill and the city's wharves. There they built numbered flats for their homes and shops, and began importing and making foreign wares, including unique foods and beverages, which Japanese artists and commentators found fascinating. Beers such as the familiar English 'Bass Ale', 'Bass Stout', as well as several German brands were shipped to Japan and advertised in major Japanese newspapers by import wholesalers and a variety of *yōshu-ya* (Western liquor shops).<sup>12</sup> Naturally, it was much less costly to brew beer locally, and it was an enterprising individual named William Copeland who established Japan's first major brewery.

Known to Japan's modern brewing companies as the father of the Japanese beer industry, Copeland was born Johan Martinius Thoresen in Norway in 1834.<sup>13</sup> He worked there as an apprentice to a German brewmaster for five years during the late 1840s before emigrating to the U.S. as a young man. He changed his name to Copeland and became a naturalized American citizen before moving once more to Japan in 1864. He settled in Yokohama, where he worked in the dairy and drayage

(cartage) industries before establishing a brewery in 1869, at the age of 36.<sup>14</sup> His brewery was located in Yokohama's foreigner settlement at No. 123 Bluff, next to Amanuma Pond in Yamate's Kiyozumi area. There, a natural spring afforded access to both good water and a fine name - Spring Valley Brewery (Izumi no tani). While Copeland did not adopt the name Amanuma, locals referred to his product as Amanuma *biyazake* (Amanuma beer sake). The authors of *Yokohama-shi shi kō* (*The Written History of Yokohama City*) quote a contemporary source that notes

Indeed, Amanuma biyazake is certainly one thing that the British officers and men stationed at the nearby Teppoba [rifle range] training grounds, as well as the foreign residents of Yokohama count as indispensable.<sup>15</sup>

Copeland initially brewed three styles of beer, a 'Lager Beer', a 'Bavarian Beer', and a 'Bavarian Bock Beer', which he sold chiefly in casks to beer halls and taverns in Yokohama, but also in bottles to local foreigners. At that time, beer was considerably more expensive than *sake* or *shochū*, and costing as it did between 10 and 20 sen per bottle, compared to just a few sen for a serving of typical domestic liquors, beer consumers were chiefly foreigners - though this would change over time. Copeland's ingredients, including malts, hops, and yeast, were entirely imported from Germany and the United States, along with the bottles and corks. For some years, Copeland also had business partner named Emil Wiegand, who was himself a brewer with his own operation located at No. 68, Yokohama. Both of their signatures appear on the early letters and business plans associated with Spring Valley Brewery, but while they seem to have collaborated successfully for some years, the two had a falling out and parted ways in 1880.<sup>16</sup>

Due to the limits on commerce and investment imposed by the 'unequal treaties,' Copeland's brewery operated in something of a regulatory no-man's land. He required no business licence from the local Kanagawa domain, which, despite his application, ruled in 1874 that he did not even have to pay the new brewing production tax. Kanagawa's Ministry of Finance ruled that, as an American, Copeland's business activities fell within the sphere of his own country's consul general, which could not be bothered to regulate this burgeoning industry. Copeland therefore carried on untaxed and unregulated, and he also became a brewing consultant, instructing

local Japanese in the craft of brewing beer. Two of his apprentices went on to establish the first brewery in Kōfu in 1873, which in turn inspired other Japanese to try their hand in the beer market. In May 1875, the *Yokohama Mainichi (Daily)* newspaper reported that

in the northern village of Honmoku [today Naka ward, Yokohama], a certain Mr. Hosaka and other persons are making beer, and selling it, and it has a taste that rivals Western alcohol (*yōshu*), and yet in spite of its value, if it is still priced cheaply, alongside the foreign-made beers, we recommend that this will continue to be good for Mr. Hosaka.<sup>17</sup>

Despite the cost and relative rarity of the product, to which most Japanese had yet had no exposure, a host of entrepreneurs was clearly influenced by Copeland's success.

After Emil Weigand's abrupt exit in 1880, the U.S. consul was forced to settle a lawsuit between Copeland and his head clerk, J.D. Eyton, which, though Copeland won, bankrupted his brewery. Unable to weather the bitter recession and deflation of 1882, which strangled commerce throughout East Asia, Japan's government asked the U.S. consul to cooperate in disposing of the brewery. The two sides brought the case before a federal court, which ordered that Copeland's former brewery be disposed of by sale. (Although barred from doing business with foreigners, the court's ruling would soon enable interested Japanese to take part in the firm's reestablishment.) Though his brewery had gone bankrupt, Copeland himself carried on. In 1886, he moved next door to building No. 212, which he renovated into a beer garden. His storage cellar was cooled by means of spring water drawn from Amanuma Pond via a lead pipe, which kept his beer cool even in summer. A small glass of beer cost 10 *sen*, and 20 *sen* for a large mug, but most of his customers were thirsty foreign sailors, and very few Japanese ever came. Still, Copeland continued to serve as a resource and consultant for other local breweries, though he never managed to purchase shares in any of them. In 1889, having given up on his plan to make a comeback in the brewing world, he moved with his wife, Umeko, first to Hawai'i and then on to Guatemala, where he ran a shop selling Japanese goods.<sup>18</sup> Troubled by chronic rheumatism and heart problems, Copeland finally sailed back to Yokohama in 1902, and passed away soon afterward, in his 71<sup>st</sup> year.

On 15 February, Yokohama's *Japan Weekly Mail* published Copeland's obituary, which observed:

By the death of Mr. William Copeland, which occurred on Tuesday night, passed away one of the early foreign residents of Yokohama. Mr. Copeland, who was a citizen of the United States, came to Japan in 1864, and first started the drayage business. He was also the first foreigner to engage in the dairy business and in beer brewing. The Spring Valley Brewery, where he established the latter business, was situated on the site of the present Japan Brewery's works. At that time, however, the Japanese had not acquired the taste for beer and the venture was not attended with much success.<sup>20</sup>

Operating as it did during the 1870s and early 1880s, Copeland's brewery had aimed chiefly to satisfy the demands of resident foreigners and sailors calling at Yokohama, rather than the wider Japanese marketplace, so his relative success in the brewing business must be weighed accordingly. Very few Japanese were drinking beer regularly during that era, but Japan's surviving brewers do acknowledge Copeland's important role in 'founding' Japan's beer brewing industry, and while there had been other Europeans engaged in earlier, smaller brewing operations in Yokohama, none were as successful as him. Copeland is buried in the famous Yokohama Foreign General Cemetery on Yamate Hill.<sup>21</sup>

The 1885 failure of Copeland's brewery and its liquidation by court order set the stage for Japanese investors to pursue an interest in the company's reestablishment. The 1870s and 1880s had already witnessed swift changes in Japanese consumer habits, prompted by a concerted government effort to promote national strength through improved nutrition in order to match the imperial vigor of Western rivals. Meat-eating became more widespread through the end of the century, and beer drinking rose steadily as well, boosting domestic production significantly through the late 1880s and 1890s (see Table 1).

Comparatively, the United States brewed over 2.8 million kl of beer in 1888, while Germany brewed 4.4 million kl, and the UK brewed over 4.6 million kl, so beer production in Japan was still very modest.<sup>22</sup> Steadily, however, beer became popular among Japanese patrons of Western-style urban taverns, beer salons, hotel bars, and urban 'cool drink bars' (*seiryō inryō*), as well as at Japanese-style restaurants, noodle shops, and neighbor-

Year	National production (kL)	Population (000s)	Production per person (mL)
1887	3,158.3	38,703	81
1892	1,517.3	40,508	38
1897	11,854.7	42,400	279
1902	16,423.8	44,964	364

Table 1. National population and domestic beer production per person, 1887-1902.

