The Kikuya family can trace their lineage back to the nobles of Settsu province (today part of both Osaka and Hyogo Prefecture) during the early Northern and Southern Courts period (1336–1392). During the early sixteenth century they were retainers of the Ouchi, a family who ruled several provinces in western Honshu from the castle town of Yamaguchi. The Ouchi were eliminated by the Mori in the 1550s, after which the Mori became the principal power in the region. With no family to serve, the Kikuya family renounced their samurai status and became merchants.

Even though merchants were the lowest social class, the Kikuya remained one of the domain's preeminent families. In 1600, the Kikuya helped raise money for Mori Terumoto (1553–1625) and his retainers to return to Hiroshima from Kyoto after their side's loss at the battle of Sekigahara. It was at this critical moment that the Kikuya family proved themselves as one of the Mori's greatest allies. With their defeat, the Mori were forced to move their capital from Hiroshima to Hagi. The Kikuya came with them and helped to transform Hagi into the new center of the Mori family's political and economic power. As a reward for their loyalty, the Kikuya were given the plot of land where their expansive residence has stood for over 400 years.

The Kikuya aided the development of Hagi by bringing merchants, craftsmen, and samurai in great numbers. Soon, Hagi was the tenth-largest town in Japan with a population of over 30,000. Many of the domain's foot soldiers and middle-ranking retainers lived in a neighborhood that the Kikuya built to the north of their own residence. Even the town's beach came to be called *Kikuyahama*, or "Kikuya Beach."

For their service to the Mori the Kikuya were granted the title of *goyotatsu*, or official merchants to the Mori family. They also received the hereditary post of *machidoshiyori*, charged with the town's government and upkeep. The Mori lords and their retainers often visited the Kikuya home to do business or relax. In this way, the Kikuya built not only a great fortune but a reputation as one of the new city's most important families. When officials from the shogunate visited Hagi, they were often housed in the Kikuya mansion.