

How Japan's Hankyu Railway Became a Retail Powerhouse

Japan's most competitive corridor has 4 services, but is dominated by a company that uses retail sales, land development, cultural events, and its geographic advantages on top of good service to outrun the Shinkansen and produce a profit.

by Leroy W. Demery, Jr.

It started as the train to nowhere; the little railroad that couldn't; a profitless Toonerville that shouldn't have been built. And so forth. Then it prospered, guided by the energetic, innovative leadership of a remarkable transport manager. No, not an excerpt from recent U.S. light rail history, but the origin of the Hankyu Electric Railway, one of Japan's most prosperous business enterprises.

Electric traction was introduced to Japan at an 1890 exposition in Tokyo's Ueno Park. Thereafter, competing interests scrambled to secure authority to build urban, suburban and intercity electric railways. Promoters hoped to follow the example of New England traction companies and build alongside local roads. However, the first Japanese company to attempt this was forced to pay the cost of road widening. It soon decided to purchase land, as close to the road as practical, and build on its own right-of-way. This pattern was well established by 1905. Unlike their American counterparts, early Japanese electric railway companies could not build as quickly and as cheaply as possible. Instead, they had to invest substantial sums for lines which, as things turned out, could be upgraded into full-scale rapid transit systems.

A group of Osaka investors organized the Mino-o-Arima Electric Railway in 1907. Osaka was then a very dense, working-class commercial center, second-largest among Japanese cities with more than one million people. The company planned to build north and west from Osaka station to several small towns and recreation destinations. These included Mino-o, at the foot of a mountain range noted for hiking trails, almost directly north of Osaka. To the northeast, the hot springs of Takarazuka had been known for eleven centuries. Those at Arima, on the northern slope of the Rokko



mountains, were favored by Emperors and Buddhist clergy, and were mentioned in many historic and literary works.

The company built from a terminal at Umeda, just north of Osaka station, north to the Yodo riverbank, with about 0.6 mile of street track. It built a bridge to Juso, then continued northeast to Takarazuka, 14 miles from Umeda. The outer portion paralleled a government railway, today's Fukuchiyama Line. A 2.5-mile branch extended from Ishibashi to Mino-o.

The Mino-o and Takarazuka lines opened on March 10, 1910, and the company soon discovered what one of its founders anticipated. Recreational traffic, even from a large industrial city like Osaka, was not sufficient to support an electric railway. Not only that, but the company's longer line fell six miles short of its intended destination. Takarazuka was then little more than a wide spot in the road on the way to Arima, but the company could not afford to build up into the Rokko foothills. Between terminals, the railway was lined by not much more than open fields. The obvious solution

occurred to Ichizo Kobayashi (1873-1957) even before the company opened service: develop subsidiary enterprises that would also bring traffic to the railway.

Kobayashi was born in Yamanashi Prefecture, west of Tokyo. He attended today's Keio University, and began his business career with Mitsui Bank in 1893. Early on, he realized that the Mino-o-Arima company would need more than recreational traffic, for he began to circulate flyers inviting Osaka residents to move "out into the country" along the line prior to opening day. In Takarazuka, he approached local business owners and proposed an early version of "joint development." They declined. So, Kobayashi purchased land and established the Takarazuka New Spa Resort in 1911. This eventually became the Takarazuka Family Land amusement park, regrettably closed earlier this year owing to declining attendance.

Kobayashi then expanded his efforts at promoting large-scale residential development along the railway. His real-estate subsidiary sold houses at cost. To build confidence among prospective customers, Kobayashi directed company employees to buy houses in the new developments. In time, the company developed a monthly installment plan, with a typical Kobayashi twist: the company collected payments at its headquarters at Umeda terminal. This location was, of course, very convenient for homeowners who commuted to central Osaka. It was also convenient for the company, saving it the expense of maintaining branch offices. Development of new residential suburbs by railway enterprises became a common pattern in Japan, and contributed greatly to the growth of the country's new urban middle class after World War I.