Note: Source data is available only at five-year intervals. Source: *Kirin biiru KK (1957)* Kirin biiru KK gojū nenshi [Kirin Brewery Company, Ltd.: Fifty-year history]. Tokyo: *Kirin biiru KK, 20 March, p.235.*

hood taverns (*izakaya*).<sup>23</sup> A rising number of urban neighborhood liquor shops sold beer on consignment by the late nineteenth century, and in busy commuter districts, beer was also served at simple ‘stand-up’ bars and even at kiosks on train station platforms. Western-style dining and decorum was especially encouraged among Japan’s urban elite, who attended parties, receptions, and balls at elaborate pavilions like the Rokumeikan, which was erected near the Imperial Palace in central Tokyo. From 1879 to 1887, in the quintessential example of Japan’s campaign to convince the Great Powers to accept the Japanese as peers, the Rokumeikan served its well-heeled guests American cocktails, English cigarettes, French food, and of course, German beer. Although the effort failed to persuade the Great Powers to renegotiate the ‘unequal treaties,’ the experience certainly cemented the idea of German beer as the premier, authentic brew.<sup>24</sup> The time was ripe for Japanese investors to make more determined forays into this new beverage market.

When Copeland’s former plant was sold in early 1885, annual beer imports totalled over 2,500 *koku* (451 kL; 1 *koku* = 180.1 litres), but Japanese citizens were still not free to purchase foreign companies, so the investors called upon the offices of Mr Thomas Blake Glover, a special advisor to Mitsubishi, and a Mr M. Kirkwood, who worked for Japan’s Ministry of Justice. Together, they examined the treaties and concluded that,

although Japanese were not permitted to go into business with foreigners *in Japan*, the treaties said nothing about doing business together overseas.<sup>25</sup> Glover and Kirkwood therefore encouraged a host of British and German businessmen to reestablish the existing brewery as a native English firm headquartered in British Hong Kong, where Japanese investors were free to do business. The latter had already pledged two-thirds of the necessary capital, and both groups inspected the former Spring Valley Brewery site together in May 1885. On 26 June, Glover and Kirkwood formally announced an initial public offering of shares, thus formalizing what was in fact a legal fiction through which Japanese and foreign investors secured joint interest in the new company.<sup>26</sup>

While they had skirted the ban on getting into business with foreigners, the Japanese still faced the issue of the fixed tariff on beer, which was kept artificially low at just 5% by the ‘unequal treaties.’ If they could succeed in raising the tariff on imported beer, which was then valued at over HK\$100,000 annually, the result would be a boon to domestic beer producers. At the same time, however, their consumers had to be assured of the product’s quality, so the new firm’s prospectus identified a series of critical priorities, including: employing the best brewing techniques from Germany, England, and America; commissioning an architect from London to redesign the brewery; acquiring the latest brewing machinery and steam equipment; securing access to the spring water source; and enlisting an expert sales agent to market the brew effectively.<sup>27</sup> Although the brewery was expected to produce 2,900 *koku* (523 kL) each year, the brewing season was then just eight months long. As it was inadvisable to brew beer during the hot summer months of June through September, brewing typically ceased and interim demand was met with cellar casks. The beer produced by a rival Japanese brewery, Sakurada Beer, fetched ¥20 for a 36 gallon cask, so a single gallon cost roughly 55 *sen*, which was much less expensive than imported brands. The investors aimed to brew a better quality beer than Sakurada, and estimated that they could brew 115,000 British gallons per year, sell it for HK\$0.40 per gallon, and generate over HK\$46,000 in annual revenue.

Pleased with this forecast, the investors endorsed the new brewery’s founding proposal, and, led by Thomas Glover, the IPO was issued in Hong Kong dollars fol-

lowing the 26 June 1885 meeting. The new firm ultimately sold 750 shares at HK\$100 apiece, generating HK\$75,000 in capital stock. The provisional board of directors was chaired by Mr James Dodds of Butterfield and Swire, and though it was technically an incorporated firm, at their first meeting the directors named the new company the Japan Brewery, LLC.<sup>28</sup> Although the ‘unequal treaties’ would not be renegotiated until 1894, the realization of their business plan enabled its Japanese investors, led by Mitsubishi, the Dai-ichi Bank, the Takada Company, and the Okura Group, to outmaneuver the prohibition against doing business with foreigners. Nevertheless, the brewery’s management remained entirely foreign. On 21 July, Mr Carl Rhodes, who managed a leading Yokohama import company, was named the firm’s chief managing director, and fellow Germans H. Bell and O. Heinemann were appointed directors. Together, they had already taken steps to hire a German brewmaster, Mr Hermann Heckert, who arrived from Hamburg on 5 July. All of the equipment and ingredients likewise came from Germany, including the machinery, rubber hoses, hops, malted barley, bottles, and corks. Although many of the necessary supplies were also made in Japan, and much cheaper malts could have been ordered from the United States, The Japan Brewery went to great lengths to ensure that its product was truly German, for domestic brews were widely viewed as inferior.<sup>29</sup> Even the brick plant itself, which was designed by a British architect, was heavily influenced by German factory designs.<sup>30</sup> In 2011, the CEO of Kirin Brewery, Katō Kazuyasu, stressed that

although Spring Valley had eventually disappeared, the Japan Brewery Company shared its primary objective of brewing authentic German beer. Veteran German brewmasters were recruited and the most advanced equipment and steaming systems of the time were acquired, all under the mantra of providing Japanese consumers with the most authentic quality and satisfying taste possible.<sup>31</sup>

Heckert’s high standards certainly increased production costs, but the directors clearly expected to increase the cachet and reputation of their brew proportionally.<sup>32</sup> While Japan’s leading brewers would make modest forays into malt production and the cultivation of hops, these efforts at self-sufficiency (*jikyūjisoku*) were small scale, and would not bear significant fruit until the 1920s and later.

The new brewery’s sales began slowly, for due to the ‘unequal treaties,’ foreign sales agents could not travel outside of their designated treaty ports into the countryside without special permission. Therefore, Thomas Glover collaborated with a new firm called Meidi-ya, which was an existing purveyor of foreign goods set up by Mitsubishi in 1885. (Meidi-ya survives today as a chain of 16 supermarkets across Japan and one in Amsterdam - an echo from the era of Japan’s exclusive trade relations with the Dutch that lasted from the seventeenth to nineteenth centuries.) Originally founded to distribute foodstuffs to Japanese shipping companies, Meidi-ya was headed by Isono Hakaru, who in 1880 was sent to London on a six-year business scholarship funded by Mitsubishi. Upon his return to Japan, Glover nominated Isono to head up the new distribution firm, which Glover recommended should serve as the sole sales agent for the Japan Brewery and its new product, known as ‘Kirin Beer’. The launch of the new brand was advertised in the *Yokohama Mainichi* newspaper from 29 to 31 May 1888, and within a few years, Meidi-ya grew from a single outlet in Yokohama to a series of offices throughout Japan.<sup>33</sup> The brewery also maintained Copeland’s former office at No. 123 Yamate in Yokohama, which served as a sort of factory outlet shop. There, as elsewhere, ‘Kirin Beer’ sold for 60 *sen* for a one-gallon cask, ¥8.50 for four dozen large bottles, and ¥10.50 for eight dozen small bottles.<sup>34</sup> In 1889, the company adopted its distinctive label featuring the Qilin (pronounced ‘Kirin’ by the Japanese) - the flying giraffe-like unicorn from Chinese mythology - which it has maintained ever since. The familiar design was originally owned by Meidi-ya, but it was formally transferred to the Japan Brewery Company in 1897. Kirin notes in its Japanese-language histories that the idea for the design was inspired by ‘Guinness Stout’, which had been sold in Japan since 1868. Guinness featured a cat on its seal at that time, which in turn prompted Copeland to put a billy-goat on his Bock Beer label. This likewise inspired an array of Japanese brewers to adopt animals for their labels, including that of ‘Shibutani Beer’, which featured a dog. Other contemporary labels featured foxes, roosters, and lions, as well as a series of other images, including cannons, sailing ships, swords, beer barrels, Mt. Fuji, *daruma* dolls, and long-nosed *tengu* goblins.<sup>35</sup>

