

Keiretsu

A ***keiretsu*** (Japanese: 系列, literally *system, series, grouping of enterprises, order of succession*) is a set of companies with interlocking business relationships and shareholdings. In the legal sense, it is a type of informal business group that are loosely organized alliances within the social world of Japan's business community.^[1] The *keiretsu* maintained dominance over the Japanese economy for the second half of the 20th century, and, to a lesser extent,^[2] continues to do so in the early 21st century.

The members' companies own small portions of the shares in each other's companies, centered on a core bank; this system helps insulate each company from stock market fluctuations and takeover attempts, thus enabling long-term planning in projects. It is a key element of the manufacturing industry in Japan.

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History

The prototypical *keiretsu* appeared in Japan during the "economic miracle" following World War II and the collapse of family-controlled vertical monopolies called *zaibatsu*.

The zaibatsu had been at the heart of economic and industrial activity within the Empire of Japan since Japanese industrialization accelerated during the Meiji Era.^[3] They held great influence over Japanese national and foreign policies which only increased following the Japanese victories in the Russo-Japanese War of 1904–1905^[3] and World War I.^[4] During the inter-war period the zaibatsu aided Japanese militarism and benefited from their conquest of East Asia by receiving lucrative contracts.^[3]

Prior to World War II, Japan's industrialized economy was dominated by four major zaibatsu: Mitsubishi, Sumitomo, Yasuda and Mitsui. They focused on steel, banking, international trading and various other key sectors in the economy, all of which was controlled by a holding company. Apart from this, they remained in close connection to influential banks that provided funding to their various projects.^[5]

The *zaibatsu* had been viewed with some ambivalence by the Japanese military, which nationalized a significant portion of their production capability during World War II. Some assets were also severely damaged by the destruction of the war.

After the surrender of Japan the Allied occupation forces partially attempted to dissolve the *zaibatsu* which had worked closely with the militarists during the first half of the 20th Century and during the war.^[3] Many of the economic advisors accompanying the Supreme Commander of the Allied Powers administration had experience with the New Deal program under President Franklin Roosevelt, and were highly suspicious of monopolies and restrictive business practices, which they felt to be both inefficient, and to be a form of corporatocracy (and thus inherently anti-democratic).

During the occupation of Japan, 16 *zaibatsu* were targeted for complete dissolution, and 26 more for reorganization after dissolution. Among the *zaibatsu* targeted for dissolution in 1947 were Asano, Furukawa, Nakajima, Nissan, Nomura, and Okura. Their controlling families' assets were seized, holding companies eliminated, and interlocking directorships, essential to the old system of intercompany coordination, were outlawed. Matsushita (which later took the name Panasonic), while not a *zaibatsu*, was originally also targeted for dissolution, but was saved by a petition signed by 15,000 of its unionized workers and their families.^[6]

However, complete dissolution of the *zaibatsu* was never achieved, mostly because the United States government rescinded the orders in an effort to reindustrialize Japan as a bulwark against Communism in Asia.^[7] *Zaibatsu* as a whole were widely considered to be beneficial to the Japanese economy and government, and the opinions of the Japanese public, the *zaibatsu* workers and management, and the entrenched bureaucracy regarding plans for *zaibatsu* dissolution ranged from unenthusiastic to disapproving. Additionally, the changing politics of the Occupation during the reverse course served as a crippling, if not terminal, roadblock to *zaibatsu* elimination.

Even today, banks and trading companies remain at the top of the pyramid, having access to and control over a portion of each company that forms part of the *keiretsu*. Shareholders succeeded over the family control of the cartel. This was made possible with relaxing of Japanese laws whereby holding companies could become stockholding companies.

Types

Cartels and groupings of various kinds are common in Japan.

The two types of *keiretsu*, **horizontal** and **vertical**, can be further categorized as:

- *Kigyō shūdan* (企業集団, "*horizontally diversified business groups*")
- *Seisan keiretsu* (生産系列, "*vertical manufacturing networks*")
- *Ryūtsū keiretsu* (流通系列, "*vertical distribution networks*")

Horizontal keiretsu

The primary aspect of a horizontal *keiretsu* (also known as financial *keiretsu*) is that it is set up around a Japanese bank through cross-shareholding relationships with other companies. The bank assists these companies with a range of financial services. The leading horizontal Japanese *keiretsu*, also referred to as the "Big Six", include: Fuyo,



Seizure of the *zaibatsu* families' assets, 1946

Sanwa, Sumitomo, Mitsubishi, Mitsui, and DKB Group. Horizontal *keiretsu* may also have vertical relationships, called branches.