Osaka's nearest urban neighbors include the bustling port city of Kobe and the ancient Imperial capital of Kyoto. Rail lines to Kobe and Kyoto were opened in 1874 and 1876, followed by electric railways in 1905 and 1910. Undeterred, Kobayashi's company changed its name to Hanshin Express Electric Railway in 1918. "Hanshin" is an abbreviation meaning "Osaka-Kobe," but this was firmly associated with the existing Osaka-Kobe line. So, Kobayashi's enterprise became known as "Hankyu," which is a contraction of "Hanshin Express." Some would say that this embodies the spirit of competition Osaka-style: "They're 'Osaka-Kobe,' but we're 'Osaka-Kobe Express!'" Kobayashi who had managed the company since 1913, became company president in 1927 and chairman in 1934.

Three half-hourly Hankyu limited expresses depart Osaka Umeda in formation on a recent Sunday afternoon. They run parallel nonstop on a six-track bridge across the Yodo River, then proceed to destinations of Kobe, Takarazuka, and Kyoto. The hub produces strong interchange traffic and massive crowds at Hankyu's main store at the head of the station. Photo: R. Tolmach

Hankyu opened a new line from Awaji to Kobe in 1920. Meanwhile, an affiliated company opened a line between Awaji and Kyoto between 1921 and 1928. A short underground extension reached central Kyoto in 1931. These new lines were built across empty land, soon to be occupied by Hankyu-sponsored subdivisions. By 1926, the trunk line between Umeda terminal and Awaji was elevated, with a separate pair of tracks for the Takarazuka and Kobe lines. A third pair of tracks was added for Kyoto trains in 1959. Simultaneous dispatch of express trains destined for Kobe, Kyoto and Takarazuka from Hankyu-Umeda terminal ranks among the more memorable sights in Osaka today.



Builder, innovator and huckster, Kobayashi embodied P. T. Barnum, Walt Disney and Henry E. Huntington, founder of Southern California's fabled Pacific Electric Railway. Kobayashi visited the American West Coast to study electric railway practices, where he probably met Huntington. (The late Gordon J. Thompson, who was the leading American expert on Japanese transportation history, wrote that he was not able to find documentation but believed that the two did meet.) Thompson chronicled the marvels of Japanese railways in a 1980 self-published journal.

An enduring legacy of Kobayashi's early promotional efforts began as the Takarazuka Girls' Theater. The Mitsukoshi department-

store chain sponsored a boys' band, inspiring Kobayashi to stage all-female musical performances. These he billed as "strictly wholesome entertainment suitable for women and children from good families." The idea was to attract visitors to Takarazuka — who would, of course, travel there and back aboard Hankyu trains. In time, the name "Takarazuka" became synonymous with the light opera performances staged there. These capitalized on the popularity of modern Western music, adding a uniquely Japanese twist: in contrast to the all-male casts in the traditional Kabuki and Noh theaters, the new musical spectacles had all-female casts — and proved highly popular with young women. Once regarded as a shocking new phenomenon that might disrupt the social order, Takarazuka today is an integral part of Japanese popular culture. (Although extremely popular! among young women — audiences are typically 90 per cent female — Takarazuka, in common with Kabuki and Noh, attracts little interest from most Western audiences.)

A new 4,000-seat theater replaced the original Takarazuka auditorium at (a converted indoor swimming pool) in 1923. A second Takarazuka Theater, this one in Tokyo, opened in 1934. An offshoot of the Tokyo Takarazuka enterprise, Toho Co. Ltd., became one of Japan's major motion picture producers and distributors. Toho produced noted director Akira Kurosawa's first film, and actor Toshiro Mifune made his debut with Toho.