Although the Japan Brewery faced dozens of contemporary rivals, most were small firms, and the ‘Kirin Beer’

brand earned a reputation for quality within just a few years. The firm's 1891 report to its shareholders, which was published by the *London and China Telegraph*, underscored this feat:

The result of the company's business during the past year must be considered satisfactory. Beer is still regarded as a luxury in this country, and the demand for it must greatly be influenced by any causes that affect the prosperity of the people at large. The fact of an increase in the sales conclusively proves the popularity of Kirin beer and its superiority to any other beer; in this connection the directors having pleasure in mentioning that the highest medal awarded to beer at the Japanese National Exhibition of 1890 was gained by Kirin, as well as the *Jiji Shimpō* [newspaper] Gold Medal for the best beer brewed in Japan.<sup>36</sup>

Despite this significant accomplishment, the Japan Brewery remained an officially English company. Its head office was located at Queens Road No. 15, in Victoria, Hong Kong, and none of its managers were Japanese. Its contract sales agency, Meidi-ya, advertised the authentic German character of 'Kirin Beer', including in whole-page ads in Basil Hall Chamberlain's *A Handbook for Travellers in Japan*, which was printed in several editions in London through the 1890s.<sup>37</sup> Through it all, the firm continued to celebrate its German brewmaster, reporting to its shareholders in 1895 that their product

was suitably exhibited at the Kyoto Exhibition of 1895, and carried off the highest medal and certificate awarded to beers, a result on which the company has to congratulate its chief brewer, Mr. Heckert, and its general agents.<sup>38</sup>

In fact, the company's management included no Japanese at all until 19 July 1889, when Shibusawa Eiichi, the founder of the Tokyo Stock Exchange and oft-noted 'father of Japanese capitalism,' was added to the lineup. Still, he never attended any of the leadership meetings, and he left the firm by 1894. Throughout the remainder of the decade, Isono Hakaru, the director of Meidi-ya, and his successor, Kōmei Genjirō, were the only Japanese to play significant roles, and then only as sales agents. This would soon change.<sup>39</sup>

Once the 'unequal treaties' were finally renegotiated in 1894, the Japan Brewery no longer needed to maintain the legal fiction of being a foreign-owned and headquar-

tered company. Finally converting the firm into a Japanese company in Japan, however, would prove challenging. When Japan joined the international gold standard and fixed the value of the yen in 1897, the company transferred its capital stock into yen as well. When the British colonial government would not approve the exchange of HK-dollar shares for yen-based shares, the former company was broken up and a new, yen-based firm was immediately established in its place, with both the same management and office in Victoria. The only real change was the addition of the prefix 'The' to the company's name, making it The Japan Brewery. Its capital stock reached fully ¥600,000 by 1899, ¥450,000 of which were paid up in full, but the Russo-Japanese War of 1904-05 took a toll on the company.<sup>40</sup> The management reported net profits of ¥64,000 for 1904, but the *Japan Weekly Mail* soon reported that

From the 1st of January 1905, the Government has raised the Excise Tax on Beer, and the Income and Business Taxes; the Import Duty on Malts and Hops is doubled, and the Duties on other brewing materials are largely increased. Competition has become keener than before, probably caused by over-production and the decrease in consumption.<sup>41</sup>

Fortunately for the managers, a rival brewer named Magoshi Kyōhei, who was known as the 'Beer King of the Orient' (*Toyō no biiru ō*), began to take an interest in patriating the brewery under Japanese management and ownership.

Born in Okayama prefecture in 1844, Magoshi spent his early career working for the sprawling Mitsui trading company, which he joined in 1876. 20 years later, he retired from his role as Mitsui's Yokohama branch manager to focus more closely on his role with Nippon (Japan) Beer, with which he had begun working in 1892.<sup>42</sup> As the brewer of 'Yebisu Beer' (the 'Y' is silent), Nippon Beer was a thriving concern when Magoshi took the helm as president in 1900, and Tokyo's surviving Ebisu neighborhood and its train station were both named for the brand. The brand, in turn, was named for the god Yebisu, also known as Hiruko, who is one of the Seven Gods of Fortune. In Japanese mythology, he is the god of prosperous fishing and business.<sup>43</sup> In 1905, Magoshi wrote to the chair of The Japan Brewery, James Dodds, and offered to buy the company. Dodds visited Tokyo several times to negotiate a possible sale, but while Magoshi spoke of his

dream to unify Japan's beer industry under the 'Kirin' brand, the brewery's finances were in perfectly good shape, and its shareholders had no interest in selling. Still, Dodds discussed the bid with Meidi-ya's director, Kōmei Genjirō, who had long lamented The Japan Brewery's dependence upon foreign managers. Kōmei, in turn, discussed the idea with the president of Mitsubishi, Iwasaki Hisaya, and convinced him to sponsor a second bid. In the fall of 1906, the shareholders were presented with an offer for ¥2 million, enough to deliver 1.5 shares for every share of The Japan Brewery that they then held. The shareholders unanimously accepted, and at a founding meeting at the Mitsubishi Joint Stock Company offices on 22 January 1907, Kōmei himself took the reins as the managing director of the new company, which was renamed the Kirin Brewery Company, Ltd. By February, the old company in Hong Kong was broken up, the new brewery was formally established in Yokohama on 1 March, and the city's Tax Office issued it a new brewing licence (*biiru seizō menkyō*) the same day. Naturally, with Kōmei at the helm, the Kirin Brewery again signed a sole sales agency contract with his former sales company, Meidi-ya, and by 23 April, the former brewery's trademark rights were formally transferred to the new firm.<sup>44</sup> On 5 May, the liquidator of the former company, Mr Bernard, officially recorded the new company's name as Kirin Beer KK (*kaishiki kaisha* - company incorporated), and that name, containing the English word 'beer', survives to this day.