Horizontal *keiretsu* peaked around 1988, when over half of the value in the Japanese stock market consisted of cross-shareholdings. Since then, banks have gradually reduced their cross-shareholdings. The Japanese corporate governance code, effective from June 2015, requires listed companies to disclose a rationale for their cross-shareholdings. Partly as a result of this requirement, the three Japanese "megabanks" descended from the six major *keiretsu* banks (namely Mitsubishi UFJ Financial Group, Sumitomo Mitsui Financial Group and Mizuho Financial Group) have indicated plans to further reduce their balance of cross-shareholding investments.^[8]

Vertical keiretsu

Vertical *keiretsu* (also known as industrial *keiretsu*) are used to link suppliers, manufacturers, and distributors of one industry. Examples of this type include Toyota, Toshiba, and Nissan.^[9] One or more sub-companies are created to benefit the parent company (for example, Toyota or Honda). Banks have less influence on distribution *keiretsu*. This vertical model is further divided into levels called tiers. The second tier constitutes major suppliers, followed by smaller manufacturers, who make up the third and fourth tiers. The lower the tier, the greater the risk of economic disruption; moreover, due to low position in the *keiretsu* hierarchy, profit margins are low.^[10]

It is noted that some of these vertical keiretsus, may belong to one or another horizontal keiretsu.^[9] Some of these vertical *keiretsu* are family businesses; examples of family-owned *keiretsu* include the Hitotsubashi/Shogakukan, Kodansha and APA groups. There are studies that found these vertical *keiretsus*, particularly those that belong to the same keiretsu, are more likely to form alliances than the other types or even those companies where one or two have *keiretsu* affiliations.^[11] Vertical keiretsu is considered an effective and competitive organizational model in the car industry.^[12]

Nature

At the center of the "big six" *keiretsu* were a bank and a trading company (sogo shosha). Japanese banks are allowed to have equity in other firms with a quota of less than 5% of the total number of shares issued by the company (Anti-Monopoly Law Reform of 1977). Banks play a crucial role in the smooth functioning of this organization. They assess the investment projects and provide loans when required. The trading companies (sogo shosha) deal in imports and exports of an assorted range of commodities throughout the world. Each major company has its own "President's Club", enabling interaction of core members to better help decide their strategies.^[5]

The Japanese *keiretsu* took various preventive measures to avoid takeovers from foreign companies. One of them was "interlocking" or "cross-holding" of shares. This method was established by Article 280 of Commerce Law. By doing so, each company held a stake in the other's company. This helped reduce the pressure on management to achieve short-term goals at the expense of long-term growth. Besides that, interlocking of shares serves as a tool for monitoring and disciplining the group's firms. The level of group orientation or strength between the member companies is determined by the "interlocking shares ratio" (the ratio of shares owned by other group firms to total shares issued) and the "intragroup loans ratio" (the ratio of loans received from financial institutions in the group to total loans received).

Industries such as banking, insurance, steel, trading, manufacturing, electric, gas and chemicals are all part of the horizontal *keiretsu* web. The member companies follow the "One-Set Policy" whereby the groups avoid direct competition between member firms.

The One-Set Policy:^[13]

Industry	Mitsui	Mitsubishi	Sumitomo	Fuyo	Sanwa	DKB
Banking	Sakura Bank	Bank of Tokyo-Mitsubishi Bank	Sumitomo Bank	Fuji Bank	Sanwa Bank	Dai-Ichi Kangyo Bank
Trust Banking	Mitsui Trust & Banking	Mitsubishi Trust & Banking	Sumitomo Trust & Banking	Yasuda Trust & Banking	Toyo Trust & Banking	
Life Insurance	Mitsui Mutual Life	Meiji Mutual Life	Sumitomo Mutual Life	Yasuda Mutual Life		Fukoku Mutual life, Asahi Mutual life
Marine & Fire Insurance	Mitsui Marine & Fire	Tokio Marine & Fire	Sumitomo Marine & Fire	Yasuda Marine & fire		Nissan Marine & Fire, Taisei Marine & Fire
Trading Company	Mitsui Bussan	Mitsubishi Corporation	<u>Sumitomo Corporation</u>	Marubeni	Nissho Iwai	<u>Itochu</u>
Steel	Japan Steel Works	Mitsubishi Steel Manufacturing	Sumitomo Metal Industries	JFE Steel Corporation	Nakayama Steel Works, Nisshin Steel	Kawasaki Steel, Kobe Steel
Chemicals	Mitsui Toatsu Chemicals	Mitsubishi Gas Chemicals	Sumitomo Chemicals	Kureha Corporation	Sekisui Chemicals	Asahi Chemical Industries
Shipping	<u>Mitsui O.S.K. Lines</u> ("MOL")	<u>Nippon Yusen Kaisha</u> ("NYK Line")	Kawasaki Kishen Kaisha ("K Line")			

In the 1920s, government officials maintained close relations with the *zaibatsu*, and the roots of their influence remained strong throughout the rest of the 20th Century. The *keiretsu* have great influence on Japanese industrial and economic policy. The preferential buying habits of the *keiretsu* kept foreign investors and foreign goods out of their markets, which America criticized as "barriers to free trade". This enabled the *keiretsu* to enjoy monopoly privileges over the Japanese market, thus maintaining high prices for their goods, as they had full dominance over the price and distribution of products and services throughout the supply side. It is believed that due to this practice, Japan in the late 1980s imported far less than it should have (\$40 billion less as per a report by the Brookings Institution).