Meanwhile, back in Osaka, more than 100,000 people commuted to and from Osaka each workday aboard Hankyu trains by 1924. Each of them, Kobayashi realized, was a potential shopper. He leased space on the first floor of Umeda terminal to a confectioner, and established a company-managed restaurant on the second floor. The volume of business was so great that the company terminated the confectioner's lease and opened the Hankyu Market, which offered food, books and sundries. Business continued to grow, and Kobayashi sought advice from Chubei Ito, whose father was founder of today's Itochu and Marubeni trading companies. As recounted by Hidetoshi Kato, their conversation went something like this:

"Say, Chubei, you've been calling my store a peanut stand. What do you mean by that?"

"About the only thing anyone can buy easily is peanuts. Why don't you make your shop into a real department store?"

Kobayashi smiled and replied, "To tell the truth, that's just what I wanted to discuss with you."

A department store built by a railway at its main terminal was a new idea. Nothing like this had ever been attempted on such a scale. Kobayashi began building the first Hankyu Department Store at Umeda in 1929. When completed in 1932, it had eight floors and two basement levels. Commuters paused for shopping on their way to and from their offices. Suburban housewives soon discovered the convenience of riding Hankyu trains into the city, for shopping at what became known as the "Terminal Department Store." The new traffic benefited both the railway and its retail subsidiary.

Hankyu expanded its retailing activities, opening a Kobe store in 1936 and its first Tokyo store in 1953. Hankyu Department

Stores, Ltd. was established as an independent enterprise in 1947 but remains a core member of the Hankyu group. By the early 1980s, revenues exceeded \$1 billion per year and the flagship Osaka store reported the largest sales volume of any single department store in Japan.

During a voyage to Europe, Kobayashi developed a taste for an early example of "fusion" cuisine: beef curry and rice, at that time a "high-collar" (= "upper crust") dish. He hired the ship's cook for his restaurant, and sought to popularize "curry rice." The Hankyu restaurant's signature dish became so popular that Kobayashi contracted with farmers to raise cattle exclusively for Hankyu. In time, curry rice became as much of a Japanese staple as sushi.

Today, Hankyu's 91-mile rail network carries nearly two million passengers per day, and traffic approaches three million per day on workdays. More than 3,000 staff members operate nearly 104 million vehicle-miles per year. During the 2000 fiscal year, the railway division earned more than \$850 million in revenue and reported a net profit of nearly \$110 million. During the mid-1980s, Hankyu had the highest profit ratio among Japan's large independent railways. Among its many subsidiaries is the Hankyu Braves baseball team, whose Nishinomiya stadium is near a major station on the Kobe line.

Ichizo Kobayashi originated the idea of an integrated network of service enterprises with a railway as its hub. Other companies followed Hankyu's lead, giving rise to the the prosperous, profitable railway networks that serve Japan's large cities. Planners in other countries debate how to encourage land-use patterns that will induce greater use of public transport facilities,

how to coordinate housing and retail development with transit stations, and so forth. All of this, and much more, has been accomplished along Hankyu's lines over the past 90 years.

Ichizo Kobayashi once wanted to be a writer, and so it seems appropriate to conclude with a 1910 newspaper advertisement he wrote, presented in translation by Hidetoshi Kato:

Unfortunate Osaka citizens living in this smoke-darkened metropolis, its once sparkling waters gone as if in a dream of yore.... let each of you breathe at

ease in your own home, your own castle. What we have always spoken of as "clothing, food and shelter" must be rearranged in its natural sequence to "shelter, food and clothing".... Coming into the city to work the day through, day upon day, batters the brain; you who would ease your tired body at home should awaken the following morn to Chanticleer's call, rejoice in the evening to the music of insects in the heath, savor fresh, hand-cultivated vegetables. You should demand the spacious garden of your desires that you might live amidst these pastoral pleasures.... if one were to propose to present this idyllic home to you, without hesitating you would decide in favor of living in the country. Just as you expected! This perfect new homesite, this idyllic new house, is right at hand. Read carefully the following: "Exemplary Suburban Life—Ikeda New Town."

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