Although the firm's repatriation was a symbolic process and operational control was entirely in the hands of the new, Japanese management by that date, the majority of the company's shares were still held by foreigners. In fact, fully 95 foreigners owned 14,393 shares valued at ¥719,650, while just 33 Japanese investors held a mere 4,275 shares worth a total of ¥213,750. Even nine Chinese investors owned the remaining 1,582 shares, worth ¥79,100, making Kirin Beer a 71% foreign-owned firm.<sup>45</sup> Nevertheless, the company was now both geographically and legally Japanese, and its managing director was a Japanese citizen - two significant changes that had been legally impossible until the 'unequal treaties' were at last revised in 1894. Even after that date, persuading the company's owners to reestablish the firm in Japan remained a major obstacle. Even Magoshi Kyōhei's significant stature as the president of Nippon Beer had not been sufficient to persuade the

chiefly foreign shareholders to sell the company and re-found it in Yokohama. It was not until the president of Mitsubishi, Iwasaki Hisaya, brought his company's weight to bear that the majority foreign ownership of The Japan Brewery was finally convinced to allow the brewery to be reestablished in Japan. In the end, it was the combination of foreign technical skill, foreign investors, and powerful Japanese corporate sponsorship that enabled Kirin Beer to make the complex metamorphosis from a failed foreign-owned business into a renewed and successful foreign-owned business, and finally into a legal Japanese concern.

### **The origins of 'Sapporo Beer'**

Like Kirin Beer, the firm that we know today as Sapporo Breweries Ltd. underwent a rather complex evolution - one that would take twice as long to unfold and would involve four unique phases through 1949. The first three of those phases are of interest to us here, for between its founding as a government-directed and development project in 1876, its reestablishment by private investors as a limited company in 1888, and its merger with two major rival brewers in 1906, the brewery received extensive technical assistance from a variety of foreign experts. Also like Kirin, it enlisted the aid of one of Japan's leading corporate conglomerates (in this case Mitsui) in order to reorganize and establish itself as Japan's dominant domestic brewer and the leading beer exporter. From the perspective of 1876, however, the brewery's future as a successful company was unclear, for its initial founding came only six years after William Copeland got his start in Yokohama, and it began very differently than did Spring Valley - as a government colonization project.

From the beginning, the new brewery in Sapporo was just one aspect of a determined project to foster industrial development throughout Japan's northernmost island of Hokkaido. The young imperial government had only just begun to take an interest in modernizing the island (known formerly as Ezo or Yesso), and this effort involved the establishment of manufacturing plants, farms, rail lines, and food mills. Broadly speaking, this was a campaign of colonization, and it was managed by the Lord of the Home Office, Home Minister Ōkubo Toshimichi. In 1874, Ōkubo issued a memorial encouraging swift industrialization in order to



advance Japan's policy of 'rich nation, strong army' (*fukukoku kyōhei*), a key dimension of which involved the northern defence of Hokkaido against possible Russian advances.<sup>46</sup> As the island was then home chiefly to Japan's indigenous Ainu peoples, the plan necessitated transforming Hokkaido into an integral part of the nation's 'home islands' by means of government-directed industrial projects and increased settlement of ethnic Japanese.<sup>47</sup> Such ambitious plans, however, required significant technical assistance, and the proposed beer brewery project demanded input from both foreign experts (*oyatoi gaikokujin*) and skilled Japanese trained in Europe.<sup>48</sup>

Already by 1871, an American agricultural expert named Horace Capron was commissioned by the recently established Hokkaido Colonization Office (*Kaitakushi*) to assess Hokkaido's farming potential.<sup>49</sup> Capron reported to *Kaitakushi* director Kuroda Kiyotaka that the island's climate and soil were ideal for grain production, and he also reported discovering several strains of wild hops, which he suggested that the native Ainu inhabitants could perhaps be taught to cultivate.<sup>50</sup> Kuroda, who himself rose to become Minister of Agriculture and Commerce in 1887 and Japan's second Prime Minister from 1888 to 1889, took Capron's suggestions very seriously. Indeed, the American's extensive service was recognized at the very highest levels, and before sailing home to the US in 1875, Japan's Meiji emperor granted Capron an official audience on 28 March. There, the emperor delivered the following address:

Address of the Emperor to Commissioner Capron.

Since your engagement with the Kaitakushi, intrusted as you have been with the work for the settlement and development of the Island of Hokkaido (Yesso) you have so assiduously and faithfully executed your responsible duties, and advised the Chokuwan [Kuroda], that the important work of the department has been successfully carried out and it is daily progressing to our satisfaction. Indeed your services were valuable and deserve my high appreciation and it is hardly a matter of doubt, that the future progress of the Island, the fruit of your labor, will much advance the happiness of my whole Empire.

Now, on your return to your country, on the termination of your engagement, I have to acknowledge your valuable

services, and wish to express my good wishes for your future prosperity and happiness.<sup>51</sup>

Kuroda was certainly pleased by Capron's findings, and while he was personally convinced that beer would be the 'beverage of the new era' (*shinjidai no nomimono*), he planned to establish the brewery in the nation's capital, Tokyo, not in Hokkaido.<sup>52</sup> To assist with the project, Kuroda enlisted the aid of one Nakagawa Seibei, who, like many Japanese sent to Europe and America in that era, studied in Germany in the early 1870s.<sup>53</sup> Unlike his peers, however, who were being trained as doctors, scientists, and engineers, Nakagawa had had no official government sponsorship at the outset. Instead, he sailed to Europe of his own accord, and, upon landing at Bremerhaven in 1872, took a job as a domestic servant. Soon, he met a Japanese diplomat named Aoki Shūzō, who took Nakagawa under his wing, offered him financial support, and advised him to study beer brewing. With Aoki's support, the Japanese government agreed to pay the deposit for Nakagawa's enrollment at the Berliner Brauerei-Gesellschaft Tivoli, which had a factory in Fürstenwalde on the Spree River, 55 kilometres east of Berlin. He studied there for 26 months, learning the entire brewing process, after which the Berliner Brauerei awarded him a certificate of study on 1 May 1875.<sup>54</sup>

Meanwhile, Aoki had risen to become Japan's special ambassador to Germany. In 1875, he wrote directly to director Kuroda at the Hokkaido Colonization Office, recommending that Kuroda hire Nakagawa as a brewmaster. Kuroda had just overseen the planting of hops seedlings in Hokkaido, and on the basis of Aoki's recommendation, he hired Nakagawa as a beer brewer (*bakushu shōzō jin*) and made him director of the agricultural section upon his return to Japan in August 1875.<sup>55</sup> Nakagawa was tasked with drafting a plan to establish a fully functional brewery, which he submitted to his superior, Murahashi Hisanari, for circulation among the directors of the Colonization Office. Nakagawa's plan called for hops, malts, yeast, a malt crusher, a barley separator, a truck, four kettles, a hoist, and of course, glass bottles. Armed with the above, he assured his superiors that he could produce at least 72 *koku* (13 kL) of beer annually. When his plan was approved, Nakagawa wrote to his former sponsor, Aoki Shūzō, asking him to send the necessary yeast, which arrived at Otaru Harbour in Hokkaido in July 1876.<sup>56</sup>

Just then, however, Murahashi had begun to question the utility of situating the brewery in Tokyo.