In such a work environment, the probability of an employee to remain working in the same company for his entire working life was very high. Moreover, this framework allowed rapid co-operative development (sharing vital information, reduction in cost of R&D and higher quality products) within a *keiretsu*.^[5]

In Japan

During the occupation of Japan, under the Supreme Commander of the Allied Powers, General Douglas MacArthur, a partially successful attempt was made to dissolve the *zaibatsu* in the late 1940s. Sixteen *zaibatsu* were targeted for complete dissolution, and 26 more for reorganization after dissolution. However, the companies formed from the dismantling of the *zaibatsu* were later reintegrated. The dispersed corporations were reinterlinked through share purchases to form horizontally integrated alliances across many industries. Where possible, *keiretsu* companies would also supply one another, making the alliances vertically integrated, as well. In this period, official government policy promoted the creation of robust trade corporations that could withstand heavy pressures from intensified trade competition.^[14]

The major *keiretsu* were each centered on one bank, which lent money to the *keiretsu* member companies and held equity positions in the companies. Each bank had great control over the companies in the *keiretsu* and acted as a monitoring and emergency bail-out entity. One effect of this structure was to minimize the presence of hostile takeovers in Japan, because no entities could challenge the power of the banks. Although the divisions between them have blurred in recent years, there have been eight major postwar *keiretsu*:^[13]

Succeeded into	Name	Bank	Major group companies
MUFG	Mitsubishi	<u>Mitsubishi Bank (until 1996)</u> <u>Bank of Tokyo-Mitsubishi (1996–2005)</u> <u>MUFG Bank (2006–)</u> <u>Mitsubishi Trust and Banking</u>	Financial: <u>Tokio Marine and Fire Insurance</u> , <u>Mitsubishi Estate</u> , <u>Meiji Mutual Fund</u> Construction: <u>Pacific Consultants International</u> Food: <u>Coca-Cola Bottling of Northern New England</u> , <u>Kirin Brewery</u> , <u>Morinaga & Company</u> , <u>Morinaga Milk Industry</u> , <u>Sapporo Breweries</u> Electronics: <u>Hitachi</u> , <u>Matsushita Electric Industrial Co., Ltd.</u> , <u>Mitsubishi Electric</u> , <u>Mitsubishi Precision</u> , <u>NEC Corporation</u> , <u>Pioneer Electronic Corporation</u> , <u>Sharp Corporation</u> , <u>Sony Corporation</u> , <u>Victor Company of Japan, Ltd.</u> Entertainment: <u>Avex Trax</u> , <u>BMG Victor, Inc.</u> , <u>CIC-Victor Video, Ltd.</u> , <u>Fujisankei Communications Group (Fuji Television, Nippon Broadcasting System, Pony Canyon)</u> , <u>MCA Victor, Inc.</u> , <u>Nippon Columbia</u> , <u>Nippon Crown</u> , <u>Nippon Television</u> , <u>Pack-In-Video</u> , <u>Pioneer LDC Inc.</u> , <u>PolyGram K.K. (Nippon Phonogram Co., Ltd., Polydor K.K.)