As Murahashi studied Nakagawa's plan, he noted the importance of keeping the beer cool during storage and transit, and he knew that snow and ice were items that Tokyo could not furnish. In an age before refrigeration, Murahashi well knew that Hokkaido could supply ice and snow in abundance and for free. Additionally, were the brewery to be located in Sapporo, its operation could simultaneously advance the causes of agriculture *and* industrialization in Hokkaido. Even as the plans to construct the brewery in Tokyo continued to unfold, Murahashi circulated an urgent memo in December 1875, alerting the directors to the value of setting up in Hokkaido instead. His memo, entitled 'Hokkaido Construction Inquiry', pointed out that the island had an ideal climate for year-round brewing, ample wood for construction, and a vast supply of ice and snow to enable continuous refrigeration. He also noted that relocating the equipment would prove to be economical, but that time was of the essence, for the start date for construction in Tokyo was fast approaching, and time would be needed to locate a suitable water source in Hokkaido. Director Kuroda and the other project managers were won over by Murahashi's memo, and as Kuroda put his seal on it, he wrote the date '27 December' and the Chinese character '*kita*', meaning 'north', indicating his endorsement of the Hokkaido plan.<sup>57</sup>

With the support of his superiors, Murahashi began planning a trip to Hokkaido in search of a suitable site for the plant, and he ordered the local project managers to expand their experimental hops production program. In April 1876, they visited the home of *oyatoi gaikokujin* agricultural expert Edwin Dun, who, like Horace Capron, lent the team his advice concerning their young hops plantation. By May, Murahashi arrived in Sapporo City, where he selected sites for the brewery and also winery and a spinning mill, which he also oversaw. The city itself, which had a population of 2,600, was itself designed with the aid of hired foreigners, and its streets were laid out in an American-style grid design. Murahashi chose to build the mill and the brewery next to the central government office, on the north side of the city's main street, which ran east to west.<sup>58</sup> Nakagawa, meanwhile, set about designing the plant, which was to be erected on a 3,600 *tsubo* (1.2 hectare) site. The crew broke ground on 27 June, and by 8 September, three 15-

metre lead pipes were delivering sufficient well water to brew 250 *roku* (45 kL) per year - much more than was forecast in Nakagawa's original plans. Known temporarily as the *Kaitakushi jōzōsho*, or Hokkaido Colonization Office Brewery, it will hereafter be referred to simply as the Sapporo brewery, after its location and the name of its brand. When construction finished on 23 September, a grand ceremony was held to mark the completion of the Sapporo brewery as well as the winery and the spinning mill.<sup>59</sup> (In 2005, in commemoration of his decision to locate the brewery in Sapporo instead of Tokyo, a bronze bust of Murahashi was erected in the garden of the Hokkaido governor's residence.<sup>60</sup>)

Nakagawa's efforts to grow hops and barley in Hokkaido proved more challenging than expected, and while local farmers attempted to cultivate a few American species, the brewery had to import most of its hops and barley malt from the U.S. and Germany. The yeast, which was also from Germany, did not start brewing as expected, which caused a delay after the first batch was laid in, but by May 1877, the team succeeded in producing its first beer. However, the plant still did not have any bottles on hand, and there were as yet no domestic bottle plants in Japan, so the Tokyo office placed several belated orders for foreign-made bottles. In the meantime, the brewers at last settled on the name 'Sapporo Cold Beer' (*Sapporo hiya bakushu*), and they agreed that it should be marketed as mature, aged lager beer, as in Germany. By 6 June, the directors opted to change the name to 'Sapporo Cold-Brewed Beer' (*Sapporo hiyazei bakushu*), which, as it was not pasteurized after bottling, had to be kept chilled. The Colonization Office dispatched a government-owned ship named the *Hakodate-maru* to fetch the first batch, and when it called at Otaru Harbour on 20 June, 20 dozen large bottles and 9 casks, totalling 7 *roku* (13 kL), were loaded aboard with sufficient ice to keep the beer cool during the hot journey to Tokyo. When the ship landed at the nation's capital on 23 June, the beer was unloaded and moved to a cold warehouse, where it awaited distribution.<sup>61</sup>

Kuroda and his colleagues at the Hokkaido Colonization Office aimed to target Japan's ruling elite with their 'Sapporo Cold-Brewed Beer' in order to establish it as a product worthy of the ruling class. On 26 June, boxes of beer were given as gifts to an array of

leading figures, including Ambassador Aoki, government ministers, members of key agencies such as the Imperial Household Ministry, and even members of the imperial family. Thereafter, the imperial household continued to order more beer, as the queen mother reportedly enjoyed it.<sup>62</sup> In addition, the brewery directors aimed to promote beer among the leadership of the Imperial Japanese Army. In July, an additional 18 *koku* (3.2 kL) of beer arrived in Tokyo aboard the *Hakodate-maru*, some of which was sent to army headquarters in Kyoto. Between January and September 1877, the army waged the Southwestern War against the rebellious western province of Satsuma, led by conservative leader Saigō Takamori. Kuroda and several of his colleagues were sent to the front to assist the staff officers managing the war effort, and he arranged to bring ‘Sapporo Beer’ with him. Another 37 *koku* (6.7 kL) was soon shipped to the front, arriving at Satsuma’s capital city, Kagoshima, on 10 July. The beer was well received by the staff officers, but it would soon be time for the brewery’s directors to draft a plan to actually *sell* their beer, rather than simply give it away. Fortunately, brewery supervisor Murahashi learned in August that the supply in Hakodate was running low due to the demands of so many thirsty foreign sailors calling at the port each month. ‘Sapporo Cold-Brewed Beer’ appeared to have promising sales potential.<sup>63</sup>

In July 1878, brewery engineer Nakagawa conducted a market survey of beer prices in the Tokyo-Yokohama area. He found that the imported ‘London’ and ‘Bass’ brands sold for 10 *sen* per small bottle, while William Copeland’s various brands of Spring Valley beer sold for 15 *sen* in Yokohama, and nearby rivals ‘Koishigawa Beer’ and ‘Shinbashi Araganema Beer’ each sold for 11 *sen* throughout Tokyo. ‘Bass’ sold on draft was the least expensive brand, fetching just 13 *sen* per glass, which made it the leading brand in the Tokyo area. Although imported over great distances, the beer was brewed in large batches and thus enjoyed significant economies of scale, especially as it was imported in 50-gallon casks. In order to compete, Nakagawa concluded that their beer would have to be priced the same or lower than the foreign bottled imports, but in order to cover costs, they would have to charge more than ‘Bass’ on draft.<sup>64</sup> Aside from simple placards, signs, and handbills, newspapers were the chief vehicle for beer advertising at this time, and Sapporo advertised the launch of its beer in three of Tokyo’s leading dailies in September 1877. The firm

announced that its large bottles cost 16 *sen* apiece, but the small bottles were only 10 *sen*, which was the same as the leading imports. The brewery also distributed handbills in busy commuter districts, which stressed the difference between Sapporo’s ‘cold-brewed’ beer and its rivals. In an internal memo in 1878, director Kuroda noted dryly that the handbill was ‘easy enough even for women and children to understand’ (though they were not the intended audience), and he specified that future ads should claim that beer is recommended even for those with weak digestion (though there was no evidence to support said claim).<sup>65</sup>

Having satisfied its developmental mandate, the Hokkaido Colonization Office was abolished in 1882, and replaced in 1886 by the newly formed Hokkaido Government.<sup>66</sup> In the same year, the former *Kaitakushi* brewery was sold to the Ōkura Trading Company, which had also just purchased shares in Yokohama’s The Japan Brewery. In December 1887, however, the same Shibusawa Eiichi who had founded the Tokyo Stock Exchange bought the brewery from the Ōkura group and, together with his partner, Asano Sōichirō, reestablished it in 1888 as the Sapporo Breweries Company, Limited.<sup>67</sup> This web of powerful interests would be woven even more tightly the following year when, as noted above, Shibusawa joined the board of directors of the Japan Brewery Company in 1889. The pattern of foreign technical assistance was likewise replicated as Sapporo Breweries brought aboard its own German brewmaster, Mr Max Pormann, who also played a role in establishing the Osaka Beer Company in 1889.<sup>68</sup> Sapporo’s brewing processes were further refined under his guidance, and, just as Kirin advertised the skills of its own German brewmaster, Hermann Heckert, in Japan’s leading dailies, Sapporo stressed Pormann’s expertise in its newspaper ads for what was by then known simply as ‘Sapporo Beer’.<sup>69</sup>