</u> , <u>Sony Computer Entertainment</u> , <u>Sony Music Entertainment</u> , <u>Sony Pictures Entertainment</u> , other Sony subsidiaries, <u>Teichiku Records</u> , <u>Tokyo Broadcasting System</u> , <u>TV Asahi</u> , <u>TV Tokyo</u> , <u>VAP, Inc.</u> , <u>Victor Musical Industries, Inc.</u> , <u>Warner-Pioneer Corporation</u> Trading and Commerce: <u>Mitsubishi Corporation</u> Vehicles: <u>Fuji Heavy Industries (Subaru)</u> , <u>Honda Motor</u> , <u>Mazda</u> , <u>Mitsubishi Fuso Truck and Bus Corporation</u> , <u>Mitsubishi Heavy Industries</u> , <u>Mitsubishi Motors</u> Petroleum: <u>Nippon Oil</u> , <u>Mitsubishi Oil</u> , <u>Mitsubishi Nuclear Fuel</u> Precision Machinery: <u>Nikon</u> Chemicals: <u>Mitsubishi Chemical</u> , <u>Mitsubishi Gas Chemical</u> , <u>Mitsubishi Rayon Co., Ltd.</u> , <u>Mitsubishi Materials Corp.</u> , <u>Mitsubishi Plastics Industries</u> , <u>Asahi Glass</u> , <u>Nippon Synthetic Chemical Industries (Nippon Gosei)</u> Paper: <u>Mitsubishi Paper Mills Ltd.</u> Iron and Steel: <u>Mitsubishi Steel</u> Shipping: <u>Nippon Yusen Kaisha – "NYK"</u>
SMFG	Mitsui	<u>Mitsui Bank (until 1990)</u> <u>Sakura Bank (1990–2001)</u> <u>Sumitomo Mitsui Bank (2001–)</u> <u>Sony Financial, Sony Bank</u>	Financial: <u>Mitsui Real Estate</u> , <u>Mitsukoshi</u> , <u>Mitsui Mutual Life</u> , <u>Mitsui Marine & Fire</u> Food: <u>Nippon Flour Mills</u> , <u>Mitsui Sugar</u> , <u>Sapporo Breweries</u> , <u>Suntory</u> Chemicals: <u>Fujifilm</u> , <u>Mitsui Toatsu Chemicals</u> , <u>Mitsui Petrochemical Industries</u> , <u>Toagosei</u> , <u>Denki Kagaku Kogyo</u> , <u>Daicel Chemical Industries</u> , <u>Mitsui Pharmaceuticals</u> , <u>Mitsui Toatsu Fertilizers</u> , <u>Mitsui Toatsu Dyes</u> , <u>Toray</u> Trading and Commerce: <u>Mitsui Bussan</u> Vehicles: <u>Daihatsu</u> , <u>Toyota</u> Petroleum: <u>General Sekiyu</u> , <u>Kyokuto Petroleum Industries</u> Electronics: <u>Fujifilm</u> , <u>Hitachi</u> , <u>Ibiden</u> , <u>Matsushita Electric Industrial Co., Ltd.</u> , <u>Mitsubishi Electric</u> , <u>Sony Corporation</u> , <u>Toshiba</u> , <u>Victor Company of Japan, Ltd.</u> , <u>Yaussa Corporation</u> Iron and Steel: <u>Japan Steel Works</u> Gaming: <u>Sony Computer Entertainment</u> Entertainment: <u>BMG Victor, Inc.</u> , <u>CIC-Victor Video, Ltd.</u> , <u>Fujisankei Communications Group (Fuji Television, Nippon Broadcasting System, Pony Canyon)</u> , <u>MCA Victor, Inc.</u> , <u>Nippon Columbia</u> , <u>Nippon Crown</u> , <u>Nippon Television</u> , <u>Pack-In-Video</u> , <u>PolyGram K.K. (Nippon Phonogram Co., Ltd., Polydor K.K.)</u> , <u>Sony Computer Entertainment</u> , <u>Sony Music Entertainment</u> , <u>Sony Pictures Entertainment</u> , other Sony subsidiaries, <u>Teichiku Records</u> , <u>Toshiba-EMI Limited</u> , <u>Tokyo Broadcasting System</u> , <u>TV Asahi</u> , <u>TV Tokyo</u> , <u>VAP, Inc.</u> , <u>Victor Musical Industries, Inc.</u> Shipping: <u>Mitsui O.S.K. Lines ("MOL")</u>

Succeeded into	Name	Bank	Major group companies
SMFG	Sumitomo	Sumitomo Bank (until 2001) Sumitomo Mitsui Bank (2001–), Sumitomo Trust and Banking	<p>Financial: <u>Sumitomo Corporation</u>, <u>Sumitomo Corporation of America</u>, <u>Sumitomo Mitsui Financial Group</u>, <u>Sumitomo Trust & Banking</u>, <u>Sumitomo Life Insurance Co.</u>, <u>Sumitomo Real Estate</u>, <u>Mitsui Sumitomo Insurance Co., Ltd.</u>, <u>Sumitomo Realty & Development Co., Ltd.</u>, <u>Presidio Ventures</u>,</p> <p>Construction: <u>Sumitomo Mitsui Construction Co., Ltd.</u>, <u>Sumitomo Densetsu</u>, <u>Sumitomo Osaka Cement Co., Ltd.</u>,</p> <p>Food: <u>Asahi Breweries</u>, <u>Coca-Cola Bottling of Northern New England</u>, <u>Ezaki Glico</u>, <u>Kirin Brewery</u>, <u>Suntory</u></p> <p>Rail: <u>The Sumitomo Warehouse Co., Ltd.</u>, <u>Hanshin Railway</u>, <u>Keihan Railway</u>, <u>Nankai Railway</u></p> <p>Trading and Commerce: <u>Sumitomo Corporation</u></p> <p>Vehicles: <u>Daihatsu</u>, <u>Fuji Heavy Industries (Subaru)</u>, <u>Mazda</u>, <u>Mitsubishi Fuso Truck and Bus Corporation</u>, <u>Mitsubishi Heavy Industries</u>, <u>Mitsubishi Motors</u>, <u>Nissan</u>, <u>Suzuki Motor</u></p> <p>Precise machinery: <u>Sumitomo Heavy Industries, Ltd.</u>,</p> <p>Electronics: <u>Hitachi</u>, <u>Matsushita Electric Industrial Co., Ltd.</u>, <u>Mitsubishi Electric</u>, <u>NEC Corporation</u>, <u>Pioneer Electronic Corporation</u>, <u>Sanyo Electric Co., Ltd.</u>, <u>Sharp Corporation</u>, <u>Sumitomo Electric Industries, Ltd.</u>, <u>Toshiba</u>, <u>Victor Company of Japan, Ltd.</u></p> <p>Iron and Steel: <u>Sumitomo Metal Industries, Ltd.</u>, <u>Mezon Stainless Steel Fzco.</u>, <u>Sumitomo Light Metal Industries, Ltd.</u></p> <p>Chemicals: <u>Joyce Chen Products</u>, <u>Sumitomo Chemicals</u>, <u>Nippon Sheet Glass Co., Ltd.</u>, <u>Sumitomo Bakelite Co., Ltd.</u>, <u>Sumitomo Rubber Industries, Ltd.</u>, <u>Dainippon Sumitomo Pharma</u>,</p> <p>Mining: <u>Sumitomo Metal Mining Co., Ltd.</u></p> <p>Forestry: <u>Sumitomo Forestry Co., Ltd.</u></p> <p>Infrastructure: <u>Nippon Koei</u></p> <p>Entertainment: <u>Avex Trax</u>, <u>BMG Victor, Inc.</u>, <u>CIC-Victor Video, Ltd.</u>, <u>Fujisankei Communications Group (Fuji Television, Nippon Broadcasting System, Pony Canyon)</u>, <u>King Record Co., Ltd.</u>, <u>MCA Victor, Inc.</u>, <u>Nippon Columbia</u>, <u>Nippon Crown</u>, <u>Nippon Television</u>, <u>Pack-In-Video</u>, <u>Pioneer LDC Inc.</u>, <u>PolyGram K.K. (Nippon Phonogram Co., Ltd., Polydor K.K.)</u>, <u>Teichiku Records</u>, <u>Tokuma Japan Communications</u>, <u>Tokyo Broadcasting System</u>, <u>Toshiba-EMI Limited</u>, <u>TV Asahi</u>, <u>TV Tokyo</u>, <u>VAP, Inc.</u>, <u>Victor Musical Industries, Inc.</u>, <u>Warner-Pioneer Corporation</u></p>
Mizuho	Fuyo	Fuji Bank (until 2000) Mizuho Bank (2000–) Yasuda Trust and Banking Yamaichi Securities	<p>Financial: <u>Yasuda Mutual Life</u>, <u>Yasuda Marine & Fire</u></p> <p>Food: <u>Nisshin Flour Milling</u>, <u>Sapporo Breweries</u></p> <p>Precision Machinery: <u>Canon</u>, <u>Hitachi, Ltd.</u>, <u>Ricoh</u></p> <p>Electronics: <u>Fuji Electric</u>, <u>Fujitsu</u>, <u>Hitachi, Ltd.</u>, <u>Pioneer Electronic Corporation</u>, <u>Sharp Corporation</u>, <u>Sony Corporation</u>, <u>Victor Company of Japan, Ltd.</u></p> <p>Trading and Commerce: <u>Marubeni</u></p> <p>Chemicals: <u>Showa Denko</u>, <u>NOF Corporation</u>, <u>Kureha Corporation</u>, <u>Nippon Sanso</u>, <u>Hitachi Chemical</u>, <u>Asahi Kasei</u></p> <p>Rail: <u>Tobu Railway</u></p> <p>Vehicles: <u>Daihatsu</u>, <u>Fuji Heavy Industries (Subaru)</u>, <u>Nissan</u>, <u>Suzuki Motor</u>, <u>Yamaha</u></p> <p>Retail: <u>Matsuya</u></p> <p>Entertainment: <u>BMG Victor, Inc.</u>, <u>CIC-Victor Video, Ltd.</u>, <u>Fujisankei Communications Group (Fuji Television, Nippon Broadcasting System, Pony Canyon)</u>, <u>MCA Victor, Inc.</u>, <u>Nippon Columbia</u>, <u>Nippon Television</u>, <u>Pack-In-Video</u>, <u>Pioneer LDC Inc.</u>, <u>PolyGram K.K. (Nippon Phonogram Co., Ltd., Polydor K.K.)</u>, <u>Sony Computer Entertainment</u>, <u>Music Entertainment</u>, <u>Sony Pictures Entertainment</u>, other Sony subsidiaries, <u>Tokyo Broadcasting System</u>, <u>TV Asahi</u>, <u>TV Tokyo</u>, <u>VAP, Inc.</u>, <u>Victor Musical Industries, Inc.</u>, <u>Warner-Pioneer Corporation</u></p>