### **Thinning the herd: Japan’s brewing production tax of 1901**

Gradually, like its contemporary rivals ‘Kirin Beer’ and ‘Yebisu Beer’, ‘Sapporo Beer’ carved out a rising share of Japan’s alcoholic beverage market, and consumers slowly came to afford beer alongside less costly *sake* and *shochū*. On 13 and 15 June 1890, the *Tokyo Nichi Nichi* newspaper even reported that brands like ‘Kirin

Beer' had even begun to challenge foreign brands. The paper noted that:

Well now, as for the start of the sale of Kirin Beer, it began back in 1888, and already by that time a number of years had passed since the establishment of the beer industry in this country, back when the imports of foreign beer on the left and right were not a moderate force. On the contrary, imports of foreign beer increased more and more every year, and in 1878, they amounted to over ¥460,000, which was a very large sum. But then, this Kirin Beer became known to the world. Its sales rose immensely and in 1889, the imports of foreign beer dropped below their majority [market share] of the previous year ...<sup>70</sup>

By the close of the nineteenth century, significantly more beer was produced by Japan's own breweries than was imported from overseas. In 1897, domestic production topped 11,850 kL (Table 1, above), while imported beer did not even reach 240 kL in 1896 (Table 2).

Guided and supported by foreign technical experts, foreign-trained engineers, government ministries, foreign

Year	Beer		Wine (kL)	Brandy, whisky, and liqueurs (kL)
	Volume (kL)	Cost (¥)		
1890	611.9	154,800	754.4	97.0
1891	451.9	114,279	914.8	102.1
1892	464.0	128,514	947.0	97.6
1893	347.3	104,928	1,179.6	102.3
1894	152.1	50,161	1,454.3	173.2
1895	235.2	76,635	2,232.7	853.4
1896	238.5	66,760	2,552.9	158.0

Table 2. Imports of alcoholic beverages, 1890-1896.

Source: *Kirin biiru KK (1957)* Kirin biiru KK gojū nenshi [Kirin Brewery Company, Ltd.: Fifty-year history]. Tokyo: Kirin biiru KK, 20 March, p.232.

investors, and powerful Japanese patrons, Japan's leading domestic brewers succeeded in cultivating winning recipes that rivaled imported brands. They chiefly brewed lagers, which were their biggest sellers, but many firms also produced pilsners, dark ales, stouts, and seasonal bock varieties. The price of domestic beers fell to just half the price of foreign brands through the 1880s, which, ironically, prompted consumers to consider the higher-priced foreign beers to be of superior quality. Still, Japan's market leaders gained steady ground against their foreign rivals in terms of production volume, but lacking a protective tariff against imported beer, there was no way to eliminate the import competition altogether.

Then, on the eve of the First Sino-Japanese War of 1894-95, Japan finally succeeded in renegotiating the 'unequal treaties' that had for so long denied it the sovereign right to set its own trade tariffs. Until that time, the import tax on imported beer had been just 5%, and though Japan's government would wait a few years before acting, bureaucrats at the Ministry of Finance began drafting plans to hike import tariffs and protect domestic industries. At the same time, however, the ministry aimed to eliminate dozens of small-scale, local brewers by imposing a massive new brewing production tax, just as the nation's many hundreds of *sake* producers had paid for centuries.<sup>71</sup> Japan's beer market was poised to experience a swift and dramatic convergence.

In 1897, the government raised the tariff on imported beer to 25% *ad valorem*, and again to 30% in 1901, which delighted Japanese beer brewers. The result was naturally a steep drop in beer imports, which amounted to just 65.3 kL by 1906 (Table 3). (The new tariffs did not apply to wine, whisky, brandy, or liqueurs, which Japanese did not yet produce in great volume.)

While the new import tariffs on beer were welcomed by Japan's brewers, the 1901 hike was accompanied by a surprising new production tax of ¥7 per *koku*. Importantly, because this production tax was imposed at the very moment a company bottled its beer, the smallest firms could not even afford to finish the brew in their kettles without devastating their own finances.<sup>72</sup> As a result, dozens of them went bankrupt virtually overnight and fled the industry, leaving a much reduced field of industry players by the end of the year (Table 4).

Year	Beer		Wine (kL)	Brandy, whisky, and liqueurs (kL)	Brand	Company	Location	Production (koku)	Production (kL)	
	Volume (kL)	Cost (¥)								
1897	154.8	51,102	2,228.9	188.0	Yebisu Beer	Nippon Beer Co., Inc.	Tokyo	32,956	5,945.0	
1898	191.0	64,799	3,558.0	361.0	Asahi Beer	Osaka Beer Co., Inc.	Osaka	29,658	5,350.0	
1899	117.1	34,631	1,529.3	99.0						
1900	100.1	42,700	1,626.6	208.9	Kirin Beer	Japan Brewery Co., Ltd.	Yokohama	15,800	2,850.2	
1901	72.3	33,474	1,854.0	146.8						
1902	87.3	40,012	1,590.1	162.2	Sapporo Beer	Sapporo Breweries Co., Ltd.	Sapporo	13,591	2,451.7	
1903	49.8	22,895	1,321.5	189.4	Kabuto Beer	Marusan Beer Brewery Co., Inc.	Aichi	7,839	1,414.1	
1904	53.9	23,497	1,178.8	266.6						
1905	49.6	24,859	1,876.2	338.2	Tokyo Beer	Tokyo Beer Co., Inc.	Kanagawa	3,500	631.4	
1906	65.3	32,026	2,120.3	511.6	Asada Beer	Asada Brewery Co., Inc.	Tokyo	600	108.2	
<i>Table 3. Imports of alcoholic beverages, 1890-1906.</i>										
<i>Source: Kirin biiru KK (1957) Kirin biiru KK gojū nenshi [Kirin Brewery Company, Ltd.: Fifty-year history]. Tokyo: Kirin biiru KK, 20 March, p.232.</i>										
Others								16 plants	17,486	3,154.3
Total								32 plants	121,430	21,904.9

*Table 4. Remaining domestic beer companies, locations, and production volumes, 1901.*

*Source: Kirin biiru KK (1957) Kirin biiru KK gojū nenshi [Kirin Brewery Company, Ltd.: Fifty-year history]. Tokyo: Kirin biiru KK, 20 March, p.54.*

The crippling production tax was further raised to ¥7.50 per *koku* in 1904 and again to ¥8 in 1905 as the Russo-Japanese War of 1904-05 put pressure on the nation's finances. In 1908, the tax reached fully ¥10 per *koku*, where it remained through 1918. Naturally, only the largest brewers could withstand the new levy, and the weakest firms were thus driven from the market by the determined tax policy of the Ministry of Finance. After a marketplace panic in 1910, the ministry set a new beer production floor, requiring brewers to produce a minimum of 1,00 *koku* per year, or lose their brewing licences. The government thus clearly aimed to select for the strongest companies, enable them to establish truly national brands, and prepare them to become stronger export manufacturers.<sup>73</sup>