Succeeded into	Name	Bank	Major group companies
<u>Mizuho</u>	<u>Dai-Ichi Kangyo Bank (DKB)</u>	<u>Dai-Ichi Kangyo Bank (until 2000)</u> <u>Mizuho Bank (2000–)</u> <u>Chuo Trust Kankaku Securities</u> <u>Long-Term credit Bank of Japan (until 2000)</u> <u>Shinsei Bank (2000–)</u> <u>Orient Group</u>	Financial: <u>Fukoku Mutual Life</u> , <u>Asahi Mutual Life</u> , <u>Nissan Marine & Fire</u> , <u>Taisei Marine & Fire</u> Food: <u>Asahi Breweries</u> , <u>Coca-Cola Bottling of Northern New England</u> , <u>Kirin Brewery</u> , <u>Morinaga & Company</u> , <u>Morinaga Milk Industry</u> Electronics: <u>Fuji Electric</u> , <u>Fujitsu</u> , <u>Hitachi, Ltd.</u> , <u>Matsushita Electric Industrial Co., Ltd.</u> , <u>Pioneer Electronic Corporation</u> , <u>NEC Corporation</u> , <u>Nippon Columbia</u> , <u>Sony Corporation</u> , <u>Toshiba</u> , <u>Victor Company of Japan, Ltd.</u> , <u>Yaskawa Electric</u> Vehicles: <u>Daihatsu</u> , <u>Fuji Heavy Industries (Subaru)</u> , <u>Honda Motor</u> , <u>Isuzu</u> , <u>Kawasaki Heavy Industries</u> , <u>Mitsubishi Fuso Truck and Bus Corporation</u> , <u>Mitsubishi Heavy Industries</u> , <u>Mitsubishi Motors</u> , <u>Nissan</u> , <u>Suzuki Motor</u> , <u>Toyota</u> Power Generation: <u>Tokyo Electric Power</u> Petroleum: <u>Showa Shell Sekiyu</u> Precision Machinery: <u>Asahi Optical</u> Trading and Commerce: <u>Seibu</u> , <u>Itochu</u> , Iron and Steel: <u>Kawasaki Steel</u> , <u>Japan Metals</u> , <u>Kobe Steel</u> Chemicals: <u>Denki Kagaku Kogyo-Mitsui Group</u> , <u>Nippon Zeon</u> , <u>Asahi Denka Kogyo</u> , <u>Sankyo Co.</u> , <u>Lion Corporation</u> , <u>Kyowa Hakko Kogyo</u> , <u>Asahi Chemical Industries</u> , Shipping: <u>Kawasaki Kishen Kaisha – K-Line</u> Entertainment: <u>BMG Victor, Inc.</u> , <u>CIC-Victor Video, Ltd.</u> , <u>Fujisankei Communications Group (Fuji Television, Nippon Broadcasting System, Pony Canyon)</u> , <u>MCA Victor, Inc.</u> , <u>Nippon Columbia</u> , <u>Nippon Television</u> , <u>Pack-In-Video</u> , <u>Pioneer LDC Inc.</u> , <u>PolyGram K.K. (Nippon Phonogram Co., Ltd., Polydor K.K.)</u> , <u>Sony Computer Entertainment</u> , <u>Sony Music Entertainment</u> , <u>Sony Pictures Entertainment</u> , other Sony subsidiaries, <u>Teichiku Records</u> , <u>Tokyo Broadcasting System</u> , <u>Toshiba-EMI Limited</u> , <u>TV Asahi</u> , <u>TV Tokyo</u> , <u>VAP, Inc.</u> , <u>Victor Musical Industries, Inc.</u> , <u>Warner-Pioneer Corporation</u>
<u>MUFG</u>	<u>Sanwa ("Midorikai")</u>	<u>Sanwa Bank (until 2002)</u> <u>UFJ Bank (2002–2006)</u> <u>Bank of Tokyo-Mitsubishi UFJ (2006–)</u> <u>Toyo Trust and Banking</u>	Food: <u>Coca-Cola Bottling of Northern New England</u> , <u>Ezaki Glico</u> , <u>Itoham Foods</u> , <u>Kirin Brewery</u> , <u>Suntory</u> Rail: <u>Hankyu Railway</u> , <u>Keisei Railway</u> Steel: <u>Kobe Steel</u> , <u>Nakayama Steel Works</u> , <u>Nisshin Steel</u> Precision Machinery: <u>Konica Minolta</u> , <u>Hoya Corporation</u> Petroleum: <u>Cosmo Oil</u> Electronics: <u>Hitachi</u> , <u>Iwatsu Electric</u> , <u>Kyocera</u> , <u>Matsushita Electric Industrial Co., Ltd.</u> , <u>NEC Corporation</u> , <u>Nitto Denko</u> , <u>Pioneer Electronic Corporation</u> , <u>Sharp Corporation</u> , <u>Sony Corporation</u> , <u>Victor Company of Japan, Ltd.</u> Trading and Commerce: <u>Takashima</u> , <u>Orix</u> , <u>Nissho Iwai</u> Chemicals: <u>Ube Industries</u> , <u>Tokuyama Corp</u> , <u>Hitachi Chemical</u> , <u>Sekisui Chemical</u> , <u>Kansai Paint</u> , <u>Tanabe Seiyaku</u> , <u>Astellas Pharma</u> , <u>Daiso Co.</u> , <u>Teijin</u> , <u>Unitika Fukusure</u> Vehicles: <u>Daihatsu</u> , <u>Fuji Heavy Industries (Subaru)</u> , <u>Honda Motor</u> , <u>Hitachi Zosen Corporation</u> , <u>Isuzu</u> , <u>Mitsubishi Fuso Truck and Bus Corporation</u> , <u>Mitsubishi Heavy Industries</u> , <u>Mitsubishi Motors</u> , <u>Toyota</u> Retail: <u>Takashimaya</u> Entertainment: <u>Avex Trax</u> , <u>BMG Victor, Inc.</u> , <u>CIC-Victor Video, Ltd.</u> , <u>Fujisankei Communications Group (Fuji Television, Nippon Broadcasting System, Pony Canyon)</u> , <u>MCA Victor, Inc.</u> , <u>Nippon Columbia</u> , <u>Nippon Television</u> , <u>Pack-In-Video</u> , <u>Pioneer LDC Inc.</u> , <u>PolyGram K.K. (Nippon Phonogram Co., Ltd., Polydor K.K.)</u> , <u>Shin-Maywa</u> , <u>Sony Computer Entertainment</u> , <u>Sony Music Entertainment</u> , <u>Sony Pictures Entertainment</u> , other Sony subsidiaries, <u>Toho</u> , <u>TV Asahi</u> , <u>TV Tokyo</u> , <u>VAP, Inc.</u> , <u>Victor Musical Industries, Inc.</u> , <u>Warner-Pioneer Corporation</u>