### Victory by merger: the founding of Dai Nippon Beer, 1906

When the dust had settled, four clear market leaders emerged: The Japan Brewery Company in Yokohama,

brewer of 'Kirin Beer'; Sapporo Breweries Limited in Sapporo City, brewer of 'Sapporo Beer'; Nippon Beer Company in Tokyo, brewer of 'Yebisu Beer'; and Osaka Beer Company brewer of 'Asahi Beer'. Although none of them could yet boast nationwide reach in 1901, all four had already earned significant domestic market share as well as media attention. On 13 and 15 June 1890, the *Tokyo Nichi Nichi* newspaper reported that

this Kirin Beer especially was curbing imports of foreign beer, and the road for exports of Japanese beer was opening up for the first time. It was shipping to Korea, Vladivostok, Taiwan, Shanghai, Tianjin, Shandon, Fuzhou, Amoy, Manila,

Saigon, Singapore, Batavia; plus Colombo and Calcutta, which was just under the equator.<sup>74</sup>

In 1903, at the Fifth National Industrial Encouragement Exhibition (*Kangyō hakurankai*), where domestic products vied for best in show, ‘Kirin Lager’ was awarded a certificate of merit and its brewer was applauded for ‘curbing imports and charging ahead with exports’ (*Yunyū no bōatsu, Yushutsu no sakigake*).<sup>75</sup> For his part, president Magoshi Kyōhei of Nippon Beer erected a giant wooden beer barrel at the exhibition, which Britain’s *Strand Magazine* reported was large enough to contain several tables and serve as a beer hall.<sup>76</sup> Furthermore, Magoshi ingeniously marketed ‘Yebisu Beer’ to Japan’s rising professional classes of doctors, scientists, and business professionals by inviting their conference attendees to tour his brewery and sample his wares.<sup>77</sup> He believed strongly that, through word-of-mouth (and free samples), the endorsement of scholars, doctors, business professionals, and even entertainers could lend his brand significant cachet.<sup>78</sup> In spite of the accolades, however, all of Japan’s brewers were very consciously producing a transplanted Western product, and their newspaper advertisements continued to stress the authenticity of their European methods, ingredients, and brewmasters.<sup>79</sup>

That conscious imitation of German beer culture likewise extended to the adoption of beer gardens. Although William Copeland had begun operating a beer garden on his property in 1886, the trend did not catch on for roughly a decade. In June 1896, however, Osaka Beer opened an ‘Asahi Beer Hall’ in nearby Kyoto, where thirsty tourists ensured a thriving trade all summer long.<sup>80</sup> In August 1899, Magoshi Kyōhei of Nippon Beer opened Tokyo’s first beer hall, the ‘Yebisu Beer Hall’, near the Shinbashi Bridge, just steps from the city’s very first train station.<sup>81</sup> In November 1899, the city itself announced the grand opening of the ‘Tokyo Beer Hall’ in Asakusa Park, and ads in the *Asahi* newspaper promised guests ‘Western food’ (*yōshoku*), and large glasses of beer costing 10 *sen*, and just 5 *sen* for small.<sup>82</sup> Just days later, The Japan Brewery opened its own ‘Kirin Beer Hall’ in the capital, and Sapporo too advertised a permanent beer garden alongside the Sumida River, very close to the famed Tsukiji fish market.<sup>83</sup> The brand rivalry was fierce, and by 1900, competing summertime beer gardens had become a familiar sight in most of Japan’s major cities. Though

they were largely closed between 1940 and 1950, they soon reopened to become fixtures of the postwar era, and they remain a seasonal urban attraction today.

The severe sales competition between Nippon Beer, Osaka Beer, and Sapporo Breweries was not alleviated by preliminary discussions of marketplace cooperation held in 1900 and 1901. By 1906, a merger between these three major firms appeared to be the only way to cool off the superheated market, which was exhausting their workforces. In that year, Magoshi Kyōhei and the Minister of Agriculture and Commerce, Count Kiyōra Keigo, agreed to mediate merger negotiations between all three brewers and the Mitsui Trading Company. Mitsui sought a position in Japan’s thriving beer market, for its rival conglomerate, Mitsubishi, already supported The Japan Brewery Company, maker of ‘Kirin Beer’. As Magoshi had once managed Mitsui’s Yokohama branch, he naturally facilitated Mitsui’s participation in the deal, which took the form of a joint venture. Ostensibly, the merger was an effort to end the ‘petty competition’ (*kagyū kakujō no kyōsō*) between the three firms, as well as to boost exports and advance the government’s policy of achieving industrial self-sufficiency. Naturally, the resulting export trade would be managed solely by Mitsui, just as Mitsubishi managed exports of ‘Kirin Beer’ through its own subsidiary firm, Meidi-ya. From The Japan Brewery’s perspective, however, the merger of its three chief rivals was aimed at controlling the domestic beer market by means of geographic domination, for the new mega-brewer would operate plants in Sapporo, Tokyo, and Osaka. Shipping beer was expensive, but together, the firms could maintain their stable of popular brands, brew one another’s recipes, share advertising, and significantly reduce their transportation costs. Under Magoshi’s very capable leadership, the three brewers concluded their merger and formed the Dai Nippon (Greater Japan) Beer Company, Inc. on 26 March 1906.

The next year, following its reorganization, the Kirin Beer Company held a 20% domestic market share, but its goliath new competitor, Dai Nippon, commanded fully 72%. This left just 8% for their remaining competitors, including Kabuto, Fuji, Sakura, and a handful of others - all of which would be absorbed or shut down by government order before 1945. Although regional exports to Korea, China, India, and Southeast Asia fell until 1914, the complete absence of European

Year	Volume (kL)	Year	Volume (kL)
1906	5,413.3	1915	5,070.9
1907	4,529.8	1916	9,967.8
1908	4,001.6	1917	15,673.2
1909	3,288.5	1918	20,242.6
1910	3,234.6	1919	17,011.5
1911	2,380.8	1920	7,586.5
1912	2,391.1	1921	9,725.5
1913	2,614.4	1922	5,963.0
1914	3,440.9	1923	4,277.0

Table 5. Japan's total beer exports, 1906-23.

Source: *Kirin biiru KK (1957)* Kirin biiru KK gojū nenshi [Kirin Brewery Company, Ltd.: Fifty-year history]. Tokyo: *Kirin biiru KK, 20 March, p.233.*

competitors during the Great War boosted export sales of Japanese beer dramatically (Table 5).

Those figures would fall again as competition from European brewers resumed after 1918, but the tide would soon turn once more. Bolstered by powerful corporate sponsors and significant capital generated during the Great War, both Kirin and Dai Nippon would erect manufacturing plants in Korea and Manchuria during the 1920s and 1930s, as well as in China and Southeast Asia during the early 1940s.

## Conclusions

Japan's early beer market, though once home to dozens of Japanese entrepreneurs scattered across the country, was transformed by the early twentieth century into one dominated by just two powerful, well-capitalized firms and a handful of lesser rivals. Beer was an interesting, novel, and costly new beverage in 1870, but within a few decades, Japanese who could afford it came to enjoy beer alongside more traditional alcoholic drinks. As tastes changed and standards of living rose for

Japan's burgeoning middle class, beer would even come to eclipse *sake* following the Great War. In 1922, the *Japan Advertiser* reported on a beer market study issued by the Nomura Banking Corporation, which noted that:

The beer industry has not suffered the general depression which has marked other lines of business after the war ... In fact, profits have tripled since the war period, due to the fact that beer drinking has replaced *sake* to a great extent, and is becoming more popular among the poorer classes. Increased purchasing power of the laboring man, brought on by higher wages, has made him more extravagant and led to his choice of beer instead of the cheaper *sake*, according to the bank report, and now the consumption ratio between the two liquors is 7 to 1 [beer to *sake*, by volume].<sup>84</sup>

A glass of beer naturally holds a much larger volume than does a little cup of *sake*, but the ratio of 7 to 1 nevertheless indicates beer's impressive market growth. The effort to fashion a regionally competitive domestic beer industry, however, was by no means a simple affair, for the market was very crowded in the 1880s and 1890s. As this article has illustrated, the brewers that rose to dominate Japan's domestic beer market possessed three significant structural advantages: significant foreign expertise, uniquely capable corporate sponsors, and a state tax regime aimed at selecting for the strongest firms and eliminating their rivals. I will close by reviewing each of these three advantages in turn.

The first advantage was the early and continuing access to foreign expertise enjoyed by the leading brewers, which were also the industry's oldest operating firms. While the original Spring Valley brewery was founded by a resident foreigner and entrepreneur, Sapporo's founders were not men of business, but rather government technocrats. Their chief mission was the development of farms, mills, and nascent industries in Hokkaido, and their efforts to enlist the expertise of *oyatoi gaikokujin* were focused chiefly on agricultural and brewing techniques. Project director Kuroda Kiyotaka wisely recruited German-trained brewing engineer Nakagawa Seibei in 1874, but Nakagawa's skills alone were not enough to ensure that 'Sapporo Cold-Brewed Beer' would be successful in Japan's young beer marketplace. Therefore, when the firm was reestablished by foreign managers in 1888, they brought aboard German brewmaster Max Pormann, whose nationality and skills were hailed in contemporary

newspaper advertisements. Pormann's expertise was also enlisted by the Osaka Beer Company, brewer of 'Asahi Beer', when it was established in 1889. Naturally, both companies were merely following in the footsteps of The Japan Brewery, which had reorganized in 1885 and hired its own German brewmaster, Hermann Heckert, to further refine its 'Kirin Beer' brand. Even after its reestablishment, however, it remained a foreign-owned and managed firm, headquartered by necessity in British Hong Kong, where Japanese investors were legally permitted to operate a joint-venture with foreigners.

The second advantage was powerful Japanese corporate sponsors. The effort to reorganize the brewers of both Kirin and Sapporo beer was facilitated by a tight web of patrons that is complex enough to merit reexamination here. First, the Ōkura Trading Company bought shares in the newly reestablished Japan Brewery in 1885, immediately after which Ōkura also bought the former *Kaitakushi* brewery in Sapporo in 1886. The next year, leading capitalist figure Shibusawa Eiichi and his partner, Asano Sōichirō, bought the Sapporo brewery from the Ōkura group and reestablished it as the Sapporo Breweries Company in 1888. In 1889, Shibusawa also joined the board of directors of the Japan Brewery, which was again reorganized as The Japan Brewery in 1897. Finally, while the president of Nippon Beer, Magoshi Kyōhei, failed to persuade the foreign managers and the chiefly foreign shareholders of The Japan Brewery to sell their company to him in 1905, that discussion set important wheels in motion. Kōmei Genjirō, the director of Meidi-ya, which distributed 'Kirin Beer', instead convinced the president of Mitsubishi, Iwasaki Hisaya, to sponsor an even stronger bid, which finally won over the shareholders in 1906. That deal, which boosted the shareholders' stock by 50%, also enabled the company to be officially reestablished in Yokohama, where it became the Kirin Beer Company in 1907. In the interim, though Magoshi had failed to purchase The Japan Brewery, he tapped old relationships as the former manager of Mitsui's Yokohama branch and convinced Mitsui's leadership to keep pace with rival Mitsubishi by getting into the beer export market. Mitsui thus agreed to sponsor a three-way merger of Nippon, Osaka, and Sapporo beer in 1906, resulting in a joint-venture known as Dai Nippon Beer, the export sales of which would be managed by Mitsui exclusively. Despite the negative press about contemporary *zaibatsu* 'financial cliques,'

Mitsui and Mitsubishi each played significant and formative roles in the reorganization of Japan's early twentieth century beer industry. Their involvement prepared these firms to compete as regional brewers and exporters, and readied them to weather the looming storm of tax reform, which would deliver the final blow to most of their remaining competitors.

Finally, the government's brutal new production tax, which began in 1901 and rose three times through 1908, was a death knell for dozens of small brewers operating throughout the country. The *Japan Times Year Book* would later conclude that

the enactment of Beer Brewing Law [sic] of 1901, the economic panic of 1910, and the consequent reduction of production to the minimum output of 1,000 *koku* per year drove small concerns out of business.<sup>85</sup>

Although difficult to bear, the largest brewers faced their rising tax liability secure in the knowledge that the increased tariff on imported beer, which was raised from 5 to 25% in 1897 and to 30% in 1901, would deliver them an even greater share of the domestic marketplace. Very seldom do we see such a clear example of a protectionist tariff and tax agenda designed both to defend against imported products and simultaneously eliminate the majority of domestic producers. The commitment of the Ministry of Finance to fostering convergence in Japan's beer industry through tax policy is clear. Together, Dai Nippon and Kirin dominated fully 72% of the domestic beer market by 1907, and though the sales competition would continue to accelerate, their contemporary rivals would never again challenge the market leaders.

Throughout these turbulent years, Kirin and Dai Nippon continued to stress the authentic German character of their recipes, techniques, and brewmasters. Both were legally Japanese firms, but neither wished to be regarded as the producer of inferior, domestic products. Their success depended upon demonstrating that the quality of their beer was equivalent to that of European imports, and though they dabbled in hops and barley cultivation, these efforts were largely experimental and unadvertised. Beer was brewed, advertised, and sold in Japan as a proudly German-styled commodity into the late 1930s, until political pressure and the interruptions to global trade finally forced Japan's brewers to cast aside the



pretense that foreign wares were naturally better. As I discuss at greater length in my recent book, beer has been regarded since the Second World War as a thoroughly domestic (albeit not indigenous) commodity that has been enjoyed in Japan for generations. Although Dai Nippon Beer was broken up in 1949 as the Allied Occupation forces sought to limit excessive concentrations of economic power, its surviving companies, Sapporo and Asahi, can still trace their roots back to the nineteenth century. Sapporo even revived the ‘Yebisu’ brand in 1971, thus completing the triumvirate, at least in spirit, and it maintains its global headquarters in Ebisu, Tokyo. Kirin too, traces its origins proudly to the little brewery established in Yokohama by William Copeland, whom the company still cites as the ‘founder’ of Japan’s beer industry in all of its literature. From humble origins, both Kirin and Sapporo, together with the postwar spin-off Asahi, have risen to become powerful and familiar brands to consumers worldwide. The roots of their longevity, however, are anchored firmly in the period between 1885 and 1907, when they enjoyed significant structural advantages that hastened their consolidation, eliminated their rivals, and secured their futures.

*Note: All Japanese names above appear in the traditional fashion with the family name first followed by the given name, where available.*

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11. See especially the introduction and Chapters 1 and 2 of Miyake, Y. (1977) op. cit. pp.28-63.
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73. Kirin biiru KK (1957) op. cit. p.53.

74. *ibid.* p.51.

75. Osaka Beer had hosted thirsty patrons at the previous year's exhibition, prompting Kirin to follow suit. Kirin biiru KK (1957) op. cit. p.50; Asahi biiru KK (1990) op. cit. p.141.

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