Succeeded into	Name	Bank	Major group companies
<u>MUFG</u>	<u>Tokai (Toyota Group)</u>	<u>Tokai Bank</u> <u>Chuo Trust</u>	Food: <u>Kagome</u> Vehicles: <u>Daihatsu</u> , <u>Fuji Heavy Industries (Subaru)</u> , <u>Honda Motor</u> , <u>Isuzu</u> , <u>Mitsubishi Fuso Truck and Bus Corporation</u> , <u>Mitsubishi Heavy Industries</u> , <u>Mitsubishi Motors</u> , <u>Nissan</u> , <u>Suzuki Motor</u> , <u>Toyota</u> Steel: <u>Daido Steel</u> Precision Machinery: <u>Ricoh</u> Petroleum: <u>Idemitsu Kosan</u> Electronics: <u>Hitachi</u> , <u>Matsushita Electric Industrial Co., Ltd.</u> , <u>Pioneer Electronic Corporation</u> , <u>Sony Corporation</u> , <u>Toshiba Corporation</u> , <u>Ushio Industries</u> , <u>Victor Company of Japan, Ltd.</u> Trading and Commerce: <u>Toyota Tsusho Corporation</u> Entertainment: <u>BMG Victor, Inc.</u> , <u>CIC-Victor Video, Ltd.</u> , <u>MCA Victor, Inc.</u> , <u>Nippon Columbia</u> , <u>Pack-In-Video</u> , <u>Pioneer LDC Inc.</u> , <u>PolyGram K.K. (Nippon Phonogram Co., Ltd.</u> , <u>Polydor K.K.)</u> , <u>Sony Computer Entertainment</u> , <u>Sony Music Entertainment</u> , <u>Sony Pictures Entertainment</u> , other Sony subsidiaries, <u>Teichiku Records</u> , <u>Tokyo Broadcasting System</u> , <u>Toshiba-EMI Limited</u> , <u>TV Asahi</u> , <u>Victor Musical Industries, Inc.</u> , <u>Warner-Pioneer Corporation</u>
<u>Mizuho</u>	<u>IBJ</u>	<u>Industrial Bank of Japan</u> <u>Chuo Trust</u> <u>New Japan Securities</u> <u>Wako Securities</u> <u>IBJ Securities</u>	Vehicles: <u>Daihatsu</u> , <u>Fuji Heavy Industries (Subaru)</u> , <u>Honda Motor</u> , <u>Isuzu</u> , <u>Mazda</u> , <u>Mitsubishi Fuso Truck and Bus Corporation</u> , <u>Mitsubishi Heavy Industries</u> , <u>Mitsubishi Motors</u> , <u>Nissan</u> , <u>Suzuki Motor</u> , <u>Toyota</u> Precision Machinery: <u>Ikegai</u> , <u>Riken</u> Electronics: <u>Fuji Electric</u> , <u>Fujitsu</u> , <u>Hitachi, Ltd.</u> , <u>Matsushita Electric Industrial Co., Ltd.</u> , <u>NEC Corporation</u> , <u>Sumitomo Electric Industries, Ltd.</u> , <u>Victor Company of Japan, Ltd.</u> Chemicals: <u>Joyce Chen Products</u> , <u>Nippon Soda</u> , <u>Chisso Corporation</u> , <u>Nissan Chemical Industries</u> , <u>Tosoh Corporation</u> , <u>Hodogaya Chemical</u> , <u>Plas-Tech</u> , <u>Taihei Chemical</u> , <u>Japan Organo</u> , <u>Kuraray</u> Food: <u>Asahi Breweries</u> Entertainment: <u>BMG Victor, Inc.</u> , <u>CIC-Victor Video, Ltd.</u> , <u>Fujisankei Communications Group (Fuji Television</u> , <u>Nippon Broadcasting System</u> , <u>Pony Canyon)</u> , <u>MCA Victor, Inc.</u> , <u>Nippon Columbia</u> , <u>Nippon Television</u> , <u>Pack-In-Video</u> , <u>PolyGram K.K. (Nippon Phonogram Co., Ltd.</u> , <u>Polydor K.K.)</u> , <u>Teichiku Records</u> , <u>Tokyo Broadcasting System</u> , <u>TV Asahi</u> , <u>TV Tokyo</u> , <u>VAP, Inc.</u> , <u>Victor Musical Industries, Inc.</u>

Toyota is considered the biggest of the vertically integrated keiretsu groups, although the company is rather considered as a "emerged" keiretsu, along with Softbank, Seven & I Holdings Co..^[15] The banks at the top are not as large as normally required, so it is actually considered to be more horizontally integrated than other *keiretsu*.

The Japanese recession in the 1990s had profound effects on the *keiretsu*. Many of the largest banks were hit hard by bad loan portfolios and forced to merge or go out of business. This had the effect of blurring the lines between the individual *keiretsu*: Sumitomo Bank and Mitsui Bank, for instance, became Sumitomo Mitsui Banking Corporation in 2001, while Sanwa Bank (the banker for the Hankyu-Toho Group) became part of Bank of Tokyo-Mitsubishi UFJ.

Generally, these causes gave rise to a strong notion in the Japanese business community that the old *keiretsu* system was not an effective business model, and led to an overall loosening of *keiretsu* alliances. While they still exist, they are not as centralized or integrated as they were before the 2000s. For instance, many troubled Japanese companies are faced with a new reality in which receiving financial support from their main banks are getting harder and unlikely than ever before. The companies include Sharp Corporation and Toshiba, both the iconic Japanese electronics companies.

This changed environment, in turn, has led to a growing corporate acquisition industry in Japan, as companies are no longer able to be easily "bailed out" by their banks, as well as rising derivative litigation by more independent shareholders.

Outside Japan

The *keiretsu* model is fairly unique to Japan. The closest foreign counterpart would be the Korean *chaebol*, but many diversified non-Japanese businesses groups have been described as *keiretsu*, such as the Virgin Group (UK), and Tata Group (India), and the Colombian Grupo Empresarial Antioqueño.

Some industry consortiums and alliances have also been described in this way. The most common examples are the airline code-sharing alliances, such as Oneworld and Star Alliance. While those arrangements link a broad range of companies around a common organization, the groupings tend to have minimal financial entanglement and are generally designed around gaining access to foreign markets within industries that governments consider sensitive such as mining and aviation when foreign ownership is limited or even banned.

The automotive and industries have created broad cross-ownership networks across nations, but the national companies are normally independently managed. Banks cited as being central to *keiretsu*-like systems include Deutsche Bank and some *keiretsu*-like systems, generally referred to as trusts, were created by investment banks in the United States such as JP Morgan and Mellon Financial/Mellon family beginning in the late 19th century (roughly the same period they were created in Japan), but they were largely curtailed through anti-trust legislation championed by Theodore Roosevelt in the early part of the 20th century. A form of *keiretsu* can also be found in the cross-shareholdings of the large media companies throughout most developed nations.^[16] These are largely designed to link content producers to particular distribution channels, and larger content projects, such as expensive movies, are often incorporated with ownership spread across a number of larger companies.

Contrarian view

Harvard Law School professor J. Mark Ramseyer and University of Tokyo professor Yoshiro Miwa have argued that the postwar *keiretsu* are a "fable" created by Marxist thinkers in the 1960s so as to argue that monopoly capital dominated the Japanese economy. They point to the sparsity and tenuousness of cross-shareholding relationships within the *keiretsu*, the inconsistency in members' relationships with the "main banks" of each *keiretsu*, and the lack of power and reach of the *zaibatsu* alumni "lunch clubs" which are often argued to form a core of *keiretsu* governance.^[17]

United States–Japan bilateral relationship

By April 2015, U.S. Trade Representative Michael Froman and Japanese Economy Minister Akira Amari, representing the two largest economies of the 12-nation Trans-Pacific Partnership, were involved in bilateral talks regarding agriculture and auto parts, the "two largest obstacles for Japan."^[18] These bilateral accords would open each other's markets for products such as rice, pork and automobiles.^[18]

During the two-day ministerial TPP negotiating session held in Singapore in May 2015, the U.S. Trade Representative (USTR) and veteran negotiator, Wendy Cutler, and Oe Hiroshi, of the Japanese Gaimusho, held bilateral trade talks regarding one of the most contentious trade issues, automobiles. American negotiators wanted the Japanese to open their entire *keiretsu* structure, a cornerstone of the Japanese economy, to American automobiles. They wanted Japanese dealer networks such as Toyota, Nissan, Honda, Mitsubishi, and Mazda to sell American cars.^[19] The successful conclusion of these bilateral talks was necessary before the other ten TPP members could complete the trade deal.^[18]

See also

- Corporate ecosystem
- Economy of Japan
- Four big families of Hong Kong
- Horizontal integration
- Vertical integration

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